



Research  
Centre



## Feasibility study for the trials of Payment by Results for children's centres

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## Glossary

ChildView	A set of commercially available IT products and services including Early Years, Education, Youth and Social Care applications, designed to support information sharing and multi-agency collaboration. <a href="http://www.caci.co.uk/ChildView.aspx">http://www.caci.co.uk/ChildView.aspx</a>
Common Assessment Framework (CAF)	A standardised approach used by practitioners to assess children's additional needs and decide how these should be met. <a href="http://www.education.gov.uk/childrenandyoungpeople/strategy/integratedworking/caf">http://www.education.gov.uk/childrenandyoungpeople/strategy/integratedworking/caf</a>
Community Budget	A Community Budget organises public spending by place, rather than by individual organisations or service. Tackling families with multiple needs is the centrepiece of the Government's proposals for the first phase of Community Budgets. <a href="http://www.localleadership.gov.uk/communitybudgets/">http://www.localleadership.gov.uk/communitybudgets/</a>
Community Mothers Programme (CMP)	The programme grew out of the Early Childhood Development Programme designed in Bristol and piloted in Ireland in 1988. Now being implemented by some local authorities in the UK, it aims to aid the development of parenting skills and improve parents' confidence and self-esteem, through advice and support on a range of family issues from breastfeeding through toddler groups to goal-setting. <a href="http://www.wavetrust.org/intervention/summary/community-mothers-programme-dublin">http://www.wavetrust.org/intervention/summary/community-mothers-programme-dublin</a>
Early Implementer Site (EIS)	Twenty-six sites have been selected to lead the way in delivering the new health visiting service. Health visitors will offer a universal service to families, with more targeted and tailored support for those who need it. Early implementer sites are expected to showcase best practice. <a href="http://www.dh.gov.uk/en/Aboutus/Features/DH_125650">http://www.dh.gov.uk/en/Aboutus/Features/DH_125650</a>
Early Years Foundation Stage (EYFS)	The Early Years Foundation Stage (EYFS) is a comprehensive statutory framework that sets the standards for the learning, development and care of children from birth to five. All early years providers are required to use the EYFS to ensure that whatever setting parents choose, they can be confident their child will receive a quality experience that supports their care, learning and development. <a href="http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/delivery/education/a0068102/early-years-foundation-stage-eyfs">http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/delivery/education/a0068102/early-years-foundation-stage-eyfs</a>
Every Child a Talker (ECaT)	A national project to develop the language and communication of children from birth to five years of age. <a href="http://www.nsonline.org.uk/node/180409?uc=force_uj">http://www.nsonline.org.uk/node/180409?uc=force_uj</a>
Family Engagement Partnership	Run by children's centres in Croydon, with health, social care and voluntary and community sector partners, geographically based Family Engagement Partnership Teams focus on shared outcomes for families from conception for the first three years.

	<p><a href="http://www.croydon.gov.uk/contents/departments/business/pdf/1048135/eifs019ebp.pdf">http://www.croydon.gov.uk/contents/departments/business/pdf/1048135/eifs019ebp.pdf</a></p> <p><a href="http://www.dwp.gov.uk/docs/early-intervention-next-steps.pdf">http://www.dwp.gov.uk/docs/early-intervention-next-steps.pdf</a></p>
Family Nurse Partnership (FNP)	<p>This is a preventive programme for young first time mothers. It offers intensive and structured home visiting, delivered by specially trained nurses (Family Nurses), from early pregnancy until the child is two.</p> <p><a href="http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_118530">http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_118530</a></p>
Outcomes Star	<p>The Outcomes Star™ is a tool for supporting and measuring change when working with vulnerable people.</p> <p><a href="http://www.outcomesstar.org.uk/">http://www.outcomesstar.org.uk/</a></p>
Universal Partnership Plus	<p>The Health Visitor Implementation Plan 2011-15 details four 'offers' which will be available to families: Community, Universal, Universal plus and Universal partnership plus. Universal partnership plus refers to provision of multi-agency support with complex or additional needs.</p> <p><a href="http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_124208.pdf">http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_124208.pdf</a></p>

## Executive summary

The Children's Improvement Board asked C4EO to provide some research evidence on the early development of the programme that will trial Payment by Results (PbR) for children's centres with 27 local authorities. The research has been carried out by two of C4EO's core partner organisations - the National Children's Bureau (NCB) and the National Foundation for Educational Research (NFER).

The aims of the study were to:

- Assess the suitability of a range of possible national measures for the programme and advise on appropriate national measures
- Explore local authorities' views on some of the practical implications of PbR
- Investigate authorities' early plans for developing local PbR schemes.

The study was carried out in September and October 2011 and involved:

- A review of the bids and work plans submitted by the nine authorities funded as part of wave one of the PbR scheme, and telephone interviews with 15 representatives from these authorities<sup>1</sup>.
- A review of relevant national data sources and an initial economic assessment of the suitability of proposed national measures.
- A presentation and discussion of the early findings with 28 representatives of wave one and wave two trial authorities. These discussions have informed the final findings and the conclusions we have drawn from them.

## Review of the proposed national measures

The Department for Education (DfE) has identified 20 proposed measures for possible inclusion in the national PbR scheme. With evidence from the consultation with local authorities and the economic assessment, the research team assessed each proposed measure according to the following criteria:

- Relevance to policy objectives for children's centres, with suitable evidence linking measures to desired policy outcomes
- Measurable at the local authority level, with data available at suitable intervals
- Attributable to local authorities, with the attribution mechanisms seen as transparent and considered fair by those involved in the PbR scheme
- Robust in the sense that it does not create perverse incentives.

The table at the end of the section summarises the assessment of each measure. It should be noted that some of the proposed measures have not

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<sup>1</sup> The focus on wave one authorities was determined by a very tight timetable which did not allow time to involve wave two authorities in the fieldwork.

been fully defined and/or developed and local authorities and the economic assessment could not provide a full assessment of these measures.

## A basket of measures for the national scheme

The study has found that two of the proposed DfE measures are clearly linked to policy objectives, attributable to local authorities and fairly robust. In addition suitable national and local authority level data is collected on these measures. These measures are:

- **Take up of the free entitlement** for disadvantaged two year olds. However, this measure will only be suitable when the programme is scaled up in 2013 and if places are offered in good quality settings.
- **The Early Years Foundation Stage Profile (EYFSP)**, the suitability of this measure will need re-considered once the EYFS has been revised.

It should be noted that while the above measures can be attributed to local authorities, as they are responsible for ensuring the delivery of sufficient good quality early education, attribution to children's centres is more problematic, as much early education is delivered in other settings.

We also identified measures that were considered important because of their strong link with policy objectives and are attributable to local authorities, but there is currently no consistent way of recording them. These are the kind of measures that the DfE could include in the new children's centres census:

- **Proportion of families registered with children's centres:** while there was support for a measure of universal reach, it was also argued that this could be refined to include some measure of (minimum) engagement with a children's centre.
- **Proportion of families in greatest need with sustained contact/outreach/family support:** authorities expected DfE to provide a definition of 'families in the greatest need' and to indicate national priorities focusing on risk factors. In relation to 'sustained contact/outreach/family support', again a definition is required, possibly focusing on outcomes rather than inputs and outputs, although it was recognised that this level of sophistication may be difficult for a national scheme.
- **Proportion of families with 24-36 months child development summary and additional support where needed:** the summary was seen as an important means to an end i.e. a systematic way of identifying individual children who may need support. In order to ensure consistency, the assessment/summary would need to focus on a specific age, and local authorities tended to favour 24 months because it would allow early detection of need and early intervention<sup>2</sup>.
- **Proportion of families in greatest need completing evidence based healthy eating/life style support or parenting programmes:** these

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<sup>2</sup> Since local authorities were consulted for the study, DfE has further developed the definition of the summary and scope of the assessment, as mentioned in Chapter 2.

measures were again favoured because of the strong link between evidence based programmes and positive child outcomes. Currently the National Academy of Parenting Research (NAPR) Commissioning Toolkit has fully validated only ten programmes, and authorities thought that these programmes were not sufficient to meet all local needs. However, the number of fully validated programme is going to increase substantially in the near future. We could not identify a similar scheme for healthy eating/life style support programmes, DfE would therefore need to consider setting up a national accreditation system for these types of programme.

Three health measures were considered to be strongly linked to policy priorities, robust, and measurable via reliable national and local authority level data which is already available. However, for these measures, attribution to the local authority alone is problematic. The measures are:

- **Breastfeeding** prevalence at 6-8 weeks after birth
- Incidence of **low birth weight** of full term live births
- **Healthy weight** at age four and five.

While local authorities are due to take on responsibility for public health, good results on these measures typically require strong partnership working arrangements between a local authority and health services. It was proposed that the national scheme should consider 'joint measures', with both health and the local authority being jointly responsible and rewarded (or penalised) for their performance.

The **remaining proposed measures** (i.e. antenatal support delivered through children's centres; postnatal depression/self-reported wellbeing; economic wellbeing; parents' aspirations, self-esteem and skills; volunteering and parental satisfaction with children's centre services) **were judged to be problematic for a number of reasons**. Three of these measures (i.e. parents' aspirations, self-esteem and skills, volunteering) did not seem to be clearly linked to policy objectives for children's centres. They all presented measurement problems: not only is data not currently available on these measures, but collecting it in a reliable way is likely to be expensive and in some cases (i.e. satisfaction with services and volunteering) highly problematic. Some of these measures (i.e. postnatal depression/self-reported wellbeing, economic wellbeing, parents' aspirations, self-esteem and skills) also presented problems of attribution, which could not be solved by introducing joint measures with another agency, as these are very complex measures influenced by a range of factors. Finally, although Ofsted ratings 'ticked' almost all the boxes in our assessment framework, Ofsted inspections are not frequent enough to be suitable for a PbR scheme.

The study has also explored whether the national scheme should include a fixed set of measures to be applied across the country, or a menu of measures so that measures applied to each authority can reflect local circumstances and needs. While the flexibility provided by a 'menu approach' was seen as attractive, there was a danger that authorities would opt for measures they can score highly on leading to perverse incentives and unintended consequences. One possibility would be for the **national scheme to provide a core set of**

measures for benchmarking purposes, supplemented by local measures relevant to each authority, subject to agreement with the DfE.

## Practical implications of implementing PbR

Local authorities were asked about the practical implications of implementing a national PbR scheme and the findings show that:

- Local authorities were keen to use data that is already collected where possible, but some were **willing to accept a greater burden of data collection to measure performance in a meaningful way, as long as the basket of measures taken forward is relatively small.**
- Some local authorities noted the changing data landscape in the Early Years and emphasised the importance of taking the 'right' data collections forward, given proposed policy changes in the sector<sup>3</sup>. Because changes to data collection impact on authorities' ability to track data and monitor trends over time, research participants argued that DfE should aim for **stability in terms of their data requirements.**
- Research participants believed that the **national PbR scheme should relate to the criteria used in the Ofsted inspection framework**, to ensure there is some synergy and avoid staff being pulled in different directions.

## The local PbR schemes

The study looked at how local authorities are developing PbR schemes to incentivise children's centre providers locally. These plans were at an early development stage but the findings show that:

- Overall there seemed to be **good synergy between local plans and the national scheme and its draft national performance measures.** Local plans reflected the key national policy objective to focus children's centres' efforts on families in greatest need, while maintaining a universal element and reach.
- **Local schemes were planning more sophisticated monitoring measures than those proposed for the national scheme.** Authorities were planning to use relevant aggregate data on some key indicators of child wellbeing and relevant activities. However, there was also a strong emphasis on: assessment of families' needs based on a holistic and professional judgement; packages of support that reflected needs assessments; and tracking families over time to establish if the agreed support was received and was having the intended impacts.
- Authorities argued that in order to work effectively **local schemes need to have sufficient flexibility to respond to local circumstances.** In practice this would mean that there could not be a perfect match between

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<sup>3</sup> Such as the recommendations of the Tickell Review, the SEN Green Paper and the proposed Health Premium.

the national measures and those used to incentivise children's centres locally, and that within the same area there may be variations in terms of the targets set for different children's centres.

- **Measures that do not appear suitable for a national PbR scheme were being considered for local schemes.** This may be because measures were linked to specific local initiatives (e.g. programmes to support parental employment) and because locally it was possible to develop more sophisticated systems for monitoring outcomes from children's centres' services (e.g. track service users over time).
- Local flexibility per se should not undermine the effective functioning of a national PbR scheme, provided that local measures fit with an overarching national framework of what the scheme intends to achieve. However, **lack of local level data for measures used for the national scheme could create problems.** Some authorities still struggled to access at the local level the kind of data that may be used for the national scheme (e.g. health measures and felt that **mandatory data sharing protocols** may be the only way in which these longstanding data access issues could be resolved.
- Some authorities were considering putting in place **'improvement and support' mechanisms** to investigate the reasons why children's centres may not be performing well in relation to specific targets. However, it was not clear at this early stage whether this would be used instead of or alongside performance management mechanisms more typical of a PbR scheme, such as the replacement of poor performing providers.

## In conclusion

On the whole local authorities consulted for the study supported the principle of holding them and children's centres to account for the services they deliver to families and the outcomes to which they contribute, and there was a commitment to work in a more evidence informed and outcome driven way. Authorities were interested in engaging with the development of the PbR scheme at the national level, while at the local level they were developing performance management and funding systems which aimed to move away from a focus on outputs and activities towards outcome based measures.

From the 20 measures developed by the DfE, the feasibility study has identified a basket of measures that could be included in a national PbR scheme. It should be noted that while a PbR scheme would ideally be based on outcome measures, many of the recommended measures are based on outputs, albeit with evidence linking some of these outputs with positive outcomes for children. Developing a national PbR scheme based mainly or entirely on outcome based measures would be very expensive, and the complexity and cost of the data collection were taken into account in our recommendations for suitable measures.

For some of the recommended measures suitable data is already collected and available nationally and at the local authority level. However, for many of the recommended measures, there is not currently a consistent way of recording them, and these are the kind measures that DfE could develop and test in order

to include in the new children's centres census. There was support for including some key child health measures in the scheme, but it was argued that this would require reframing the PbR scheme to allow for 'joint measures' with health, reflecting the strong partnership working required between services to improve child outcomes.

The feasibility study has recommended some measures that could be used in a national scheme. However, more work is required to develop and test some of these measures and the economic coherence of the PbR scheme as a whole. It will be important to answer questions such as:

- How will the scheme bring about the expected behavioural changes among local authorities?
- How will joint measures with health work in practice?
- How will local authorities pass variation on payments to local providers?
- How can a system be sufficiently responsive to address failure and fuel success and at the same time provide some level of financial security to local providers?
- What will happen if local authorities do not perform sufficiently well to attract the funding they need to maintain local children's centre services?
- What levels of payments should be linked to changes in performance for different measures and when should payments be made?

Careful trialling and assessment of the proposed measures will be invaluable in developing a fit for purpose PbR scheme, which can be rolled out nationally.

**Table 1 Assessment of the 20 proposed measures for the national PbR scheme**

	Linked to policy objectives	Measurable	Attributable to LA	Robust
<b>Contact with families/families in greatest need</b>				
% of families with children under 5 <b>registered</b> with CCs.	Yes	Yes, but measure could be refined to indicate a minimum level of support.	Yes, but other agencies (e.g. health) also key to achieving this.	Danger that focus becomes quantity at the expense of quality and resources diverted from highest need families.
% of families with children under 5 identified as being in <b>greatest need who have sustained contact</b> with CCs.	Yes	Yes, but list of priority groups must be provided and 'sustained contact' must be defined, or even redefined as 'sustained impact'.	Yes, but other agencies (e.g. health) also key to achieving this.	Depends on definitions but measures focusing on families in 'greatest need' have potential to lead to perverse incentives e.g. failing to classify families as such and families just outside definition not being targeted.
<b>Child development and school readiness</b>				
% of families receiving a <b>summary of their child's development</b> at 24-36 months.	Yes	Yes, but content of the summary needs to be specified <sup>4</sup> and window for carrying out assessment should be narrowed, age 2 was favoured as it allows for early identification of need and early intervention.	This would depend on who will be expected to have an input into the summary – e.g. if health visitor expected to carry out the assessment or contribute to it, attribution to LA alone would be problematic.	Yes, low risk of perverse incentives, but quality of summary may be affected by quantity of summaries that need to be produced.
% of families who receive appropriate <b>support where additional needs are identified</b> (e.g. through the summary).	Yes	Yes, but 'additional needs' and 'appropriate support' need to be defined.	Depends who will have responsibility for assessment and providing support, if other agencies involved attribution to LA alone could be problematic.	Depends on definitions used, with inappropriate definitions there is a risk that LAs would focus on quantity rather than quality.

<sup>4</sup> This measure was assessed before the DfE developed a fuller definition of what the assessment and summary will involve – see Chapter 2 for further details.

Early Years Foundation Stage Profile ( <b>EYFSP</b> ) with gap narrowing.	Yes	Yes, data already published annually at the local authority level and nationally. Changed to EYFSP may affect stability of this measure.	Yes, as LAs responsible for ensuring delivery of good quality early education. However, attribution to CCs more problematic as much early education is provided in other settings.	Yes, but concern among LAs of manipulation by schools, the recently established role of independent moderation would need to be emphasised.
Take up of <b>two year olds free entitlement</b> .	Yes	Yes, LAs report to DfE the number of places filled. This measure would only be suitable when the programme is scaled up in 2013, as currently demand for these places exceeds supply.	Yes, but for reasons mentioned above attribution to CCs more problematic.	Yes, but assuming that places are provided in good quality early years settings.
<b>Family health and wellbeing</b>				
% of families in greatest need accessing <b>antenatal support</b> through CCs.	Yes	No standard measure available and developing one would require considerable resources.	Attribution to LA highly problematic due to role of health.	All measures focusing on families in 'greatest need' have potential to lead to perverse incentives for the reasons stated above.
% of families in greatest need accessing <b>evidence based healthy eating/lifestyle support</b> through CCs.	Yes	This would require an accreditation scheme that classified programmes as evidence based.	Yes	All measures focusing on families in 'greatest need' have potential to lead to perverse incentives for the reasons stated above.
<b>Breastfeeding</b> at 6-8 weeks after birth.	Yes	Yes, data already published quarterly and available at the LA level and nationally. Data not always available at the CC level.	While LAs are due to take on responsibility for public health, contribution of health will still be important. Attribution to CCs could be more problematic.	Yes, low risk of perverse incentives.
Incidence of <b>low birth weight</b> of full term live births.	Yes	Yes, data already published annually and available at the LA level and nationally. Data not always available at the CC level.	While LAs are due to take on responsibility for public health, contribution of health will still be important. Attribution to CCs could be	Yes, low risk of perverse incentives.

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			more problematic.	
% of parents with <b>postnatal depression or self-reported wellbeing</b> .	Yes	No appropriate data available and collecting it would involve considerable resources.	Attribution to LA (and CCs) very problematic.	Difficult to assess robustness given that measures have not been developed yet.
Prevalence of <b>healthy weight</b> at age 4-5.	Yes	Yes, data already published annually and available at the LA level and nationally. Data not always available at the CC level.	While LAs are due to take on responsibility for public health, contribution of health will still be important. Attribution to CCs could be more problematic.	Yes, low risk of perverse incentives.
<b>Economic wellbeing</b> –child poverty and take up of free school meals (FSM) possible measures identified by the research team.	Yes	Child poverty and FSM data published annually and available at the LA level and nationally. FSM also available at CC level (but not child poverty).	Attribution to LA (and CCs) very problematic.	Yes, low risk of perverse incentives.
<b>Parenting aspirations, self-esteem and skills</b>				
% of families in greatest need completing <b>evidence based parenting programmes</b> through CCs.	Yes	Yes, if using parenting programmes Commissioning Toolkit developed by National Academy of Parenting Research (NAPR) – NB the Toolkit is currently being expanded.	Yes, but attribution to CCs could be more difficult if range of agencies involved in delivering support.	All measures focusing on families in 'greatest need' have potential to lead to perverse incentives for the reasons stated above.
% of families in greatest need receiving <b>sustained outreach and family support</b> through CCs.	Yes	Yes, but 'sustained outreach and family support' would need to be defined.	Yes	Depends on definitions but all measures focusing on families in 'greatest need' have potential to lead to perverse incentives for the reasons stated above.
Parents' self-reported <b>aspirations and self-esteem</b> .	Policy rationale for this not clear.	No appropriate data available and collecting it would involve considerable resources.	No, due to complexity of these measures and factors influencing them.	No, risk of perverse incentives as parents could be cherry-picked as easier to access/have higher aspirations.
Levels of parental	Policy rationale for	No appropriate data available	No, due to complexity of	No, risk of perverse incentives as

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language/ literacy/ numeracy.	this not clear.	and collecting it would involve considerable resources.	these measures and factors influencing them.	parents could be cherry-picked as easier to access/have higher skill levels.
<b>Cross –cutting measures</b>				
% of outstanding/good <b>Ofsted</b> inspections.	Yes	Available at LA level and nationally but inspections not frequent enough for use in a PbR scheme.	Yes	Yes, as measure is independently assessed.
Levels of <b>volunteering</b> in children's centres	Policy rationale for this not clear.	No appropriate data available and collecting it would involve considerable resources.	Yes	Robustness would depend on definition, but danger that CCs would 'open their books' to as many volunteers they could get.
Levels of <b>parental satisfaction</b> with CC services.	Yes	While many CCs already collect this data, it is not collected in a consistent way across the country and this data seems to be of limited use as satisfaction levels tend to be very high.	Yes	Measure could be subject to manipulation by LAs, CCs and even parents if they are aware that funding for services depends on their reported satisfaction.

# 1. Introduction

The Children's Improvement Board asked C4EO to provide some research evidence on the early development of the programme that will trial Payment by Results (PbR) for children's centres. The research has been carried out by two of C4EO's core partner organisations - the National Children's Bureau (NCB) and the National Foundation for Educational Research (NFER).

In this section we provide an overview of the PbR scheme for children's centres, discuss the theory underpinning PbR schemes and outline the aims of the study and how it was carried out.

## 1.1 Overview of the PbR trials

PbR for children's centres is one of a number of schemes the Government is introducing to improve the effectiveness and value for money of public services. It seeks to provide incentives for children's centres to focus on their core purpose, that is to:

*Improve young children's development and school readiness and reduce inequalities. The work of children's centres should focus on reaching and supporting the most disadvantaged families to promote their parenting aspirations and skills, and promote family health and wellbeing<sup>5</sup>.*

While PbR is not new and has been used to fund public services in the past, it has not been used in children's services to date, and the Government acknowledges that measuring and rewarding outcomes appropriately can present some challenges. Through the trials, the Government is seeking to work in partnership with local authorities to develop a PbR framework, which can improve incentives for local authorities, children's centres and local partners to more effectively reach families in greatest need and improve their outcomes.

The trials, involving 27 local authorities (see Appendix A), started in summer 2011 and will run till March 2013. Through the trials, participating authorities will be asked to develop and test a basket of measures that could be used for the national roll-out of the scheme, as well as for local schemes.

PbR will be trialled at two levels:

- **National:** with the Department for Education (DfE) paying trial authorities by results
- **Local:** with local authorities developing schemes to incentivise children's centre providers locally.

A basket of draft measures for the national scheme (included in Appendix B) will be tested with local authorities. DfE recognises that not all these measures

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<sup>5</sup> Sure Start Children's Centres Payment by Results Trial – A Programme commissioned by the Children's Improvement Board – Version 2: 14 September 2011.

will be appropriate for local payments, and the trials will be used to establish which measures will work best nationally and locally.

For the first two years (i.e. 2011-12 and 2012-13) trial authorities will be allocated funding to develop local PbR schemes and help to test the national measures. Decisions on how PbR funding will be allocated in the longer term (i.e. 2013 onwards) will be informed by the learning from the first two years of the trials.

## 1.2 PbR theoretical considerations

In this section we briefly discuss a range of the issues which should be considered in order to introduce PbR for children's centres, and highlight some important questions<sup>6</sup>.

PbR represents a particular form of performance contract governing the delivery of public services, designed to align the incentives of service providers more closely with those of policy makers. These principles are not new, and have been applied in a range of other settings – albeit not always under the banner 'Payment by Results'. The common goal throughout is to move from a situation where funders pay for *inputs* (e.g. particular staffing levels and facilities) towards paying for *outputs* (e.g. given numbers of services delivered) and *outcomes* (i.e. evidence that the services have achieved the intended results). This is intended to drive greater cost efficiency, innovation, transfer of risk, and a focus on delivering what matters to the policy maker.

PbR is not, however, a panacea. There are a number of challenges on paper and in practice around implementing a system that can succeed in driving improvement. One must be continually mindful of unintended consequences and the risk of creating perverse incentives. We manage what we measure, but 'measurability' rarely correlates with 'importance' in a policy context. A clear articulation of one set of priorities, expressed through PbR, is an implicit relegation of competing priorities; whereas under more traditional contract regimes some ambiguity creates room for the nuance and case-by-case judgements often required on the frontline.

Sturgess et al argue that PbR works best in an environment dominated by 'known unknowns':

*Where the linkages between inputs and outcomes are well understood and tightly connected, there is little point in specifying outcomes. Commissioners might as well purchase the key inputs or processes that they know will deliver the desired outcomes. On the other hand, where these linkages are so poorly understood that there is very little agreement about the relationship between effort and outcome, it will be virtually impossible to write an outcome-based contract that effectively*

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<sup>6</sup> It is not within the scope of the current study to undertake a comprehensive analysis of all the issue, a more detailed overview can be found, for example, in G. L. Sturgess, L. M. Cumming with J. Dicker, A. Sotiropoulos, S. Nadiya (2011) *Payment by Outcome, A Commissioner's Toolkit*, 2020 Public Services Trust.

*transfers risk. Under such conditions, providers might just as easily be penalised for failings over which they had no control, or rewarded for successes to which they made only a small contribution*<sup>7</sup>.

One potential objection to PbR’s ability to make a difference, particularly in relation to its implementation in ‘human services’ such as health and social care, is that professionals are already highly motivated by the desire to do the best for their clients. A system of financial incentives can, the argument goes, have limited impact on individuals and organisations not primarily motivated by profit. However, PbR represents more than just a system of financial incentives; the transfer of risk and changes in actual payments made are likely to have a substantial impact on organisations. This could affect the services they choose to deliver and their sustainability. Furthermore, economic theory enables us to understand the additional incentives and pressures imposed by the system in which individuals operate. It seems reasonable to assume that at the margin the ‘system’ will therefore have an impact on behaviour, the manner in which resources are allocated and priorities set, and ultimately on outcomes.

For such arguments to apply, it is still important to consider the mechanisms by which a PbR scheme for children’s centres is expected to generate the improvements sought. This is particularly the case for the national scheme where local authorities remain one step removed from the actual frontline service delivery in question. For example, a national PbR scheme could create the right conditions in which local PbR schemes can then flourish, and/or there could be other more direct mechanisms such as influencing local authorities’ wider strategy towards children’s centre provision.

Within any system of payment or contractual framework it is therefore important to consider the incentives created for each agent. The national and local PbR schemes will have an impact on local authorities and service providers both during periodic budget setting and contracting, and also on ‘in-year’ behaviour managing and delivering services. This creates four domains for which any future evaluation of the scheme should consider its impact:

	<b>National scheme</b>	<b>Local schemes</b>
<b>Budget setting / contract letting</b>	Central govt/LA interface when setting budget priorities	Impact on contract prices and competition
<b>Service delivery</b>	LA ‘in-year’ management of budgets and services	Service providers’ quality and cost of delivery

We have developed a set of criteria against which potential PbR measures should be tested (see Box 1.1), based on a brief review of how PbR has been designed and implemented in other fields (see Appendix C for two case studies

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<sup>7</sup> Sturgess et al (2011) op cit, p. 9.

of how PbR works in health and transport and the lessons for children's centres).

### Box 1.1 Framework for assessing the suitability of PbR measures

**Aligned with policy objectives:** measures should either directly relate to desired outcomes and experiences of stakeholders, particularly service users; or suitable evidence should exist linking the measures to these outcomes. For example, if the ultimate objective is school readiness, but it is only possible to measure outputs such as children's centre attendance, or intermediate outcomes such as levels of breastfeeding, then evidence should be available that attending children's centres or breastfeeding do indeed lead to improved school readiness.

**Measurable:** measurement should be possible in a manner that is objective and not open to manipulation. Data should also be available at a suitable level of disaggregation, both geographically and temporally, for example, decennial census data by postcode would be too infrequent to be useful. Measures should also be *stable*, in the sense that their definition is not subject to regular change. Furthermore, suitable benchmarks should be available. These could consist of a unit cost benchmark for delivery of outputs similar to the NHS scheme (see Appendix C), benchmarking of outcomes to some fixed point in time, or to performance nationally or for other similar areas and providers.

**Attributable:** it must be possible to attribute the measures utilised to the organisation with whom PbR is agreed. This could be directly, or via some form of analysis or statistical modelling (e.g. by comparing local authority outcomes to their nearest statistical neighbours), but either way the attribution must be understood and considered fair by all parties.

**Robust:** measures should not create perverse incentives for local authorities or providers. This could manifest itself through the targeting of particular groups at the expense of others even where level of need is equal; focussing on particular needs covered by PbR even where for some families other needs not captured by PbR could be more pressing; concentrating efforts on families just below thresholds to which payments are linked. Note that this could be a function of the measure itself (e.g. if it is too narrowly defined) or of the way in which it is implemented (e.g. payments linked to thresholds).

**Economically coherent:** the costs paid by the public sector must be outweighed by the benefits of the outcomes being considered. This may consist purely of short-term financial savings to the local authorities in question, or could be considered in terms of longer term economic benefits. Crucially, there should also be a clearly articulated mechanism by which the PbR scheme is expected to deliver improvement. Cutting funding to a local authority for poor performance will not improve outcomes if this funding is removed from the frontline. However, if this translates into funding being diverted away from ineffective or inefficient providers towards better performing providers this should result in improvement.

Some aspects of these criteria relate to the *identification* of suitable measures (e.g. alignment to policy objectives), whereas others consider their *implementation* (e.g. whether linking payment to particular thresholds creates perverse incentives).

## 1.3 The feasibility study

The aims of the study were to:

- Assess the suitability of a range of possible national measures for the programme and advise on appropriate national measures
- Explore local authorities' views on some of the practical implications of PbR
- Investigate authorities' early plans for developing local PbR schemes.

The study was carried out in September and October 2011 and involved:

- A **review of the bids and work plans** submitted by the nine wave one local authorities, and telephone **interviews with 15 representatives from wave one authorities**<sup>8</sup>. Respondents included: managers of local PbR schemes; research and evaluation managers; project workers; heads, managers and commissioning leads in a range of areas, including Preventative Services, Early Intervention, Early Years and Sure Start, Early Years and Family Support, Early Childhood Strategy. A topic guide was used for the interviews to ensure all the areas of interest were systematically covered.
- A **review of relevant national data sources and an initial economic assessment** of the suitability of proposed national measures, which briefly identifies the measures' main strengths and weaknesses, based on the framework set out in Section 1.3. The economic assessment was based on a brief informal search of the literature and discussions with the DfE and within the research team.
- A presentation and **discussion of the early findings with 28 representatives of wave one and wave two authorities**. These discussions have informed the final findings and the conclusions we have drawn from them.

## 1.4 Report outline

In **Chapter 2** we present the evidence on whether the proposed **national measures**: align to policy objectives, can be objectively measured, can be attributed to local authorities, are robust and avoid creating perverse incentives. In this chapter we also discuss authorities' preferences for a single set of measures or a 'menu' approach; the likely PbR data collection burden for local authorities and children's centres; and views on how payment should be linked to progress.

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<sup>8</sup> The focus on wave one authorities was determined by a very tight timetable which did not allow time to involve wave two authorities in the fieldwork.

In **Chapter 3** we explore early plans for developing **local PbR schemes**. We discuss: the aims of the local trials and synergy with the national scheme; how the local schemes will work in practice; what data authorities are planning to collect; awareness of the risk of perverse incentives and how authorities are proposing to deal with them in the local schemes.

In **Chapter 4**, we highlight the **key messages** arising from the evidence and recommend a **basket of measures** that could be taken forward within the national PbR scheme. We also consider the economic coherence of these measures.

In the report we present the findings of analysis of qualitative data, which provides research participants' views and experiences and the influences underpinning these. Qualitative data aims to illustrate the range of views, experiences and influences, and does not typically aim to quantify findings, as quantitative measures require a different research design.

## 2. Insights into the national PbR scheme

This chapter presents the evidence and insights into the national PbR scheme. It briefly describes the national measures, before setting out whether the proposed measures are: relevant to policy, measurable, attributable and robust. The chapter also explores local authorities' views on how payment should be linked to progress and how perverse incentives can be avoided in the scheme.

The chapter draws mainly on qualitative evidence from local authorities who participated in the interviews and discussion groups. We have also incorporated evidence from an initial economic assessment<sup>9</sup> of the suitability of the proposed measures where we felt that this was of use and/or where there was less evidence from local authorities.

### 2.1 About the proposed national measures

The DfE has proposed 20 national measures for inclusion in the PbR trial (see Appendix B). These are provisional and are not intended to constrain the measures that local authorities choose to use within their local PbR schemes. The national measures combine a focus on vulnerable groups – those 'in greatest need' – with universal measures. They relate to development, education and health outcomes for children and families and cover five domains:

1. Contact with families/families in greatest need
2. Child development and school readiness
3. Family health and wellbeing
4. Parenting aspirations, self-esteem and skills
5. Cross-cutting measures.

Within each domain, there are both output/activity-based measures and more outcome-based measures.

### 2.2 Views on the national measures

#### *Overarching views*

- Local authorities' views varied about whether it is more appropriate to look at performance against the measures solely for families who are accessing children's centres, or for the whole population of families with young children within the locality.

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<sup>9</sup> The initial economic assessment, carried out by a statistician with economic expertise, is included in Appendix D.

- On the whole there was agreement that **most of the measures should reflect a focus on the most vulnerable families** – those 'in greatest need'.
- In general, local authorities **preferred outcome focused measures** and felt that the national measures should balance a focus on reaching families with measures on the quality and appropriateness of support provided.
- Local authorities were keen to use data that is already collected where possible, but some were **willing to accept a greater burden of data collection in order to measure performance in a meaningful way**, as long as the basket of measures taken forward is relatively small.
- Attributing performance to the local authority was seen as problematic for many of the proposed measures, bearing in mind the contribution of other agencies (e.g. health) and factors outside of the local authority's control (e.g. the economy). Some thought that **joint measures**, which share accountability between the range of agencies responsible for delivering against a measure, might offer a way forward, though the design and implementation of these could be challenging. It is also worth noting that when responsibility for public health transfers to local authorities. it will be easier to attribute performance to the local authority for measures that health is currently accountable for<sup>10</sup>.
- Some local authorities noted the changing data landscape in the Early Years and emphasised the importance of taking the 'right' data collections forward in a rational and coherent way. The government's responses to the Tickell Review<sup>11</sup>, the SEN Green Paper<sup>12</sup> and the coverage of the planned Health Premium need to be taken into account. Given that changes to data collection impact on authorities' ability to track data and monitor trends over time, research participants argued that **DfE should aim for stability in terms of their data requirements**.
- Local authorities wanted **greater clarity about the definitions used in the measures**, in order to provide fair comparisons of performance at the national level.
- Research participants pointed out that the national **PbR scheme needs to take into account the criteria used in the Ofsted inspection framework**, to ensure that there is some synergy and avoid staff being pulled in different directions.

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<sup>10</sup> As set out in Department of Health (2010) Healthy Lives, Healthy People: Our strategy for public health in England. [online]. Available: [http://www.dh.gov.uk/prod\\_consum\\_dh/groups/dh\\_digitalassets/documents/digitalasset/dh\\_127424.pdf](http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_127424.pdf)

<sup>11</sup> Tickell, C. (2011) The Early Years: Foundations for life, health and learning - An Independent Report on the Early Years Foundation Stage to Her Majesty's Government. [online]. Available: <http://media.education.gov.uk/MediaFiles/B/1/5/%7BB15EFF0D-A4DF-4294-93A1-1E1B88C13F68%7DTickell%20review.pdf>

<sup>12</sup> Department for Education (2011) Support and aspiration: A new approach to special educational needs and disability – A consultation. [online]. Available: <http://www.education.gov.uk/publications/eOrderingDownload/Green-Paper-SEN.pdf>

## 2.2.1 Contact with families/families in greatest need

This domain includes two measures:

- Percentage of families with children under five years who are registered with children's centres in the local authority area
- Percentage of families with children under five years who are identified as being in greatest need and have sustained contact with children's centres in the local authority.

In general, local authorities felt that **there should be measures of both universal and targeted reach, as these functions are central to the role of children's centres**. They thought that it was important to include a measure of children's centres' success in reaching local families with children under five, since identifying their local family population is a precursor to engaging and supporting them. However, interviewees felt that measures based on the percentage of families registered are not a good indicator of the quality of support delivered or the outcomes achieved by families. Most felt that **refocusing the measures on the level, quality and appropriateness of the support provided to families**, rather than whether families are just 'on the books' would be more meaningful. There was more support for the second measure (families in greatest need) because of its focus on the most vulnerable families.

### *Policy relevance*

As explained in Section 1.3, one of the criteria that may be used to assess the suitability of a PbR scheme is its alignment with policy objectives. This means that measures should either directly relate to the desired outcomes, or suitable evidence should exist linking the measures to the outcomes proposed. We have limited evidence available to draw on for such an assessment, since it was not within the scope of this study to carry out a review of the research literature and this issue was only partly covered with some local authorities. However, we are able to offer a commentary on this criterion based on information provided by the DfE, our own knowledge of the research and policy context, and some comments from local authorities.

The two proposed measures in this domain are **clearly directly relevant to the policy objective, since in order to have an impact, children's centres must make contact with families and children**. The relevance of these measures was endorsed by the local authorities who participated in this study, who felt that it was very important for the PbR scheme to measure both universal and targeted recruitment/contact with parents.

### *Measurability*

In general, local authority interviewees felt that **measuring registered families would be relatively easy** and could be achieved by collating data that children's centres have readily available. However, interviewees and workshop participants raised several potential issues in terms of getting meaningful data:

- It is possible for families to sign up to several children's centres to access different services, so care would need to be taken to avoid double counting such families.
- Some research participants felt that local authorities with a high degree of population 'churn' would find it easy to reach or even exceed registering 100 per cent of the 'official' number of families.
- Children's centres near the local authority's boundaries may serve families from outside their authority.

Local authorities also highlighted the **need for DfE to provide clarity on the key definitions – 'greatest need' and 'sustained contact'**, to ensure consistency.

The definitions of '**greatest need**' that local authorities are developing for their local PbR scheme include: children on safeguarding plans and the child protection register, and children with disabilities or additional needs (see also Chapter 3). It was suggested that using a measure of 'multiple risk factors' may be appropriate. This type of information could be gathered through use of the Common Assessment Framework (CAF) or pre-CAF, but the measure would need to be based on a pre-defined list of indicators which identify families in 'greatest need'. One local authority interviewee thought that a good retrospective indicator would be take up of free school meals (FSM), which is assessed at Foundation Stage; other authorities suggested using a deprivation index to identify families in greatest need.

With regards to '**sustained contact**', some interviewees suggested that this could be defined in relation to a minimum number of visits, for example, ten visits were suggested by one respondent. However, others were concerned that setting a minimum number of visits would be counter-productive, as the number of visits appropriate for each family differs according to their needs and progress. As one interviewee stated:

*There is a danger that using the definition of sustained contact at any particular level would incentivise abandoning families once they have seen them a certain number of times.*

Conversely, some children's centres could be incentivised to provide families with more support than they actually need, which might encourage dependency on children's centres. As an alternative, some suggested that changing the definition to 'sustained impact' would provide a better measure of performance, but acknowledged that this would be more challenging and burdensome to measure.

### **Attribution**

Interviewees felt **attribution to the local authority is problematic for any measures to do with contact with families**, because it is usually midwives or health visitors who signpost families to children's centres. These staff come under the remit of the health service, rather than the local authority.

Developing a PbR mechanism that shares accountability and reward would mitigate the problems with attribution.

### ***Robustness***

Some interviewees had concerns about the potential for perverse incentives if the proposed measures are implemented in their current form. These included children's centres focusing resources on engaging families who are easy to reach and/or support, rather than those who are harder to engage and/or those who have more complex needs (e.g. traveller communities and young teenage parents). Some felt there was a danger that the measure focusing on families in greatest need might lead to 'postcode chasing', whereby children's centres focus their engagement activities on areas of disadvantage, at the expense of families in need in other areas.

Both local authorities and our economic assessment identified a **risk of services focusing on the quantity of families registered rather than the quality of the services provided to families**. One way of mitigating this would be to incorporate a measure of the quality of provision into the basket of measures to be taken forward. Some of the quality measures that local authorities are using within their local schemes are discussed in Chapter 3.

## **2.2.2 Child development and school readiness**

The measures included in this category are:

- Percentage of families receiving a summary of their child's development at 24-36 months
- Percentage of families who receive appropriate support where additional needs are identified
- Early Years Foundation Stage Profile (EYFSP)
- Take up of the two year olds free entitlement.

Local authorities pointed out that the **content of the summary and 'appropriate support' need to be clearly defined** before the suitability of these measures can be fully assessed. They were **positive about the potential for using EYFSP and take up of the two year olds entitlement** as measures of child development and school readiness, though **views were still mixed about their suitability**.

### ***Policy relevance***

The proposed measures are **generally relevant to policy objectives**. There is a logical connection between completing a summary of child development, identifying children in need of support and providing that support. Local authority interviewees felt that the second to fourth measures within the domain were broadly appropriate for measuring performance in relation to child development. However, they pointed out that providing summaries of child development would not necessarily mean that children's centres are providing children with the support necessary to facilitate their progress.

In relation to take up of the free entitlement for two year olds, there is evidence from the pilot evaluation to indicate that if early education places are delivered in good quality settings, this leads to improvement in social and cognitive outcomes<sup>13</sup>. However, several interviewees did not seem to be aware of the evidence and expressed the view that progress should only be linked to initiatives and programmes that have been proven to help children and their families.

### **Measurability**

Some local authorities struggled to discuss the measurability of some of the measures within this domain, due to a lack of clarity about their definition (e.g. what the child development summary would consist of<sup>14</sup> and what is meant by 'appropriate support').

While a **child development summary was generally considered useful**, in order to inform the provision of early intervention services, some local authorities noted that the **measure is not outcome focused**. It was also felt that the **window for carrying out assessment should be narrowed** considerably as children develop very quickly at this stage. Local authorities were keen for the **contents of the summary to be specified at the national level**. Locally, one authority was looking at exploring a measure of speech and language to tie in with a health visitor check and assessment. Another authority suggested using the 'Schedule of Growing Skills'<sup>15</sup> for the assessment of child development. Interviewees argued that, if an appropriate assessment is established, and training for staff involved in assessing is provided across the country, then a definition of 'child development' could be refined. During the workshop, some local authority representatives expressed uncertainty about who would carry out the assessment and provide the summary: a health visitor (available to all children), early years staff (available only to those in early education settings) or a combination of the two (although this may not always be feasible). Some participants felt that parents might be anxious about the outcomes of the development assessment and summary. They highlighted the importance of sensitivity in communicating the outcomes of the reports, noting that children do develop at different rates.

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<sup>13</sup> R. Smith, S. Purdon, V. Schneider, I. La Valle, I. Woolny, R. Owen, C. Bryson, S. Mathers, K. Sylva, E. Lloyd (2009) *Early Education Pilot for Two Year Old Children Evaluation*, Research Report DCSF-RR134, DCSF: London.

<sup>14</sup> The DfE has now developed a fuller explanation of this measure. The Early Years summary will be a written summary of progress for all children attending early years provision between the ages of 24 and 36 months. This would cover children's development in the following areas: personal, social and emotional development, physical development and communication and language. It aims to identify areas where children are doing well and those where they might need some additional support; parents will be encouraged to share the summary with their health visitor. The Government aims to introduce the summaries on 1 September 2012. Looking further ahead the Government is exploring the feasibility of a single integrated health and early years review at around age two (as recommended by Dame Clare Tickell in her review of the EYFS), to review children's progress and plan tailored support as appropriate. The Government is working with health and early years experts and practitioners about what such a review should cover. Depending on feasibility, the aim is that this would be introduced in 2015.

<sup>15</sup> See <http://shop.gi-assessment.co.uk/home.php?cat=360> for further details.

The measure focusing on **additional needs was highlighted as requiring further definition** as the understanding of the word 'appropriate' could be different for different authorities. 'Additional needs' were thought to be broad ranging, though the SEN Green Paper's proposal to reduce the number of children with identified SEN may assist with this<sup>16</sup>. Interviewees felt that the two measures using the **EYFSP and the take up of the two year olds entitlement would be broadly suitable for use nationally**. However, some pointed out the need to incorporate any changes to the EYFSP arising from the Tickell Review<sup>17</sup>, which could affect the stability of this measure. Workshop participants felt that measuring the percentage of two year olds receiving family support would be more meaningful as the outcomes of these children could then be tracked. It was also suggested that payment linked to progress on this measure would need to be tailored, possibly on a sliding scale, so that some more vulnerable groups of children (e.g. those on the child protection register) could get more funding allocated according to their needs. Some authorities noted that currently demand for places from this scheme exceeds supply and therefore measuring uptake would not be meaningful, as all authorities will currently easily reach this target. However, this measure will become more viable when the programme is scaled up in 2013.

### **Attribution**

Local authorities commented that a **child development summary would need to relate to a clearly defined output produced by the local authority**, in order to attribute this to the local authority.

**Take up of the two year old free entitlement** was thought to be **attributable to the local authority**.

The economic assessment found that the **EYFSP measure would be straightforward to attribute to local authorities** as they are responsible for ensuring the provision of good quality early education. However, interviewees and the economic assessment highlighted that **attributing this measure to children's centres would be problematic**, as much early years education is delivered in other early years settings, especially for four year olds, the majority of whom spend a year in school reception classes before the final assessments on the EYFSP. Attribution will need to be reviewed once the EYFSP has been refined, however.

Without a clear definition of the **additional needs**, research participants found it difficult to say whether this measure could be attributed to the work of the local authority and/or children's centres. If other agencies are involved, such as health professionals, speech and language therapists and psychologists, it

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<sup>16</sup> Department for Education (2011) *Support and aspiration: A new approach to special educational needs and disability – A consultation*. [online]. Available: <http://www.education.gov.uk/publications/eOrderingDownload/Green-Paper-SEN.pdf>

<sup>17</sup> Tickell, C. (2011) *The Early Years: Foundations for life, health and learning - An Independent Report on the Early Years Foundation Stage to Her Majesty's Government*. [online]. Available: <http://media.education.gov.uk/MediaFiles/B/1/5/%7BBB15EFF0D-A4DF-4294-93A1-1E1B88C13F68%7DTickell%20review.pdf>

would be difficult to attribute performance against this measure to children's centres and even to the local authority, if agencies involved were outside its control.

### **Robustness**

The economic assessment identified that there is a **low risk of the summary of child development measure leading to perverse incentives**. However, it did highlight that the quality of the summaries could be low due to the quantity of summaries that will need to be produced (one for every child in the local authority) under the current, universal definition of the measure.

The economic assessment also suggested that although '**additional needs**' directly measures whether families are receiving support, it is **unclear how the appropriateness of the support would be judged**. There is a risk that local authorities could play 'the numbers game' to increase quantity at the expense of quality. The basket of measures that is taken forward will need to **incentivise both the identification and engagement of families and the provision of appropriate, good quality support that meets the differing needs of families**, to mitigate against perverse incentives.

The economic assessment concluded that **EYFSP is aligned closely with the stated domain objectives** and uses a nationally established measure. However, as the measure is used to set a baseline for primary school value-added, this **could be subject to manipulation** by local authorities or schools (as it may be in their interests to depress children's scores on the EYFSP in order to demonstrate greater progress during their time in school). The local authority **moderation process**, and moderation by the newly formed Standards and Testing Agency, should help to avoid this.

The economic assessment highlighted that the measure looking at uptake of the **two year olds entitlement reduces the scope for 'gaming' around measurement**, as it builds on a pre-defined target group. While not related to the measure's robustness, it is worth noting that local authorities already receive funding for delivering the entitlement, so this measure would involve double payment.

### **2.2.3 Family health and wellbeing**

This domain was split into seven measures:

- Percentage of families in greatest need accessing ante-natal support through children's centres
- Percentage of families in greatest need accessing evidence based healthy eating/lifestyle support through children's centres
- Breastfeeding at 6-8 weeks after birth
- Incidence of low birth weight of full term live births
- Percentage of parents with postnatal depression or self-reported wellbeing
- Prevalence of healthy weight at age 4-5

- Economic wellbeing – the research team has suggested that child poverty and take up of free school meals (FSM) could be used to measure economic wellbeing.

Interviewees felt that **these measures were important, but were not all suitable for the national PbR scheme as currently envisaged**, primarily due to the large role that health plays in delivering services that contribute to these measures. This was felt to entail problems in terms of sharing data and attribution to the local authority.

### ***Policy relevance***

The **proposed health measures clearly relate to child health outcomes**. The Field report<sup>18</sup> noted that breastfeeding protects the baby by boosting its immune system and provides a good opportunity for bonding between mother and baby. Although lower income mothers are less likely to breastfeed, one study<sup>19</sup> found that those who do so for 6-12 months had the highest scores of any group on their quality of parenting interactions at age five. The Allen review<sup>20</sup> cites specific evidence to support the role of children's centres in encouraging breastfeeding, including a joint venture by Primary Care Trusts and 12 children's centres in Blackpool. This programme led to an increase in breastfeeding rates of 16 per cent, with an estimate return of £1.56 for every £1 invested and an estimated savings to the Department of Health of £57,700 over a two year period<sup>21</sup>.

**Economic wellbeing is an indirect measure of child health**, as poor health has been shown to be related to child poverty, and FSM is a proxy for child poverty. The policy relevance of this measure therefore relies on evidence that contact with children's centres improves families' economic wellbeing (e.g. through take up of benefits and improving employability), which in turn could have positive benefits for family health. There is some support for this proposition in the research literature<sup>22</sup>.

### ***Measurability***

Local authorities reported that **data is available within their localities on breastfeeding prevalence, low birth weight, weight at 4-5 years and economic wellbeing** (the latter could be measured using child poverty and take up of FSM).

**Developing measures and collecting objective data on ante-natal support and postnatal depression/emotional wellbeing** was thought to

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<sup>18</sup> F. Field (2010) *The Foundation Years: Preventing Poor Children Becoming Poor Adults*, London: HM Government.

<sup>19</sup> L.M. Gutman, J. Brown, R. Akerman (2009) *Nurturing Parenting Capability: The Early Years*. London, Institute of Education, London: Centre for Research on the Wider Benefits of Learning.

<sup>20</sup> G. Allen (2011) *Early Intervention: The Next Steps. Early Intervention: the Next Steps. An Independent Report to Her Majesty's Government*, London: Cabinet Office.

<sup>21</sup> C4EO (2010) *Grasping the Nettle: Early Intervention for Children, Families and Communities*, London: C4EO.

<sup>22</sup> I. Siraj-Blatchford and J. Siraj-Blatchford (2009) *Improving children's attainment through a better quality of family-based support for early learning*, London: C4EO.

**require considerable resources.** The Edinburgh Postnatal Depression (PND) Scale<sup>23</sup> is widely used by health professionals in England, but some local authorities expressed concerns about the accuracy of self-reported data on PND. Some also questioned whether all new parents with postnatal depression would be identified, given current shortages in the health visitor workforce, although plans to double the health visiting workforce over the next three years should help to address this latter concern in future. Local authorities raised issues about the measurability of ante-natal support, given the current lack of a definition of what activities this includes. For the measure focusing on ante-natal support, the economic assessment concluded that a focus on the families accessing support, rather than just registration would allow the measure to be linked more directly to outcomes. However, there is a danger that the PbR scheme could be rewarding recruitment rather than service delivery, where the service is provided by agencies outside of the local authority's control.

The measure looking at **healthy eating and lifestyle support would ideally need to state what programmes are 'accredited' or evidence based.**

### ***Attribution***

Interviewees felt that **attributing performance against many of the measures in the 'Family health and wellbeing' domain to the local authority is highly problematic.** The general economy and Jobcentre Plus are the major contributors to families' economic wellbeing, while breastfeeding, ante-natal support, low birth weight and postnatal depression are primarily within the health's remit. Indeed, local authorities reported that children's centres are unlikely to be involved in breastfeeding or ante-natal support, if that support is already provided by a health centre nearby.

Some interviewees felt that the **healthy eating and healthy weight measures are less problematic, as attribution to local authorities is possible** through their responsibility for public health. However, the distribution of accountability and reward between health and the local authority is nonetheless felt to be very unclear. Some authorities also noted that factors outside of their control, such as household income, are likely to impact on a child's weight and healthy eating, irrespective of the quality of the authority's healthy eating programmes.

Local authorities wanted to be neither penalised nor rewarded for support which is outside of their remit and control. Nonetheless, they felt that the proposed health measures are important enough to merit inclusion in the PbR scheme. Indeed, **some authorities felt that dropping them might disincentivise collaboration with health, and mooted the idea of joint measures** and rewards as a way of mitigating these types of attribution problems. This is probably more readily achievable for authorities who have joint commissioning and pooled budgets (such as those involved in the Community Budgets pilot).

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<sup>23</sup> J.L. Cox, J.M. Holden, R. Sagovsky (1987) 'Detection of postnatal depression: Development of the 10-item Edinburgh Postnatal Depression Scale', *British Journal of Psychiatry* 150:782-786.

## **Robustness**

In general, local authorities felt that the measures within the 'Family health and wellbeing' domain are robust. However, the economic assessment identified that all **measures that focus on those families in 'greatest need' have the potential to lead to perverse incentives**, such as failing to classify families as such, or because families just outside of the definition receive less support.

### **2.2.3 Parenting aspirations, self-esteem and skills**

Four measures make up this domain:

- Percentage of families in greatest need completing evidence based parenting programmes through children's centres
- Percentage of families who are identified as being in greatest need receiving sustained outreach and family support through children's centres in the local authority area
- Parents' self-reported aspirations and self-esteem
- Levels of parental language/ literacy/ numeracy.

In general local authorities had **favourable views of the proposed measures in principle, but they identified numerous difficulties** with the measure on levels of parental language/literacy/numeracy.

## **Policy relevance**

**Parenting programmes and outreach/support are seen as directly relevant to policy on children's centres.** The **policy rationale for including outcomes for parents is less immediately apparent** (for example, are these intended to be outcomes for parents, and/or to lead to positive outcomes for children<sup>24</sup>?).

Research evidence<sup>25</sup> consistently suggests that **parenting support which is based on sound scientific principles, consistently delivered by appropriately trained and supervised practitioners can reduce risk factors in families, improve outcomes** for children and their parents, and reduce the burden of cost these families place on local services and wider society. A growing body of research has shown that early family/parent training can result in measurable reductions in youth crime, antisocial and delinquent behaviour, child maltreatment, school failure and child and adolescent mental health problems<sup>26</sup>. Evidence from the EPPE study<sup>27</sup> indicates that encouraging

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<sup>24</sup> There is evidence that reducing maternal (or primary care-giver) anxiety and depression is important in reducing the risk of child underachievement: see I. Siraj-Blatchford and J. Siraj-Blatchford (2009) *Improving children's attainment through a better quality of family-based support for early learning*, London: C4EO.

<sup>25</sup> See D.P. Farrington and B.C. Welsh (2003) 'Randomized experiments in criminology: what have we learned in the last two decades?', *Journal of Experimental Criminology*, 1, 1, 9-38; and S. Scott (2007) 'Conduct disorders in children', *BMJ*, March 31, 334 (7595).

<sup>26</sup> See for example G. Allen (2011) op cit.

active parenting strategies among parents in disadvantaged communities can help to promote young children's cognitive progress, as well as positive social and behavioural outcomes.

In line with the above observations, local authorities felt that the measures about parenting programmes and parents' self-esteem were clearly linked to improved child outcomes. Evidence based parenting programmes were thought to have the most potential for demonstrable impact. In terms of parental aspirations, one interviewee noted that emotional wellbeing is central to improving a person's life, pointing to the measure's value with regard to parental outcomes.

### **Measurability**

Interviewees generally supported the measure focussing on the proportion of parenting programmes completed. Some highlighted the value of having a **list of evidence based parenting programmes**, enabling the scheme go beyond the scope of use for PbR to also support evidence based and outcome focused interventions. However, some local authorities were keen to ensure that such a list does not limit the scope for local innovation around parenting programmes.

Some authorities suggested that the programmes identified by Graham Allen<sup>28</sup> could be useful in relation to the measure, but are not sufficiently comprehensive to meet the existing range of needs. It is worth noting that the National Academy of Parenting Research (NAPR) has created a useful source of guidance on evidence based parenting programmes in their Commissioning Toolkit<sup>29</sup>. The toolkit is currently being remodelled and will soon provide a list of around 50 evidence-based programmes.

The percentage of families receiving sustained outreach was thought to be an important measure, and again, respondents pointed out that the terms **'greatest need' and 'sustained' need further refinement**. They suggested that the definition would need to take account of the families' needs and the support required, and ideally focus on agreed outcomes and whether these have been achieved.

Interviewees considered the measure on **parental language, literacy and numeracy levels to be problematic** because accurate assessments of these attributes would be difficult to make. It is not clear whether the literacy and numeracy levels refer to qualifications or skills – interviewees felt that skills would be particularly difficult to measure. It would be expensive to collect such data and interviewees predicted that some parents would not agree to have their levels of literacy/numeracy tested.

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<sup>27</sup> K. Sylva, E. Melhuish, P. Sammons, I. Siraj-Blatchford, B. Taggart (2004) *The Effective Provision of Pre-School Education (EPPE) project: final report. A longitudinal study funded by the DfES 1997–2004*, London: DfES.

<sup>28</sup> G. Allen (2011) op cit.

<sup>29</sup> Child Workforce Development Council (2011) *Commissioning Toolkit of Parenting Programmes*. [online]. Available: <http://www.commissioningtoolkit.org/>

Similar points were raised about the measure of **parental aspirations and self-esteem, which were considered to be difficult to measure**. The economic assessment also concluded that self-esteem and aspirations would be a difficult and expensive measure to set up as it would require additional data collection.

### ***Attribution***

In general, local authorities felt that the **evidence based programmes and sustained outreach measures would be attributable to the local authority**. The economic assessment concluded that take up of parenting programmes would be possible to attribute to the local authority but this could be more problematic at children's centres level, where a range of different agencies may be involved in delivering these programmes.

The economic assessment concluded that parents' self-reported aspirations, self-esteem, and level of language/ literacy/numeracy would be particularly difficult to attribute to local authorities due to the complexity of these measures. This also reflected local authorities' views on this measure.

### ***Robustness***

The economic assessment identified that **'sustained outreach' would need to be defined further** and with careful consideration in order to ensure levels and types of support delivered are not inappropriately skewed. As noted earlier in relation to 'sustained contact', focusing on the proportion of families receiving outreach may not be sufficient and a measure of quality of that support would also be required.

Even if data could be collected on parental self-esteem and skills, there would be a risk of perverse incentives, whereby parents could be cherry-picked for the measures to include only those who were easier to access and who might have higher aspirations.

## **2.2.5 Cross-cutting measures**

Three cross-cutting measures were proposed:

- Percentage of outstanding/good Ofsted inspections
- Levels of volunteering in children's centres
- Levels of parental satisfaction with children's centre services.

In general, although all the cross-cutting measures were thought to have some merit, local authorities and the economic assessment suggested that **only the Ofsted measure had an obvious link to improved outcomes**. However, the Ofsted measure was felt to be **problematic in terms of the low frequency of inspections**.

### ***Policy relevance***

The **quality of children's centres is highly relevant to policy** on improving outcomes for young children and their families, particularly those from

disadvantaged backgrounds. Evidence from the EPPE study<sup>30</sup> found that attending high quality pre-schools was related to a range of positive outcomes for disadvantaged children's later progress and outcomes.

Local authority interviewees and workshop participants were particularly critical of policy relevance of the second and third measures, **questioning the link between volunteering and parental satisfaction and a positive impact on the families and children**. Local authorities suggested the need for evidence that the volunteers were having a positive impact on the centres, or benefiting from their involvement. In relation to parental satisfaction, some local authorities felt that this would not correlate to the quality of the services provided and their success in facilitating improved outcomes; for example some parents might be satisfied with a provider who leaves issues with a child unchallenged.

### **Measurability**

**Ofsted inspection results are readily available** at the local authority level. The economic assessment similarly found this measure to be objective, independent and broad. However, some authorities raised issues concerning the number and frequency of inspections, meaning that PbR would only be able to include data on children's centres which had had a recent inspection. The economic assessment also questioned whether the **frequency of inspections would create a sufficiently responsive measure**.

In relation to **volunteering**, local authorities felt that the 'level' of volunteering would need to be more clearly defined, with some (though not all) pointing out that data collection would be burdensome. The economic assessment reached a similar conclusion, suggesting that volunteering levels would be **difficult to measure and highly dependent upon the nature and extent of the volunteering involved**.

In relation to parental satisfaction, local authorities highlighted the difficulty of measuring this in a reliable way, suggesting that parents would be more likely to be satisfied with activities they liked, but less satisfied with activities and support that challenged them. The economic assessment concurred and also noted that data on **parental satisfaction levels would be expensive to collect in a sufficiently robust fashion**.

### **Attribution**

According to the economic assessment, **all three measures could be reasonably attributed to the local authority**; this also broadly reflects local authorities' views.

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<sup>30</sup> K. Sylva, E. Melhuish, P. Sammons, I. Siraj-Blatchford, B. Taggart (2004) *The Effective Provision of Pre-School Education (EPPE) project: final report. A longitudinal study funded by the DfES 1997–2004*, London: DfES. K. Sylva, E. Melhuish, P. Sammons, I. Siraj-Blatchford, B. Taggart (2008) *Final report from the primary phase: pre-school, school, and family influences on children's development during Key Stage 2 (age 7–11)* (DCSF research report 061), London: DCSF.

## **Robustness**

Local authorities and the economic assessment identified that the 'level' of volunteering would need to be further refined. If this refers to the number of volunteers, there is a **risk that children's centres would 'open their books' to as many volunteers as they can get**, leading to perverse incentives.

**Parental satisfaction could also carry unintended consequences.** Many children's centres already seek this information from parents, but find that **most parents are eager to please**, as well as being happy with the services and grateful for them, and tend to say that they are satisfied with the service because they think this is the answer the children's centres want. Similarly, the economic assessment suggested that this measure could be subject to authorities'/children's centres' manipulation by targeting particular parents, or by the parents themselves, if they are aware that funding is linked to their responses.

## **2.3 A single set of measures or a 'menu' approach**

Workshop participants were asked whether they would prefer a single (fixed) set of national measures, or a menu of measures, allowing local authorities some choice.

On one hand, local authorities identified the perception of fairness as a crucial factor in the PbR scheme. They were concerned that, the more choice offered to authorities, the more they would be inclined to choose measures they can score highly on, leading to perverse incentives and unintended consequences. On the other hand, there was concern that a lack of flexibility would also be unfair to local authorities, as they face such diverse circumstances and work very differently. One possibility would be for the **national scheme to provide a core set of measures for benchmarking purposes, supplemented by local measures relevant to each authority**, subject to agreement with the DfE.

Local authorities suggested that they should be called on to justify their choice of local measures in relation to the demographic profile and needs of their area (similar to the process for agreeing local public service level agreements). Independent moderation or challenge might be beneficial. (Chapter 3 considers this further, in relation to local measures.)

## **2.4 PbR data collection for local authorities and children's centres**

Local authority interviewees highlighted the fact that recent **funding cuts would make it impossible to handle additional requirements for data collection without employing additional staff** to handle the extra paperwork. Interviewees also pointed out that more training would be needed, particularly where some measures required use of personal or professional

judgements, and that this would require additional resources. There was a worry that **there could be some duplication of data** (and resources to collect that data), where local authorities need to collect similar data for other initiatives, such as the Early Intervention Grant.

The discussion groups also identified the problem of burdensome data collection as a risk within the PbR scheme. Participants recognised the **potential for increasing the data burden if there was less synergy between national and local measures**, but said they were prepared to accept the greater burden up to a certain point in order to have more freedom over local measures. They therefore called for national measures to be limited to a 'short, tight set of measures' to ensure manageability and allow greater freedom of choice in the local measures.

## 2.5 Will PbR work and how should payment be linked to progress?

While **some felt that PbR is the right way forward**, and that children's centres and local authorities should be willing to accept such accountability, **others suggested that paying people to hit targets is not the most effective means of achieving service development**. In particular, one interviewee was worried that partnership working with other agencies could become difficult and 'divisive', and that direct linking of payments to achievements of individual children's centres would promote a competitive atmosphere, rather than harnessing positive collaboration.

Some interviewees also felt that local authorities and children's centres that did not perform well against the measures might need extra resources, more than those who were performing well. However, another interviewee pressed for more rapid progress on paying children's centres for the results they achieve:

*As a local authority in the wave one pilot, we are very excited about this and keen to get it moving. We are very positive that children's centres are going to be held to account for the service they provide, it gives them an incentive, and makes them accountable for the outcomes.*

Local authorities felt unable to comment fully on the best methods for linking payment to progress at this early stage in the pilot. Among interviewees who did express an opinion, **there was no consensus as to whether measures should be absolute or relative** - an absolute measure would involve using the same, fixed target for all local authorities; a relative one would involve a target that is relative to a changeable figure, such as a local authority's previous performance, or an authority average. Some interviewees felt that absolute targets would be more appropriate for some measures. One interviewee pointed out, however, that there should be some leeway for those narrowly missing the target, feeling that if targets for payment were too strict, it might encourage authorities to focus too much on the thresholds, or else massage the figures. A number of local authorities felt that absolute measures should involve bands and sliding scales of payment.

Respondents were, however, clear that it is important to recognise the different circumstances faced by different local authorities, which serve very different populations. This might point to the value of using relative, rather than absolute, measures of progress within the PbR scheme. Alternatively, some suggested applying a weighted formula, which takes account of local authorities' differing levels of deprivation. However, some discussion group attendees pointed to a danger of being penalised for good performance because their increase, or 'value-added', will not be as significant as local authorities who are currently under-performing and therefore have greater room to demonstrate progress. There may therefore be a need to balance the use of absolute and relative measures.

Local authorities felt that the level at which payments are set will be important. As one interviewee noted:

*There will be a critical point with the level of the percentage of funding coming through PbR. It needs to be high enough to work for, but not so high that failure to hit a precise target would threaten viability and risk deterring some of the smaller voluntary organisations they rely on.*

Some discussion group attendees further felt that the reward offered will need to outweigh the cost of delivering on the measure and providing the data, in order to genuinely incentivise local authorities and children's centres.

### 3. The local PbR schemes

In this chapter we discuss wave one authorities' early plans for developing local PbR schemes, based mainly on the interviews carried out with these authorities. We start by exploring the motivations for joining the trials, the aims of the local schemes, the local measures being considered and synergy with the national scheme. We then discuss how local schemes will work in practice - it should be noted that at the time of the data collection (September-October 2011) authorities had not yet fully considered how their local scheme will be implemented. In the final part of the chapter we look at what data authorities were planning to collect for the local scheme, awareness of the risk of perverse incentives and how authorities were proposing to deal with them in the local schemes.

#### 3.1 Why have authorities joined the trials?

Authorities joined the trials for a range of reasons, all largely underpinned by the commitment to **work in a more evidence informed and outcome driven way** in order to make effective use of declining resources. The current funding climate presented a great challenge for all authorities, but some were facing an ever greater challenge due to a substantial increase in birth rate and/or an influx of families likely to require support from children's centres (for example, migrants and refugees).

Authorities included in the interviews were typically strongly committed to performance management and funding systems which were **moving away from a focus on outputs and activities towards outcome based measures**. Respondents talked about their intention to identify 'measures that matter' which can be used to reward good performance through contracts with children's centres. Authorities had already decided to move to a more evidence based commissioning system prior to the trials, including one authority that had already decided to specifically move to a PbR system. Participation in the trials was helping to give greater focus and urgency to the move to review the way authorities incentivise performance contractually and ensure they provide the right outcome based incentives.

The commitment to **strengthening working arrangements with other local agencies**, such as health and Jobcentre Plus, also influenced the decision to join the trials as the examples below illustrate (Box 3.1).

### **Box 3.1 Examples of how local PbR schemes were used to strengthen multi-agency working**

An authority was planning to explore a Community Budget approach in recognition that other agencies' work influenced targets set for children's centres. They were aiming to have a formal agreement with all partner agencies providing services to 0-4 year olds, and wanted to explore how they could develop the PbR model to incorporate joint responsibility via Community Budgets.

Another authority expected the local trial to support the development of the Family Engagement Partnership. This programme, closely modelled on the Family Nurse Partnership, will involve close collaboration between the local authority and health to systematise the early identification of need and early intervention through ante-natal visits, post-birth health reviews and GP contacts. The local PbR scheme will also be aligned with the role of health visitors and Universal Partnership Plus.

As discussed later, strengthening joint working involved not only the joint planning and delivery of services, but also an attempt to resolve a number of data sharing issues. It was reported that data sharing problems could seriously undermine children's centres' ability to effectively identify families in need of support, and track their progress once their needs have been assessed and support has been provided.

Finally, respondents talked about joining the trials to '**be there first**' which was seen as having two advantages. First, it allowed them to share learning and be well prepared once the trials are rolled out nationally, particularly in relation to what were seen as potential weaknesses of PbR. Through the trials authorities wanted to learn how to:

- Manage a PbR scheme for children's centres given that much of their work depends on the input of other agencies
- Prevent perverse incentives
- Measure and use short term impacts in a PbR scheme, given that the impact of many children's centre services can only be established in the medium and long term.

The second potential advantage of 'being there first' mentioned was the opportunity to influence the shape of the national scheme and ensure this works effectively in different local contexts. This was a concern, for example, for authorities with transient populations that wanted to ensure that they would not be penalised because the support they provide to families becomes 'invisible' when families move elsewhere.

## **3.2 Aims of the local trials and synergy with the national scheme**

Overall, at this early stage, there seemed to be good synergy between local plans and the national scheme and its draft national performance measures

(see Appendix B for the list of proposed national measures). Local plans reflected the key national policy objective to focus children's centres' efforts on families in greatest need, while maintaining a universal element and reach.

On the whole, among the authorities included in the interviews, children's centres were reported to have already established or made good progress towards establishing systems for identifying and registering families with under 5s in their areas. Therefore, much of the local trials' effort in this initial stage was devoted to:

- **Defining families in greatest need:** as reported in Chapter 2, a range of options were being considered. These tended to focus on risk factors rather than socio-economic characteristics. Examples included: children with a safeguarding plan, on a child protection register, with a disability, with additional needs and subject to a Common Assessment Framework (CAF); families with domestic violence, substance and alcohol abuse and mental health issues.
- **Finding cost effective ways of identifying these families:** this was typically expected to involve close inter-agency collaboration, particularly with health. For example, one authority was planning to use ante-natal visits and post-birth health reviews to identify families in need and intervene early. Another example will involve collaboration between children's centres, early education settings and health to ensure all disadvantaged two year olds (eligible for the free early education entitlement) are tested for speech and language development to identify and deal with early communication needs.
- **Ensuring families in greatest need receive an appropriate and evidence based package of support:** here the priority was to ensure that support plans were based on a professional and holistic assessment of needs, using, for example, CAF and a locally developed Family Assessment Framework. When talking about evidence based support respondents referred to the use of evidence based programmes, such as those included in the Commissioning Toolkit developed by the National Academy of Parenting Research (NAPR) and in the Graham Allen review<sup>31</sup>. But in their view being evidence based also meant learning from local practice about what works well and less well in supporting families and improving outcomes, even though, it as it has been noted elsewhere<sup>32</sup>, if programme have not been robustly evaluated, there can be no guarantee that they lead to positive outcomes for children and their families.
- **Identifying measures which can be used to assess whether the support provided was having the intended improvement in outcomes.** This typically involved plans for developing a system for assessing progress against agreed objectives in the support plan. It also required a measure of 'distance travelled' by families, a concept which recognises that

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<sup>31</sup> G. Allen (2011) *Early Intervention: The Next Steps. Early Intervention: the Next Steps. An Independent Report to Her Majesty's Government*, London: Cabinet Office.

<sup>32</sup> G. Allen (2011) op cit.

families have different 'start' and 'end' points and they need to be tracked over time to assess shorter and longer term impacts. In this respect the local measures were aiming to achieve a level of complexity and sophistication that would not be feasible for the national measures.

- Ensuring that the **quality of the service provided is of an acceptable standard**, as this was considered essential to improve outcomes for children and families. As noted in Chapter 2, Ofsted inspections were not sufficiently frequent to be used for this purpose, and many children's centres in the authorities interviewed had not been inspected yet. However, some authorities had developed or were in the process of developing local quality assurance schemes, sometimes using the Ofsted framework.

In Box 3.2 we provide two examples of measures being considered for local schemes.

### Box 3.2 Examples of local measures

One authority was considering the following local measures:

- Improved attendance at the children centres' nurseries among children living in the bottom 10 and 30 percent most deprived areas
- Children at risk of delay in communication skills – children's centres asked to complete Every Child a Talker (EcAT) assessments
- Completion of parenting programmes (explore using 4-weeks + local programmes as well as the known 'evidence-based' programmes)
- Increase in parents' aspirations and progress on pathway to work measured by 'distance travelled'
- Breastfeeding rates
- N. of families accessing activities with a prime outcome of 'Be Healthy'
- N. of families accessing antenatal services.

Another authority expected to include some/all of the following measures:

- Proportion of parents with very young children currently being engaged by children's centres
- New birth data and 12 week booking in antenatal data
- Health visitor assessment
- Healthy Child Programme reviews
- Immunisation rates
- Breastfeeding rates (initiated, still feeding at six and 12 weeks)
- Hospital admissions
- A&E attendances
- Babies and children registered as disabled or with additional needs
- DNA (do not attend) rates across health providers
- CAFs (and ecaf) and analysis of issues and data provided
- Less formal family assessments undertaken by children's centres
- EYFSP data trends by feeder settings
- Public health data including Preview
- Proportion of young children identified as in need due to maternal health is a concern
- Proportion of child protection plans and looked after children.

As illustrated by the examples in Box 3.2, local measures were broadly in line with and had been informed by the draft national measures. However, analysis of local measures also shows that:

- Some local schemes were considering measures that are not currently part of the draft national measures (e.g. immunisation, A&E attendance, cases where maternal health is a concern)
- Authorities were not planning to use *all* the national measures for the local scheme.

Differences between local and national measures reflect local priorities and also what was considered more or less feasible to measure at the local level.

Respondents believed that **flexibility is essential for local schemes to work effectively**, and it would not be possible to have a perfect match between the national measures and those used to incentivise children's centres locally. Some argued that there needs to be a national framework of what PbR is trying to achieve, but it should be up to authorities to develop local measures that fit this overarching framework. However, as noted in Chapter 2, there was also a concern that if the national and local schemes diverged too much in terms of measures, the data collection burden for authorities and children's centres could become unmanageable.

It is also interesting to note that some national measures which do not meet key PbR criteria set out in the previous chapter were being considered suitable for some local schemes, for example, volunteering and economic wellbeing (measured in terms of parental employment/employability). This is because:

- These measures were linked to **specific local initiatives**. For example, some authorities were planning to introduce, in collaboration with Jobcentre Plus, programmes to support parental employment.
- The measures would rely on **tracking parents taking part in children's centre activities** aimed at supporting parental employment (including volunteering). This is very different from a national measure of economic wellbeing which would need to rely on aggregate data measured at the local authority level (e.g. child poverty). Even where centres support the local employment agenda, it would be unrealistic to try to attribute any changes in families' economic wellbeing to children's centres given the range of other influences on parental employment and income at the local level (as opposed to changes among those who take part in children's centres activities to support parental employment and employability).

Finally, a key aim of local schemes was to **improve partnership working** and this was very much at the heart of the development and planning for the local trials. Some authorities' aims in relation to partnership working were very ambitious; for example, in one area they were hoping to ultimately have one pooled budget for all services for 0-4 year olds, governed by performance targets.

### 3.3 How will local schemes work?

Local schemes **varied considerably in terms of phase of development and when they were planning to introduce PbR** for local children's centre providers. At one end of the spectrum there was an authority that was planning to introduce PbR at the beginning of the second year (in April 2012) when local children's centres' contracts were due to be renewed – this authority was building on an existing performance payment system. Somewhere in the middle were authorities focusing on data gathering and developing monitoring systems in the first and second year, and planning to implement PbR in the third year (i.e. from April 2013). At the other end of the spectrum were authorities that were using the local trial to establish *if* a local PbR scheme would be feasible, and wanted to see the results of the local trial before deciding whether a PbR scheme could be introduced locally.

Respondents reported **wide ranging consultations about the local measures** with stakeholders, including relevant delivery agencies (e.g. health, Jobcentre Plus), the voluntary and community sector, and in some cases parents. Key delivery agencies were typically very closely involved with the trials, for example, where they were included in the trial steering groups and in some cases the trials were linked to other local multi-agency initiatives, such as Community Budgets, Universal Partnership Plus and the Family Engage Partnership.

On the whole authorities included in the interviews were focusing on developing and testing local measures and how/what data could be gathered, and had not yet fully considered how payments should be linked to progress. Therefore the discussion of how the local schemes will actually work in practice was rather hypothetical and not typically based on firm plans.

The example in Box 3.3 is from an authority that had a fairly developed performance management system whereby children's centres were already expected to deliver against key areas. The authority was using the trial to review these measures and test new ones.

Other examples (Box 3.4) reflect schemes that were at an earlier stage of development, with the aims of the scheme clearly defined but with the details of how the scheme will work in practice being developed in the first and second year of the trials.

### Box 3.3 An example of an authority a fairly developed performance management system

**Engagement with/support for families in greatest need:** children's centres will be expected to identify and categorise children according to an agreed level of need with a corresponding level of engagement. This information will then be used to set targets for individual children's centres - i.e. they will specify what proportion of looked-after children, children in need, children with additional needs and children subject to a CAF assessment will be expected to have an action plan. Baseline data collected in the first year will be used to set targets for each centre.

**Evidence based programmes:** considering linking a payment to 80 per cent retention (i.e. completion of programme) among parents enrolled.

**Quality:** planning to reward centres for providing a high quality service using a sliding scale, with the highest rating (e.g. outstanding) receiving the maximum payment. This authority was planning to introduce PbR in the second year (i.e. from April 2012) when five per cent of the children's centre budget will be in the form of a quality premium, in the third year this will be increased to ten per cent.

### Box 3.4 Examples of local schemes at an early development stage

One authority was aiming to develop a scheme that would provide:

- A consistent approach to unit costing so they will be able to compare outcomes from different children's centres
- The cost of intervention per family based on a personalised action plan and contract, and 'distance travelled' by the family.

In another authority payment was expected to be linked to a basket of measures, which will vary for different children's centres, reflecting priorities and needs in specific areas. Payments will be linked to relative targets which will take into account that centres have different starting points.

An authority was considering whether payment to children's centres should be entirely based on achievement across a set of indicators or whether only a proportion should be paid in this way. The PbR in this area was likely to include some or of the following:

- Percentage of families with very young children engaged in the children's centre
- Improved outcomes for very young vulnerable children, which would include health child reviews and early learning
- Percentage of goals achieved in Outcomes Star and the Family Engagement plan
- Percentage of long term attrition with targeted services, such as the Community Mothers programme.

It was also suggested that locally incentives can be used in very specific ways. In one authority **incentives for families** were being considered. For example, for their 'Cook and eat' programme they were thinking of giving an incentive for the family (e.g. a visit to the local farm) when they reached a particular milestone (e.g. moving from eating two to three vegetables a day). In another authority, PbR for 'short and sharp' interventions was being considered in some specific circumstances.

Authorities were acutely aware that **for a PbR system to work, it would need to be fairly sophisticated**. For example, they would need to understand the reasons why a children's centre missed their targets (e.g. targets may be unrealistic) and develop an 'improvement and support' model for centres missing specific targets. The testing of the system was therefore considered to be a crucial stage and, for example, one authority was planning to introduce a 'shadow' PbR system to assess what level of payment children's centres would receive under the scheme and consider the effects this would have.

Authorities were aware that they would need to have procedures for **appeals**, but had not yet considered how these would work.

### 3.4 Collecting local data

At this early stage of the trials the feasibility of collecting reliable data on local measures was a major focus of the authorities included in the study. Two main data sources were being considered: data to be collected by children's centres and existing administrative data.

**Data collected by children's centres** would aim to measure families' engagement with children's centres, level of need, support provided and 'distance travelled'. Tools mentioned in relation to families' needs assessment were CAF and pre-CAF plans, and the Family Assessment Framework. Every Child a Talker (ECaT) was also mentioned by some authorities that wanted to assess early communication needs among young children. For 'distance travelled' analysis respondents mentioned ChildView and Outcomes Star which allow one to monitor progress in different areas of need. It was envisaged that this analysis would be related to areas of support identified in a needs assessment and would monitor progress made towards agreed objectives and areas of expected improvement. However, in some cases 'distance travelled' could refer to outcomes from a service where there was no specific plan, but authorities nevertheless wanted to monitor the effects of specific services. This was mentioned, for example, in relation to services aimed at improving parental employment and employability (e.g. children's centre work clubs, volunteering opportunities).

**Administrative data** provided by the local authority, health and Jobcentre Plus was also being considered by authorities. Access to data provided by other agencies varied considerably:

- In some cases effective data sharing protocols were influencing the development of the local PbR scheme. For example, one authority had decided to focus on health and parental employment/employability

measures because it has good working arrangements with health and Jobcentre Plus, and was confident that these agencies would deliver not only in terms of services, but also in relation to the data needed to operate a PbR scheme.

- In other areas the development of the trial involved resolving longstanding data access issues, for example, with health or Jobcentre Plus. These agencies were taking part in the trial and had made a commitment to finding ways of ensuring that relevant data would be available to operate a PbR scheme at the children's centre level.
- There were also authorities that could not include some measures in their scheme because of difficulties in accessing the relevant data from other agencies (e.g. data on breastfeeding data, birth weight, immunisation). In these cases either the data was not available or not available at the level required for a local PbR scheme (e.g. for a children's centre catchment area).

Respondents who were still experiencing problems accessing data felt that action from the Government was required to **strongly encourage or even require agencies to sign up to data sharing agreements**, as children's centres are crucially dependent on access to data about local families to operate effectively.

As mentioned earlier, in authorities included in the interviews, children's centres had already established or had made good progress in establishing systems for **identifying and registering families with under 5s in their areas**. The eStart database was mentioned as the tool typically used to gather and analyse this data.

As well as assessing the feasibility of collecting reliable data on measures to be used in local schemes, in the early stage of the trial some authorities were planning to **collect baseline data required to inform decisions about the targets to be used** for different children's centres, reflecting their different starting points.

### 3.5 Perverse incentives and other concerns

As local PbR schemes were typically at an early stage of development, specific measures to avoid perverse incentives had not yet been developed. However, respondents were very aware of the potential risk and this was informing much of their thinking about the suitability of the measures to be used in local schemes. As one respondent put it:

*[You need to] walk a path between your payment by results and your other **not** measured work because there is a danger that people are only going to focus on what's being paid.*

In relation to avoiding or reducing the risk of perverse incentives respondents mentioned:

- The need to develop a **sophisticated basket of measures tailored to local needs** and which includes family outcome measures, as well as activities/levels of engagement with services.
- The **definition and operationalisation of 'families in greatest need' will be crucial** to avoid the risk of children's centres focusing on 'easier to work with' families.
- **Frequent monitoring** (e.g. every quarter) will be required so that any significant and unexpected changes (e.g. a sudden and substantial increase in payment to a centre) can be investigated.
- **Comprehensive testing** will need to take place during the trial's development stage, with **measures revised or even dropped if they do not seem to work** as intended. The point was made that some local authorities have worked hard in recent years to develop close and effective working relationships with providers that run children's centres and it is important that the measures and incentives introduced do not have a negative effect on these relationships.
- In relation to measures on sustained contact with and support for families in greatest need, it was **important not to create dependency**. The ultimate aim must be to enable parents to do well with minimum or no support and this must somehow be captured when monitoring children's centres.
- Ensure that **what is important for the effective functioning of children's centres but is not monitored through a PbR scheme is monitored in other ways**. Ofsted inspections and local performance management systems were mentioned as two ways by which one can ensure that the quality of the centre is acceptable, even if this is not monitored through the PbR scheme.

As well as perverse incentives, there were other potentially problematic areas identified, including:

- **Being careful not to set children's centres up against each other** and discourage collaboration between centres – if a PbR is not properly designed it could penalise centres for working collaboratively.
- The need to **set realistic targets**. It could be very demoralising for children's centres if targets were not within their reach or if their payment was based on outcomes they could not affect.
- **Consulting very widely** to ensure that the measures are considered **fair, acceptable and transparent** by all key stakeholders, but particularly by children's centre providers.
- Being prepared **to provide support to children's centres that do not meet their targets**. Respondents said it was important not to be seen to be devaluing and punishing, and that withdrawing a payment may not

always be the most effective way of dealing with a centre that is struggling.

## 4. Conclusions

On the whole, local authorities consulted for the study supported the principle of holding them and children's centres to account for the services they deliver to families and the outcomes to which they contribute, and there was a commitment to work in a more evidence informed and outcome driven way. Authorities were interested in engaging with the development of the PbR scheme at the national level, while at the local level they were developing performance management and funding systems which aimed to move away from a focus on outputs and activities towards outcome based measures.

It should be noted that local schemes tended to be at a very early stage of development, at the time of the interviews. Similarly, local authorities found it difficult to comment on the national measures' suitability and the practical implications of the scheme, as some of these measures had not been fully defined and/or developed. Further development and testing in the first and second year of the trials will be required before authorities can fully engage with the national measures and firm up their plans of how the local schemes would work in practice.

In the rest of the chapter we summarise local authorities' views of the national measures and their early plans for the local schemes. We then discuss the measures that were judged to be most suitable for a national scheme and the 'economic coherence' of a proposed scheme as a whole.

### 4.1 Views on the national PbR scheme

The qualitative evidence on the proposed measures for the national scheme shows that, at this early stage of development:

- Local authorities' views varied about whether it is more appropriate to look at performance against the measures solely for families who are accessing children's centres, or for the whole population of families with young children within the locality.
- On the whole there was agreement that **most of the measures should reflect a focus on the most vulnerable families** – those 'in greatest need'.
- In general, local authorities **preferred outcome focused measures** and felt that the national measures should balance a focus on reaching families with measures on the quality and appropriateness of support provided.
- Local authorities wanted **greater clarity about the definitions used in the measures**, in order to provide fair comparisons of performance at the national level.
- Local authorities were keen to use data that is already collected where possible, but some were **willing to accept a greater burden of data collection in order to measure performance in a meaningful way**, as long as the basket of measures taken forward is relatively small.
- Attributing performance to the local authority was seen as problematic for many of the proposed measures, bearing in mind the contribution of other

agencies (e.g. health) and factors outside of the local authority's control (e.g. the economy). Some thought that **joint measures**, which share accountability between the range of agencies responsible for delivering against a measure, might offer a way forward, though the design and implementation of these could be challenging.

- Some local authorities noted the changing data landscape in the Early Years and emphasised the importance of taking the 'right' data collections forward in a rational and coherent way. The government's responses to the Tickell Review<sup>33</sup>, the SEN Green Paper<sup>34</sup> and the coverage of the planned Health Premium need to be taken into account. Given that changes to data collection impact on authorities' ability to track data and monitor trends over time, research participants argued that **DfE should aim for stability in terms of their data requirements**.
- Research participants pointed out that the national **PbR scheme needs to take into account the criteria used in the Ofsted inspection framework**, to ensure that there is some synergy and avoid staff being pulled in different directions.

## 4.2 The local PbR schemes

At this early development stage, the findings on the local schemes show that:

- Overall there seemed to be **good synergy between local plans and the national scheme and its draft national performance measures**. Local plans reflected the key national policy objective to focus children's centres' efforts on families in greatest need, while maintaining a universal element and reach.
- **Local schemes were planning more sophisticated monitoring measures than those proposed for the national scheme**. Authorities were planning to use relevant aggregate data on some key indicators of child wellbeing and relevant activities. However, there was also a strong emphasis on: assessment of families' needs based on a holistic and professional judgement; packages of support that reflected needs assessments; and tracking families over time to establish if the agreed support was received and was having the intended impacts.
- Authorities argued that in order to work effectively **local schemes need to have sufficient flexibility to respond to local circumstances**. In practice this would mean that there could not be a perfect match between the national measures and those used to incentivise children's centres locally, and that within the same area there may be variations in terms of the targets set for different children's centres.

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<sup>33</sup> Tickell, C. (2011) The Early Years: Foundations for life, health and learning - An Independent Report on the Early Years Foundation Stage to Her Majesty's Government. [online]. Available: <http://media.education.gov.uk/MediaFiles/B/1/5/%7BB15EFF0D-A4DF-4294-93A1-1E1B88C13F68%7DTickell%20review.pdf>

<sup>34</sup> Department for Education (2011) Support and aspiration: A new approach to special educational needs and disability – A consultation. [online]. Available: <http://www.education.gov.uk/publications/eOrderingDownload/Green-Paper-SEN.pdf>

- Local flexibility per se should not undermine the effective functioning of a national PbR scheme, provided that local measures fit with an overarching national framework of what the scheme intends to achieve. However, **lack of local level data for measures used for the national scheme could create problems**. If an authority is not performing well in relation to one or more national measures, it needs to be able to explore how particular localities or children's centres' catchment areas are performing in relation to these measures. Some authorities still struggled to access at the local level the kind of data that may be used for the national scheme (e.g. health measures) and felt that **mandatory data sharing protocols** may be the only way in which these longstanding data access issues could be resolved.
- Finally, some authorities were considering putting in place '**improvement and support' mechanisms** to investigate the reasons why children's centres may not be performing well in relation to specific targets. However, it was not clear at this early stage, whether this would be used instead of or alongside performance management mechanisms more typical of a PbR scheme, such as the replacement of poor performing providers.

### 4.3 A basket of measures for the national scheme

The study has found that two of the proposed DfE measures are clearly linked to policy objectives, attributable to local authorities and fairly robust. In addition suitable national and local authority level data is collected on these measures. These measures are:

- **Take up of the free entitlement** for disadvantaged two year olds. However, this measure will only be suitable for use in the national PbR scheme when the programme is scaled up in 2013 and if places are offered in good quality settings.
- **The Early Years Foundation Stage Profile (EYFSP)**, the suitability of this measure will need re-considered once the EYFS has been revised.

It should be noted that while the above measures can be attributed to local authorities, as they are responsible for ensuring the delivery of sufficient good quality early education, attribution to children's centres is more problematic, as much early education is delivered in other settings.

We also identified measures that were considered important because of their strong link with policy objectives and are attributable to local authorities, but there is not currently a consistent way of recording them. These are the kind of measures that DfE could include in the new children's centres census. In developing these measures, the risk of perverse incentives (particularly for those focusing on families in greatest need) would need to be considered. These measures are:

- **Proportion of families registered with children's centres**: while there was support for a measure of universal reach, it was also argued that this

could be refined to include some measure of (minimum) engagement with a children's centre.

- **Proportion of families in greatest need with sustained contact/outreach/family support:** authorities expected DfE to provide a definition and to indicate national priorities focusing on risk factors. In relation to 'sustained contact/outreach/family support', again a definition is required, possibly focusing on outcomes rather than inputs and outputs, although it was recognised that this level of sophistication may be difficult for a national scheme.
- **Proportion of families with 24-36 months child development summary and additional support where needed:** the summary was seen as an important means to an end i.e. a systematic way of identifying individual children who may need support. In order to ensure consistency, the assessment/summary would need to focus on a specific age, and local authorities tended to be favour 24 months because it would allow early detection of need and early intervention<sup>35</sup>.
- **Proportion of families in greatest need completing evidence based healthy eating/life style support or parenting programmes:** these measures were again favoured because of the strong link between evidence based programmes and positive child outcomes. Currently the National Academy of Parenting Research (NAPR) Commissioning Toolkit has fully validated only ten programmes, and authorities thought that these programmes were not sufficient to meet all local needs. However, the number of fully validated programme is going to increase substantially in the near future. We could not identify a similar scheme for healthy eating/life style support programmes, DfE would therefore need to consider setting up a national accreditation system for these types of programme.

Three health measures were considered to be strongly linked to policy priorities, robust, and measurable via reliable national and local authority level data which is already available. However, for these measures, attribution to the local authority alone is problematic. The measures are:

- **Breastfeeding** prevalence at 6-8 weeks after birth
- Incidence of **low birth weight** of full term live births
- **Healthy weight** at age four and five.

While local authorities will take on responsibility for public health, it was felt that their contribution to these measures cannot be isolated from the health input. In fact good results on these measures typically require strong partnership working arrangements between a local authority and health. It was proposed that the national scheme should consider 'joint measures', with both health and the local authority being jointly responsible and rewarded (or penalised) for their performance.

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<sup>35</sup> Since local authorities were consulted for the study, DfE has further developed the definition of the summary and scope of the assessment, as mentioned in Chapter 2.

The **remaining proposed measures** (i.e. anti-natal support delivered through children's centres; postnatal depression/self-reported wellbeing; economic wellbeing; parents' aspirations, self-esteem and skills; volunteering and parental satisfaction with children's centre services) **were judged to be problematic for a number of reasons**. Some of these measures (i.e. parents' aspirations, self-esteem and skills, volunteering) did not seem to be clearly linked to policy objectives for children's centres. They all presented measurement problems: not only is data not currently available on these measures, but collecting it in a reliable way is likely to be expensive and in some cases (i.e. satisfaction with services and volunteering) highly problematic. Some of these measures (i.e. postnatal depression/self-reported wellbeing, economic wellbeing, parents' aspirations, self-esteem and skills) also presented problems of attribution, which could not be solved by introducing joint measures with another agency, as these are very complex measures influenced by a range of factors. Finally, although Ofsted ratings 'ticked' almost all the boxes in our assessment framework, Ofsted inspections are not frequent enough to be suitable for a PbR scheme.

It is worth noting that **measures that do not appear suitable for a national PbR scheme were being considered for local schemes**. As discussed in Chapter 3, this may be because measures were linked to specific local initiatives (e.g. programmes to support parental employment) and because locally it was possible to develop more sophisticated systems for monitoring outcomes from children's centres' services (e.g. track service users over time).

Finally, the study has also explored whether the national scheme should include a fixed set of measures to be applied across the country, or a menu of measures so that measures applied to each authority can reflect local circumstances and needs. While the flexibility provided by a 'menu approach' was seen as attractive, there was a danger that authorities would opt for measures they can score highly on leading to perverse incentives and unintended consequences. One possibility would be for the **national scheme to provide a core set of measures for benchmarking purposes, supplemented by local measures relevant to each authority**, subject to agreement with the DfE.

## 4.4 Economic coherence of the scheme

In testing, refining and implementing the above measures, careful consideration should be given to our fifth criterion: economic coherence.

Economic coherence firstly addresses the mechanisms by which the specific measures are intended to deliver improved outcomes. What is the intended behavioural response to a PbR scheme based on these measures, and what would the impact be of variations resulting from the scheme in levels of payments actually received? Regarding their behavioural response, local authorities could be expected to:

- Focus on activities and interventions with a proven record in impacting upon these outcomes, cutting funding to expensive activities where the impact on the specified outcomes is unclear. It is possible that this delivers overall improvements in outcomes, but where resources are diverted from

other services the impacts and possible unintended consequences should be monitored closely. For example, has the scheme resulted in too great a narrowing of the services provided?

- Explore ways of passing on variations in payments they receive (through the national scheme) to the providers they commission (through similar local schemes) in order to balance their income and expenditure. This however, is unlikely to be possible in practise for these measures.

Regarding the impact of variations resulting from the scheme in the levels of payment actually received, by definition local authorities performing more poorly would receive lower levels of funding. A number of other structural features would be necessary in order for this to translate into improved outcomes; in particular it should be possible for the local authority's role to be 'substitutable'. Reduced funding would mean an overall reduction in services commissioned by the authority in question, so to avoid end-users losing out, it should be possible for an alternative (perhaps more effective) commissioner of services to step in and to receive funding to do so. This could, for example, be through shared services being provided across local authority boundaries; or through establishing mechanisms by which funding can be diverted to private or voluntary sector providers to take over management of children's centres in an area. A key challenge here, however, would be to ensure continuity at the frontline, given that PbR focuses on variation in levels of funding paid to pre-defined suppliers, rather than enabling variation in who those suppliers are.

It is also important that the system of payment should be sufficiently responsive to address failure and fuel success as it occurs, but nevertheless provides some level of financial security to providers. This is particularly the case for the local scheme, where short-term uncertainty around income will threaten the financial viability of small providers and affect their ability to plan cost-effective service delivery.

Economic coherence secondly addresses the level of payment attached to particular levels of performance, and relates to the implementation of the measures rather than their identification. Ultimately, the net benefits of the scheme must outweigh its costs, in terms of both the payments made for services and implementation costs such as additional data collection. In the case of output measures, for example take up of the two year old entitlement, payment could be based on a benchmarked cost of provision with a built in 'margin' to incentivise increased take up.

For other measures (such as performance in the EYFSP and healthy weight) there is no clear link to specific costs, so payment rates would need to be tested with local authorities themselves and overall payment tied to existing national budgets to ensure continuity. However, over time research could be identified and/or conducted linking EYFSP outcomes and healthy weight to valuable wider societal benefits. By tying funding to the value of outcomes achieved rather than the costs of outputs delivered, PbR based on such measures could deliver improvements in overall welfare. Note that the longer timescales over which such benefits are realised would require additional funding mechanisms (such as Social Impact Bonds). This is because outcomes (and hence the payments associated with them) would occur some years after the initial expenditure and so there would be no immediate return on investment.

## 4.5 In conclusion

From the 20 measures developed by the DfE, the feasibility study has identified a basket of measures that could be included in a national PbR scheme. It should be noted that while a PbR scheme would ideally be based on outcome measures, many of the recommended measures are based on outputs, albeit with evidence linking some of these outputs with positive outcomes for children. Developing a national PbR scheme based mainly or entirely on outcome based measures would be very expensive, and the complexity and cost of the data collection were taken into account in our recommendations for suitable measures.

For some of the recommended measures suitable data is already collected and available nationally and at the local authority level. However, for many of the recommended measures, there is not currently a consistent way of recording them, and these are the kind of measures that DfE could develop and test in order to include in the new children's centres census. There was support for including some key child health measures in the scheme, but it was argued that this would require reframing the PbR scheme to allow for 'joint measures' with health, reflecting the strong partnership working required between services to improve child outcome.

The feasibility study has recommended some measures that could be used in a national scheme. However, more work is required to develop and test some of these measures, and the economic coherence of a PbR scheme. It will be important to answer questions such as:

- How will the scheme bring about the expected behavioural changes among local authorities?
- How will joint measures with health work in practice?
- How will local authorities pass variation on payments to local providers?
- How can a system be sufficiently responsive to address failure and fuel success and at the same time provide some level of financial security to local providers?
- What will happen if local authorities do not perform sufficiently well to attract the funding they need to maintain local children's centre services?
- What levels of payments should be linked to changes in performance for different measures and when should payments be made?

Careful trialling and assessment of the proposed measures will be invaluable in developing a fit for purpose PbR scheme, which can be rolled out nationally.

## Appendix A Trial authorities

Trial authorities were commissioned in two waves. Successful wave one authorities were announced in July 2011, while wave two authorities were announced in September 2011.

### Wave one authorities

Barking and Dagenham	Barnsley
Blackpool	Croydon
Devon	Oxfordshire
Oldham	
Southampton	

### Wave two authorities

Bolton	Brent
Buckinghamshire	Calderdale
Darlington	East Riding with North Yorkshire
Hertfordshire	Knowsley
Lambeth	Lewisham
Lincolnshire	Liverpool
Plymouth	Portsmouth
Shropshire	Swindon
Wirral	

## Appendix B Draft measures for the PbR national scheme

	Activity based measures	More outcome based measures
<b>1. Contact with families</b>	a. Percentage of families with children under 5 years who are " <b>registered</b> " <sup>36</sup> with children's centres in the local authority area.	b. Percentage of families with children under 5 years who are identified as being " <b>in greatest need</b> " <sup>37</sup> and have " <b>sustained contact</b> " <sup>38</sup> with children's centres in the local authority area.
<b>2. Child development and school readiness</b>	a. Percentage of families in the local authority area who <u>receive a summary of their child's development at 24-36months.</u>	b. Percentage of families in the local authority area who have <b>appropriate support where additional needs have been identified</b> in the local authority area (e.g. through a summary of their child's development at 24-36months and/or health visitor check).
		c. <u>Early Years Foundation Stage</u> assessments, with gap narrowing, in the local authority area.
	d. Take up of the <u>2yr old free entitlement</u> across the local authority area.	
<b>3. Family health and wellbeing</b>		a. <u>Breastfeeding prevalence</u> (at 6-8 weeks after birth) <sup>39</sup> , with gap narrowing, in the local authority area.
	b. Percentage of families, who are identified as being "in greatest need", <b>accessing antenatal support</b> through children's centres in the local authority area. <sup>40</sup>	c. <u>Incidence of low birth weight</u> of full term live births <sup>41</sup> , with gap narrowing, in the local authority area.
		d. Proportion of parents with <u>postnatal depression</u> in the local

<sup>36</sup> Term "registered" to be agreed with trial areas.

<sup>37</sup> Term "in greatest need" could be defined locally, but with some national guideline/benchmarks.

<sup>38</sup> Term "sustained contact" needs to be worked out with trial areas – e.g. regular use of children's centre.

<sup>39</sup> Also a possible measure in the draft Public Health Outcomes Framework.

<sup>40</sup> Need to agree what "antenatal support" means in this context, e.g. appointments or something wider?

<sup>41</sup> Also a possible measure in the draft Public Health Outcomes Framework.

		authority area. [Or parents’ <u>self-reported emotional wellbeing</u> .]
	e. Percentage of children, who are identified as being “in greatest need”, accessing evidence based <b><u>healthy eating / lifestyle support</u></b> through children’s centres in the local authority area. <sup>42</sup>	f. Prevalence of <u>healthy weight</u> at age 4-5yrs <sup>43</sup> , with gap narrowing, in the local authority area.
		g. [Explore measure of <b><u>economic wellbeing</u></b> .]
<b>4. Parenting aspirations, self-esteem and skills</b>	a. Percentage of families, who are identified as being “in greatest need”, <b><u>completing evidence based parenting programmes</u></b> (e.g. Incredible Years) through children’s centres in the local authority area. <sup>44</sup>	b. [Parents <b><u>self-reported aspirations and self-esteem</u></b> – if we can find a measure.]
	c. Percentage of families, who are identified as being “in greatest need”, <b><u>receiving sustained outreach and family support</u></b> through children’s centres in the local authority area.	
		d. Levels of <b><u>parental language / literacy / numeracy</u></b> , with gap narrowing, in the local authority area.
<b>5. Cross-cutting</b>	a. Percentage of [outstanding / good] <u>Ofsted inspections</u> of children’s centres in the local authority area.	
	b. Levels of <u>volunteering</u> in children’s centres in the local authority area.	
	c. <u>Levels of parental satisfaction</u> with children’s centre services in the local authority area.	

<sup>42</sup> Need to agree what “healthy eating / lifestyle support” means in this context – e.g. activities.

<sup>43</sup> Also a possible measure in the draft Public Health Outcomes Framework.

<sup>44</sup> Term “evidence based parenting programme” needs defining.

## Appendix C PbR case studies

This appendix presents two case studies of how PbR works in the health and transport sectors and highlights what the lessons for children's centres might be.

### PbR in the NHS<sup>45</sup> – Payment by outputs

The PbR introduced in the NHS by the last government is primarily an *output* based payment scheme. A national benchmark unit cost is defined for a large number of services, and service providers (e.g. hospitals) are paid on the basis on the volume of each service delivered. It represents a shift in the way services are commissioned and paid for towards:

- Greater volume sensitivity (payments are more responsive to higher or lower levels of output)
- Lower cost sensitivity (payments are made at fixed rates based on national benchmarks, and do not respond to variations in the unit costs compared to expectations)
- Greater case-mix sensitivity (payments seek to reflect higher and lower cost cases for particular types of service).
- Furthermore, outputs are paid for on a cost-plus basis, rather than in a way that is explicitly designed to reflect the wider value of different services or to incentivise an economically optimal set of outcomes.

A theoretical analysis of these changes suggests a mixed picture, with the potential for costs to be better controlled, but also a risk of reduced quality of service (particularly for non-elective procedures where demand is less responsive to perceived quality). The impact on the volumes delivered across different services depends on whether there are capacity constraints, on the responsiveness of demand to perceived quality, and on how one attributes fixed costs across different services when setting unit cost rates.

The analysis also highlights the challenge in recognising 'high need/ cost' individuals within the system when these cannot always be discerned by the purchaser. In practice, empirical analysis on the impact of the scheme across a range of settings only found conclusive evidence of cost reductions, with results on volume, quality and case-mix being less clear.

This case study highlights a number of **lessons for children's centres**:

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<sup>45</sup> This discussion draws on the findings from: S. Farrar, J. Sussex, D. Yi, M. Sutton, M. Chalkley, T. Scott, A. Ma (2007) *National Evaluation of Payment by Results*, Report to the Department of Health.

- It is worth highlighting again that the NHS scheme is based on outputs not outcomes. Children's centres arguably present an even more challenging environment than the NHS in order to link payment to outcomes.
- Even if it is not possible to impose national benchmark prices unilaterally on children's centre providers, such benchmarks could serve to strengthen local authority's position in negotiating contracts and hence reduce costs.
- Careful consideration should be given to how national benchmarks are derived. If these were cost-based, some thought would be required on the allocation of fixed costs. However, they could also include a 'value-based' component, reflecting the expected value of the service beyond what it costs to deliver, thus further incentivising delivery of the most effective services.
- Care would be required that for any output-based measures, there is not a detrimental impact on quality. This is particularly the case for services where take-up (and hence payment) is only weakly linked to quality.
- The cost to providers (and potential benefits) of delivering services will be much higher for some service users than others. Allowance for such 'high need/low need' cases should be built into the system, but only where this is possible in an objective manner that minimises incentives to mis-classify individuals.

## **PbR in the rail industry – Payment by outcomes**

Whilst not given the label 'Payment by Results', rail services in the UK are commissioned from the private sector following an approach that shares many of the characteristics of PbR. Groups of services are packaged into franchises, and operators bid for the contract to run these for a fixed term (typically around ten years). At the point of contract, competition incentivises bidders to reduce their cost assumptions, and to build in realistic but challenging revenue assumptions. Whilst the government primarily specify *outputs* (minimum service requirements), operators are typically rewarded on the basis of *outcomes* (both by the market for passengers, and by other industry mechanisms).

The result is that during the life of the franchise itself, operators will seek to keep costs to a minimum. Service improvement and investment that deliver benefits beyond the period of the contract have to be explicitly specified as a requirement in the contract, and innovation focuses on schemes that will translate into increased revenue over the shorter term. Such schemes will typically be 'frontloaded' in order to maximise operators' return on investment. Revenue is linked to the delivery of outputs (timetabled services) and outcomes (passengers successfully using the service). In both cases this is based on a complex set of rules and calculations. Deviations from timetabled services in the form of cancellations and delays are penalised based on performance contracts. However, detailed theoretical models are required in order to *attribute* this disruption to the ultimately responsible party (the operator in question, the infrastructure provider or other operators sharing the same

infrastructure), and to estimate an appropriate level of penalty sufficient to compensate other parties for lost revenue. Outcomes are rewarded more directly, in the form of revenue from ticket sales. However, passengers sometimes have a choice of operators on particular routes, or undertake journeys where a single ticket covers multiple legs provided by different operators. Therefore, even these revenues are subject to a complex process of attribution, based on empirically tested models which assign revenue from the national rail network to individual operators.

This case study highlights a number of **lessons for children's centres**:

- Even in a setting where both outputs and outcomes are relatively concrete, substantial work can still be required in order to measure these and translate them into payments to individual service providers. Furthermore, it is critical that this system of payment is transparent, reliable and independent so that contractors are willing to buy into the system and do not price expensive 'risk premiums' to mitigate unnecessary uncertainty in the system.
- Even in the absence of explicit cost benchmarks, competition for contracts can drive down prices. However, it is important to ensure that the service providers remain financially viable, and that short-term contract savings do not result in expensive contract default or a reduction in the number of available suppliers.
- Systems must also be carefully thought through and watertight, in order to avoid any potential 'game playing' by operators. This can be avoided by aligning the incentives created by the contracts as closely as possible to public sector objectives.
- Where specific additional outputs or foci are required that are not directly linked to the primary revenue mechanisms (for example, investment in staff training from which better outcomes may not fully emerge until after the life of the contract) these should be specified separately.

## Appendix D Data review and initial economic assessment

This appendix outlines the data available to support each of the DfE’s proposed measures for the Payment by Results (PbR) scheme, together with brief commentary on the data’s suitability at the national and local level. It is based on a review of UK data available within the public domain (Table D.1)<sup>46</sup>. As decisions are still being made about what data will be collected by additional Government going forward, it is worth bearing in mind that the data available to support the scheme is likely to change. We note that the Children in Need census collects data annually from local authorities, and also introduces regular changes to the data it gathers, and may therefore, in the future, provide data appropriate for use within the scheme. This census is also likely to be the main data collection mechanism for the final recommendations from the Munro review which will offer further information of potential relevance to a PbR scheme.

This appendix also briefly identifies the measures’ main strengths and weaknesses of the proposed measures, based on the framework set out in Section 1.3 (Table D.2). This initial economic assessment is based on internal discussions with the project team and DfE, the experience and expertise of the project economist, and a rapid search for existing literature on the topic. Note that we have not considered each measure’s fit against the fifth criterion of Economic Coherence. This is because the purpose of this appendix is to consider individual measures whereas the ‘economic coherence’ relates to the overall scheme rationale and implementation (especially setting payment level and terms of payment).

**Table D1 Data review**

Domain	Proposed measure	Data available	Commentary on data	Reference
1. Contact with families	a. Percentage of families with children under 5 years who are “registered” with children’s centres	No. of children reached in Phase 1 of Sure start programmes.	The data presents sum of all local targets and achievements in reaching out to children through children’s centres. Therefore, it is only available at national level and is not suitable for use in either the national or the local PbR schemes in its current form.	National Audit Office (2006). <i>Sure Start Children’s Centres – Report by the Comptroller and Auditor General</i> . London: NAO.

<sup>46</sup> The data review included searches of the following sites: C4EO, CHIMAT, ONS, Department of Education, Department of Health, Department of Work and Pensions and OFSTED.

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	in the local authority area.	Take up by children's centre services, 2008-09.	The data is aggregated at the national level and is not broken down at Local Authority level. It is therefore not suitable for use in either the national or the local PbR schemes in its current form.	National Audit Office (2009). <i>Sure Start Children's Centres – Memorandum for the Children, Schools and Families Committee</i> . London: NAO.
	b. Percentage of families with children under 5 years who are identified as being "in greatest need" and have "sustained contact" with children's centres in the local authority area.	No data found	n/a	n/a
2. Child development and school readiness	a. Percentage of families in the local authority area who receive a summary of their child's development at 24-36 months.	No data found	n/a	n/a
	b. Percentage of families in the local authority area who have appropriate support where additional needs have been identified in the	No data found	n/a	n/a

	local authority area.			
	c. Early Years Foundation Stage assessments, with gap narrowing, in the local authority area.	NI 92 is produced annually by the DfE and produces data at the local authority and national level	The data is available at LA level and therefore suitable for use in the national PbR scheme	Department for Education (2009). <i>NI 092 - Narrowing the Gap between the Lowest Achieving 20% in the Early Years Foundation Stage Profile and the Rest.</i> London: DfE [online]. Available: <a href="http://www.data4nr.net/search-results/1016/">http://www.data4nr.net/search-results/1016/</a> [31 October, 2011].
	d. Take up of the 2yr old free entitlement across the local authority area.	No data found	n/a	n/a
3. Family health and wellbeing	a. Breastfeeding prevalence (at 6-8 weeks after birth), with gap narrowing, in the local authority area.	NI 53 - Prevalence of breast-feeding at 6-8 weeks from birth (%). Data is available at local authority and national level and is collected quarterly.	The quarterly data is available at LA level and therefore suitable for use in the national PbR scheme.	Department of Health (2010). <i>Breastfeeding Initiation and Prevalence at 6 to 8 Weeks.</i> London: DoH [online]. Available: <a href="http://www.data4nr.net/search-results/1390/">http://www.data4nr.net/search-results/1390/</a> [31 October, 2011].
	b. Percentage of families, who are identified as being "in greatest need", accessing antenatal support	No data found	n/a	n/a

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	through children's centres in the local authority area.			
	c. Incidence of low birth weight of full term live births, with gap narrowing, in the local authority area.	Data is produced annually by the ONS. It covers England and Wales and is available at the district, local authority and national level	The data is available at LA level and therefore suitable for use in the national PbR scheme	Department for Education (2011). <i>NI 053 - Prevalence of Breast-feeding at 6-8 Weeks from Birth. The Places Database</i> [online].  <a href="http://www.data4nr.net/resources/1192">http://www.data4nr.net/resources/1192</a> [31 October. 2011].
	d. Proportion of parents with postnatal depression in the local authority area. [Or parents' self-reported emotional wellbeing.]	No data found	n/a	n/a
	e. Percentage of children, who are identified as being "in greatest need", accessing evidence based healthy eating / lifestyle support through children's centres in the local authority area.	The CIN data collection of the DfE collects data on children in need by gender, age and ethnicity. The DfE's data collection OSR17/2011 collects data from the Childcare and Early Years Providers Survey. Although at present data combining those in need, with	National or local authority level data is not collected for those in need and accessing services in children's centres. Therefore, it is not suitable for use in either the national or the local PbR schemes in its current form.	Department for Education (2011). <i>Childcare and Early Years Providers Survey</i> (Statistical Release 17/2011). London: DfE [online]. Available: <a href="http://www.education.gov.uk/researchandstatistics/statistics/allstatistics/a00196854/dfc-childcare-and-early-years-providers-survey-2010">http://www.education.gov.uk/researchandstatistics/statistics/allstatistics/a00196854/dfc-childcare-and-early-years-providers-survey-2010</a> [31 October, 2011].

		attendance at children's centres, is not collected. Identified data is collected and produced at national and local authority level.		
	f. Prevalence of healthy weight at age 4-5yrs, with gap narrowing, in the local authority area.	NI 55 provides data on school aged children in reception (4-5 year olds). This is produced at the local authority and national level.	The data is available at Local Authority level and therefore suitable for use in the national PbR scheme	Department for Education (2009). <i>NI 055 – Obesity in Primary School Age Children in Reception</i> . The Places Database [online]. Available:  <a href="http://www.data4nr.net/search-results/1140/">http://www.data4nr.net/search-results/1140/</a> [31 October, 2011].
	g. [Explore measure of economic wellbeing.]	Economic wellbeing has, in the past, been measured by the proportion of NEETS and the take up of formal childcare by low income families (both collected by DfE). These measures have been collected nationally and reported at local authority and national level. Proportion of children in poverty is also regularly used. This is available at a number of levels and is collected by the	All of this data is available at the LA level and is therefore suitable for use in the national PbR scheme. The number of children in poverty is available at LA level and so is suitable for use in the national PbR scheme. Free school meal eligibility is suitable for the national PbR scheme but has limitations in that it only covers school age children and only those families that apply.	Department for Education (2009). <i>NI 117 – 16 to 18 Year Olds Who are Not in Education, Training or Employment (NEET)</i> . The Places Database [online]. Available:  <a href="http://www.data4nr.net/resources/1020">http://www.data4nr.net/resources/1020</a>  [31 October, 2011].  Department for Education (2009). <i>NI 118 – Take Up of Formal Childcare by Low-Income Working Families</i> . The Places Database [online]. Available:  <a href="http://www.data4nr.net/resources/1214">http://www.data4nr.net/resources/1214</a>  [31 October, 2011].

		DWP. Data on eligibility for free schools meals is collected annually by the DfE and can be collated at national and LA level. This can be used as an indicator of economic wellbeing, although only currently for families with school aged children		Department for Work and Pensions (2008). <i>NI 116 – Proportion of Children in Poverty</i> . London: HM Customs and Revenue [online].  <a href="http://www.data4nr.net/resources/1213">http://www.data4nr.net/resources/1213</a> [31 October, 2011].
09).4. Parenting aspirations, self-esteem and skills	a. Percentage of families, who are identified as being "in greatest need", completing evidence based parenting programmes (e.g. Incredible Years) through children's centres in the local authority area.	No data found	n/a	n/a
	b. [Parents self-reported aspirations and self-esteem]	No data found	n/a	n/a
	c. Percentage of families, who are identified as being "in greatest need", receiving sustained	No data found	n/a	n/a
		Some statistics on NEET with Parental	The data is not broken down by Local Authority level and therefore not suitable for use in either	Department for Children, Schools and Families (2008). <i>Youth Cohort Study and</i>

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	outreach and family support through children's centres in the local authority area.	education - degree/A level or not.	the national or the local PbR schemes in its current form.	<i>Longitudinal Study of Young People in England: The Activities and Experiences of 17 Year Olds: England 2008</i> . London: DCSF [online]. Available: <a href="http://www.education.gov.uk/rsgateway/DB/SBU/b000850/index.shtml">http://www.education.gov.uk/rsgateway/DB/SBU/b000850/index.shtml</a> [31 October, 2011]
	d. Levels of parental language / literacy / numeracy, with gap narrowing, in the local authority area.	No data found	n/a	n/a
5. Cross-cutting	a. Percentage of [outstanding/good] Ofsted inspections of children's centres in the local authority area.	Outstanding providers list from 1993-2010 at LA Level and lower with manipulation. Data covers all provider types although there are relatively few children's centres listed	The data contains all outstanding children's centres that were inspected between 1993 and 2010. Although the data is broken down by local authority, it may not cover all the children's centres which would be inspected at a later date. Therefore, it is not suitable for use in either the national or the local PbR schemes in its current form.	Ofsted (2011). <i>Outstanding Providers List 1993/1994 - 2009/2010</i> . London: Ofsted [online]. Available: <a href="http://www.ofsted.gov.uk/filedownloadin g/?file=documents/other-publications/o/Outstanding%20Providers%20list%201993%202010.zip&amp;refer=1">http://www.ofsted.gov.uk/filedownloadin g/?file=documents/other-publications/o/Outstanding%20Providers%20list%201993%202010.zip&amp;refer=1</a> [31 October, 2011].
	b. Levels of volunteering in children's centres in the local authority area.	No data found	n/a	n/a
	c. Levels of parental satisfaction with children's centre	No data found	n/a	n/a

	services in the local authority area.			
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**Table D2 Initial economic assessment of proposed measures' suitability for use in the national PbR scheme**

Domain	Proposed measure	Commentary on measures
1. Contact with families	a. Percentage of families with children under 5 years who are "registered" with children's centres in the local authority area.	Clearly addresses the fundamental requirement that contact is made with families, and it could easily be attributed to particular authorities and centres. However, the link to outcome objectives is indirect, and there is the danger that resources are diverted from supporting the highest-need families towards supporting as a large a number of families as possible. Furthermore, it would be difficult to identify benchmark costs or benefits registering families in order to set suitable payment rates.
	b. Percentage of families with children under 5 years who are identified as being "in greatest need" and have "sustained contact" with children's centres in the local authority area.	This measure shares similar strengths and weaknesses to those proposed around health and wellbeing. In addition there would be difficulties in providing a robust definition of "sustained outreach". This would need careful consideration to ensure levels and types of support delivered are not inappropriately skewed.
2. Child development and school readiness	a. Percentage of families in the local authority area who receive a summary of their child's development at 24-36 months.	This measure would be suitable for the national or local scheme, once summaries are routinely produced. The measure relates to what will be a clearly defined output produced by children's centre, and so attribution would be straightforward, and a cost-based rate of payment could reasonably be enforced. The output is universal (relates to all families) and discrete (for each family, either it's achieved or not) which reduces scope for perverse incentives, although there could be a danger that the quality of summaries reduces.
	b. Percentage of families in the local authority area who have appropriate support where additional needs have been identified in the local authority area (e.g. through a summary of their child's development at 24-36months and/or health visitor check).	Directly measures whether families are receiving support, but unclear how the appropriateness of the support would be judged. Could risk LA/CC playing 'the numbers game' to increase quantity at the expense or quality. Would also need careful balancing between incentivising the identification of the need with the support provided. Unsuitable for use with individual CCs unless a particular Centre's "catchment area" could

		be defined.
	c. Early Years Foundation Stage assessments, with gap narrowing, in the local authority area.	Aligned closely with objectives, and uses a nationally established measure. Attribution would be straightforward for LAs, but not possible for CCs. Could be disrupted by prospective changes to assessment, and where the measure is used to set a baseline for primary school value-added could be subject to manipulation.
	d. Take up of the 2yr old free entitlement across the local authority area.	Subject to suitable data becoming available, could be used in a national scheme, and possibly in a local scheme if for example individual CC's received a share of a fixed sum based on the number of places they directly provide (in which case attribution is clear). The measure has the advantage that it builds on a pre-defined target group, reducing scope for 'gaming' around measurement.
3. Family health and wellbeing	a. Breastfeeding prevalence (at 6-8 weeks after birth), with gap narrowing, in the local authority area.	Good evidence base linking measure to longer-term outcomes. Suitable for national scheme, but likely to be very difficult to attribute to individual CCs. Could effectively incentivise a positive outcome, but would need to be complemented by other measures.
	b. Percentage of families, who are identified as being "in greatest need", accessing antenatal support through children's centres in the local authority area.	By focussing on families accessing support rather than just registration, this measure is linked more directly to outcomes. Note, however, there is a danger that the PbR scheme could be rewarding recruitment rather than the service delivery where the service delivery is provided by services outside of the LA/CC.  For the local scheme this measure presents challenges of attribution in cases where families may access antenatal or other support through a variety of channels, and could result in unproductive competition between Centres (competing for the same families, rather than recruiting additional ones).

		<p>There are also challenges around the definition of "greatest need", and the potential for perverse incentives (for example, being less likely to classify families as such, or families just outside of the definition receiving less support).</p> <p>Payments could be based on a nominal fee per family recruited, or could be linked to whether or not the programme itself delivers successful outcomes (and calculated as a share of the economic value of these outcomes)</p>
	c. Incidence of low birth weight of full term live births, with gap narrowing, in the local authority area.	<p>Very difficult to attribute to LA or CC activities. Likely to be fairly robust against perverse incentives if the link between outcomes and payments is suitably designed, but could create some incentives for manipulation of figures.</p>
	d. Proportion of parents with postnatal depression in the local authority area. [Or parents' self-reported emotional wellbeing.]	
	e. Percentage of children, who are identified as being "in greatest need", accessing evidence based healthy eating / lifestyle support through children's centres in the local authority area.	<p>By focussing on families accessing support rather than just registration, this measure is linked more directly to outcomes. Note however that where the support itself is not delivered by the LA/CC, PbR would essentially be rewarding recruitment rather than service delivery.</p> <p>For the local scheme this measure presents challenges of attribution in cases where families may access antenatal or other support through a variety of channels, and could result in unproductive competition between Centres (competing for the same families, rather than recruiting additional ones).</p> <p>There are also considerable challenges around the definition of "greatest need", and the potential for perverse incentives (for example, being less</p>

		<p>likely to classify families as such, or families just outside of the definition receiving less support).</p> <p>Payments could be based on a nominal fee per family recruited, or could be linked to whether or not the programme itself delivers successful outcomes (and calculated as a share of the economic value of these outcomes)</p>
	<p>f. Prevalence of healthy weight at age 4-5yrs, with gap narrowing, in the local authority area.</p>	<p>Very difficult to attribute to LA or CC activities. Likely to be fairly robust against perverse incentives if the link between outcomes and payments is suitably designed, but could create some incentives for manipulation of figures.</p>
	<p>g. [Explore measure of economic wellbeing.]</p>	
<p>4. Parenting aspirations, self-esteem and skills</p>	<p>a. Percentage of families, who are identified as being "in greatest need", completing evidence based parenting programmes (e.g. Incredible Years) through children's centres in the local authority area.</p>	<p>By focussing on families completing programmes this measure is linked more directly to outcomes. Note however that where the support itself is not delivered by the LA/CC, PbR would essentially be rewarding <i>recruitment</i> rather than service delivery.</p> <p>For the local scheme this measure presents challenges of attribution in cases where families may access programmes through a variety of channels, and could result in unproductive competition between Centres (competing for the same families, rather than recruiting additional ones).</p> <p>There are challenges around the definition of "greatest need", and the potential for perverse incentives (for example, being less likely to classify families as such, or families just outside of the definition receiving less support).</p> <p>The measure is also problematic due to lack of consensus on 'evidence-based parenting programmes' and the fact that these are likely to differ</p>

		<p>in length/resources required, thereby incentivising use of low cost options.</p> <p>Payments could be based on a nominal fee per family recruited, or could be linked to whether or not the programme itself delivers successful outcomes (and calculated as a share of the economic value of these outcomes)</p>
	b. [Parents self-reported aspirations and self-esteem]	Likely to be difficult and expensive to set up any additional data collection in sufficient volumes to provide reliable measures of these outcomes. Attribution to LA/CCs also very difficult.
	c. Percentage of families, who are identified as being "in greatest need", receiving sustained outreach and family support through children's centres in the local authority area.	This measure shares similar strengths and weaknesses to those proposed around health and wellbeing. In addition there would be difficulties in providing a robust definition of "sustained outreach". This would need careful consideration to ensure levels and types of support delivered are not inappropriately skewed.
	d. Levels of parental language / literacy / numeracy, with gap narrowing, in the local authority area.	Likely to be difficult and expensive to set up any additional data collection in sufficient volumes to provide reliable measures of these outcomes. Attribution to LA/CCs also very difficult.
5. Cross-cutting	a. Percentage of [outstanding / good] Ofsted inspections of children's centres in the local authority area.	Provides an objective, independent, and broad assessment of CC performance. Rates highly across the majority of criteria, however, possible challenge around frequency of inspection not creating a sufficiently responsive measure.
	b. Levels of volunteering in children's centres in the local authority area.	Very difficult to measure reliably or to link consistently to outcomes, and highly dependent on the nature of the volunteering.
	c. Levels of parental satisfaction with children's centre services in the local authority area.	Could be expensive to measure in a sufficiently robust fashion, and could be subject to manipulation by LA/CC in targeting particular parents, or by the parents if they are aware that funding is linked to their responses. Would also be difficult to define suitable levels of payment linked to the results.

