



Department
for Education

Payment by Results in Children's Centres Evaluation

Research report

June 2014

Frontier Economics & the Colebrooke Centre

Contents

List of figures	7
List of tables	7
Executive Summary	9
Background	9
The PbR Trial	9
Development of the PbR trial	10
Assessment of national PbR	10
Assessment of local PbR	12
Going forward	14
1. Introduction	15
1.1 Children’s centres	15
1.2 PbR policy background	16
1.3 The PbR trial in children’s centres	17
1.4 Aims of the evaluation	17
1.5 Scope of the evaluation	18
1.6 Framework for an effective PbR scheme	18
1.7 Outline of the report	20
2. Evaluation methodology	21
2.1 Two stage design	21
2.2 The sample of trial LAs and non-trial comparison group	22
2.3 Review of background documentation	23
2.4 Telephone surveys and workshop with PbR Project Leads	23
2.5 Case study visits	24
2.6 A telephone survey of DCSs	25

2.7	An electronic survey of LAs not participating in the PbR trial	25
3.	Development of the PbR trial	27
3.1	The development of national PbR	27
3.2	Reasons for participation in the trial	29
3.3	Development of local PbR	31
3.3.1	Ongoing management of centres	31
3.3.2	Timing of the development of local PbR	32
3.3.3	The role of local conditions in local PbR development	35
3.4	Important factors for implementation	38
3.4.1	Timeframe for national decision-making	38
3.4.2	Timeframe for the development of local PbR	39
3.4.3	Resource cost	40
3.4.4	Assistance from the national level	41
3.4.5	Economic context	42
3.5	Continuation of local PbR without the national element	43
3.6	Summary	45
4.	Assessment of National PbR	47
4.1	Influence of the national measures	47
4.1.1	Match with local priorities	47
4.1.2	Design of the national measures	48
4.1.3	Effect of the national measures on LA decision-making	50
4.2	Influence of the national payment mechanism	51
4.2.1	Match with local priorities	51
4.2.2	Effects of the national payment mechanism	54
4.2.3	Design of the national payment mechanism	54

4.2.4	Size of reward payments	55
4.2.5	Usefulness of uncertain rewards	56
4.2.6	Ring-fencing and children’s centre budgets	57
4.2.7	Additional financial support	57
4.3	Raising the profile of children’s centres	58
4.4	Focus on core purpose	61
4.5	Use of the wider research evidence on effective practice	62
4.6	Changes in planning for service delivery	62
4.6.1	Effect on multi-agency working	63
4.6.2	Effect on the targeting of services	64
4.6.3	Effect on service delivery	65
4.6.4	Effects on other services	66
4.6.5	Effects on innovation at the LA level	66
4.7	Perverse incentives at the LA level	67
4.8	Summary	67
5.	Assessment of Local PbR	70
5.1	Role of the national trial in developing local PbR	70
5.2	Choice and design of local measures	71
5.2.1	Description of local measures	71
5.2.2	Choice of local measures	72
5.2.3	Targeting in local measures	74
5.2.4	Outputs and outcomes	74
5.2.5	Attribution of local measures	75
5.3	Design of local payment mechanisms	76
5.3.1	Characteristics of local PbR models	77

5.3.2	Relating funding to performance	80
5.3.3	Financial incentives for children's centres	83
5.3.4	Incorporation into centre management	84
5.4	Data collection and usage	85
5.5	Changes in service delivery	87
5.6	Perverse incentives at the centre level	88
5.6.1	General perverse incentives	88
5.6.3	Co-operation between children's centres	89
5.6.4	Types of commissioned providers	90
5.7	Summary	91
6.	Conclusions	95
6.1	The design of national and local PbR models	95
6.2	The influence of the national PbR scheme on local decisions	97
6.3	The effectiveness of a PbR approach for children's centres	98
6.4	Impacts of the trial	99
6.5	Going forward	100
	Annex A: LA background statistics	101
	Annex B: Evaluation methodology	105
	Annex C: Selection of case studies	109
	Annex D: Evaluation instruments	113
	Scoping Telephone Interviews with PPLs	113
	Main Telephone Survey with PPLs	116
	Telephone Survey with DCSs	120
	Electronic Survey of non-trial LAs	122
	Stage 1 Case Studies	124

List of figures

Figure 1 Ideal characteristics for an effective PbR scheme	19
Figure 2 Two-stage evaluation design	21

List of tables

Table 1 Reasons that LAs participated in the trial	30
Table 2 Timing of the development of local PbR payment models	33
Table 3 Progress in the development of local PbR payment models at November / December 2012	34
Table 4 Timeframe to implement a local PbR model	34
Table 5 Continuation of local PbR without the national element	44
Table 6 Reasons for whether or not to continue with local PbR	44
Table 7 Selected national measures for reward payment	51
Table 8 Reasons for the selection of national measures for potential reward payments	52
Table 9 Whether national PbR has raised awareness of the role of children's centres	59
Table 10 Reasons why national PbR has not raised awareness or only raised it in a limited way	59
Table 11 Changes in the planning of children's centre services	65
Table 12 Summary of local PbR measures	72
Table 13 Key elements of local reward schemes	77
Table 14 Number of LAs by region	101
Table 15 Number of LAs by urban classification	101
Table 16 Number of LAs by governance structure	102
Table 17 Number of LAs by size of population aged under five	102
Table 18 Number of LAs by proportion of population aged under five	103
Table 19 Number of LAs by deprivation	103

Table 20 Number and type of children’s centres	104
Table 21 Structure of children’s centres in trial areas	104
Table 22 List of reviewed background documents	105
Table 23 List of job titles for participants in the two telephone surveys for PbR Leads (scoping and main)	106
Table 24 List of job titles for participants in the survey of Non-trial LAs	106
Table 25 List of job title for participants in the Director of Children’s Services survey	107
Table 26 List of participants in the case studies	108
Table 27 Development stage and variant of PbR	110
Table 28 Background contextual factors	112

Executive Summary

Background

In May 2010, the coalition government made a commitment to trial the use of Payment by Results (PbR) for children's centre services to incentivise a local focus on the core purpose of children's centres¹. The Department for Education (DfE) began the trial in September 2011 and it lasted 18 months until March 2013. The trial involved 26 trial areas covering 27 Local Authorities (LAs) with one area consisting of a joint trial for two LAs. This report presents the findings from a process evaluation of the trial considering whether and how the tested PbR scheme achieved its objectives.

The PbR Trial

Because central government does not directly commission children's centre services, the PbR trial was uniquely structured with two sets of commissioning arrangements: a "national" element involved the commissioning arrangement from DfE to LAs and a "local" element involved the service and commissioning arrangements between LAs and children's centres.

The stated objective of the PbR trial was to see whether PbR incentivised a local focus on the core purpose in terms of:

- encouraging a local focus on the importance of early intervention in the early years and the role of children's centres
- encouraging local investment in early intervention and children's centres
- encouraging evidence-based decision-making which takes account of the results for families

The national element of the trial involved the setting of national measures and improvement targets by DfE and the payment of financial rewards to LAs for the achievement of those targets. Local PbR allowed LAs discretion to design their own local PbR scheme including identifying measures to assess children's centre performance and deciding how to pay for performance.

¹ The core purpose of children's centres is defined as "to improve outcomes for young children and their families, with a particular focus on the most disadvantaged, so children are equipped for life and ready for school, no matter what their background or family circumstances." (Department for Education, *Core Purpose of Sure Start Children's Centres*, April 2012, <http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/a00191780/core-purpose-of-sure-start-childrens-centres>)

Development of the PbR trial

Several factors were found to be important in the development of PbR:

- Insufficient time was allowed for the setting up of the national scheme which hindered the development of local PbR. The timeframe for the development of local PbR was also generally regarded as too short.
- Implementing PbR involved some (but generally not considerable) resource cost in most trial areas. The trial grant funding was viewed as essential to the development of PbR in most areas.
- Assistance from central government was particularly helpful to the development of PbR through the facilitation of learning between trial areas and support from Serco. It was suggested that greater co-ordination at the national level with the Department of Health and Ofsted might also have aided development in some areas.
- The economic context of reductions in public spending and declining resources for children's centres was widely viewed as a hindrance to PbR development. There were mixed views as to whether the economic climate made PbR more or less influential.

Assessment of national PbR

The impacts of national PbR on local thinking and decision-making were mostly driven by the trial *per se* and by the national measures rather than the financial aspect of the scheme:

- The national measures were well designed in terms of achievability in a reasonable timeframe and having robust data available. However, some of the national measures created issues of attribution in the development of related local measures. In addition, the measures were not closely related to all of the trial aims and were restrictive on local flexibility to choose the best methods to achieve results. Consequently, the design of national measures were conducive to their being influential, but not necessarily in a way that met all of the trial objectives or would achieve improvements in the best manner or with diverse local approaches.
- There was broad local approval of much of the detail on the design of the national payment mechanism. However, effectiveness was limited by the low level of reward payment amounts; a lack of national ring-fencing of rewards and core budgets; and a lack of financial resources to invest in children's centres due to the economic climate. But the evidence suggested that the potential problem of finding valuable uses for transient and uncertain rewards in the delivery of children's centre services is not insurmountable. Overall, the payment mechanism element of national PbR had very little impact on local thinking and behaviour.

- It is not possible to draw conclusions about whether a stronger financial element in the PbR mechanism could have been more influential. However, the initial interest raised within some LAs by the potential of monetary rewards suggests that more substantive rewards may have had greater impact.

The evidence suggests that national PbR had the following impacts:

- The national measures had some impact on processes or decisions concerning children's centres in most of the trial areas, but only resulted in actual changes in the planning of services or specific initiatives in around half of the areas. The lack of actual impact in some areas may have been due to a match between the national measures and existing local priorities in these areas which meant that the measures could only reinforce rather than change local behaviour.
- National PbR raised awareness among those working in early childhood services, but did not have a substantial impact in raising awareness among local politicians and LA officials outside of early childhood services. This may have been because the national measures were not explicitly connected to the objective of raising awareness, but may also have been hampered by the dominance of other more pressing local issues or that awareness about children's centres was rising for other reasons anyway.
- The national measures (rather than PbR *per se*) influenced understanding of the core purpose for children's centres and helped to enhance a focus on the core purpose in a small number of areas.
- National PbR had little impact on the use of wider research evidence on effective practice.
- National PbR (particularly the breastfeeding measure) enhanced partnership working with health. However, this change this may also be partly explained by a more general movement towards closer joint working with health which was also observed in non-trial areas.
- There was a feeling that national PbR shifted the focus towards targeted from universal services, but views were mixed on whether PbR had driven this change or just reinforced on-going changes. There was a strong trend in non-trial areas towards greater targeting in services due to the need to target resources in the face of limited or reduced budgets which may have been driving the similar changes in the trial areas rather than the PbR trial.
- There were a small number of other changes in service delivery resulting from PbR including new breastfeeding initiatives in some areas and indications that PbR had enhanced incentives to innovate in service processes and delivery in a few areas. It should be noted that the short timeframe of the evaluation may explain the small number of observed changes.

- In addition, although there were a significant number of speculative concerns about perverse incentives and unintended consequences, very few actual adverse effects were observed. This may have been due to strong awareness of possible problems and careful management of potential issues or it may simply mean that insufficient time has passed for serious issues to have emerged.

Assessment of local PbR

Almost all areas had selected local PbR measures by the end of 2012 and most areas reported that they had a real or virtual reward scheme in place. However, many of these reward schemes did not have a complete payment structure and very few trial areas reported that they were likely to have completely developed local PbR models by the end of the trial period.

The key findings on the development of local PbR schemes were:

- The national trial was an important factor driving LAs to move towards a local PbR approach. Most trial areas were unlikely to have developed local PbR models or developed their models to the same extent in the absence of the national scheme.
- The choice of local measures was primarily driven by local priorities or the need for measures which could meet the requirements of a PbR mechanism. National measures were not an important factor in this choice, possibly partly due to national measures being announced only after LAs had begun to make decisions on their local measures.
- Local measures were a mixture of those with a targeted focus and those with a more universal approach. This suggests that the targeting element of the revised core purpose did not dominate the focus of local PbR models.
- While there was a shift in thinking towards focusing on monitoring outcomes rather than outputs², the challenges of practical implementation meant that there was a heavy emphasis on outputs in the local measures but with reinforced consideration of the links between these outputs and final desired outcomes.
- There were some common approaches in the design of reward payment structures across the trial areas, but there were also some notable divergences. The differences in some elements indicate that LA flexibility in the design of local payment schemes may be desirable, supporting an element of localism in the design of PbR.

² An “output” based measure is defined in this report as relating to the use of services while an “outcome” based measure is defined as relating to the behaviour or characteristics of children or families.

The development of local PbR highlighted several conceptual barriers to the effective use of PbR in children's centres. Taken together, these issues present a formidable challenge to the feasibility of applying PbR to children's centre services and possibly to other similar services. However, careful consideration of each of the issues suggests that they can be addressed with some modification in model design:

- Attribution of changes in measures to individual or groups of centres is inherently problematic because many services are delivered in conjunction with other agencies; other agencies deliver similar services or services with similar objectives; children and families often use more than one centre; and there may be considerable time lags between the use of centres and outcomes. One answer to this issue would be to use output-type measures in local PbR models. An alternative solution would be to extend the PbR model beyond children's centres to include all services that work towards the same objectives as children's centres.
- There is an ethos of support rather than penalty for poorly performing centres in many areas. This is driven by the views that responsibility for centre performance may not be entirely within the control of centres and that centres would be unable to deliver essential services within reduction or withholding of funding. The first of these views could possibly be addressed through the use of payment schemes tailored to individual centres. The latter view could be addressed either by agreement that centre services can be more focused or delivered more efficiently or by sufficient financial support from within centres to bear the financial risk of failure to achieve rewards.
- There is some doubt about whether the managers and staff of children's centres are motivated by financial rewards and would respond to the financial incentives inherent in PbR. Motivation is seen to be driven primarily by a desire to make a difference for children and families, although other influences are also seen as important including recognition for achievement; professional reputation; threat of the loss of commissioning contracts; or Ofsted inspections. However, the financial incentives of PbR could be motivating if they were seen as providing centres with additional resources to improve services and better serve children and families.
- Most areas emphasised how centres work closely together. Although any concern that the competitive element of PbR could be detrimental to this co-operative approach was rarely spontaneously raised in the trial, the design of local PbR schemes should seek to minimise any harmful impacts on this close working between centres, possibly through models based on groups of centres rather than individual centres.

Overall, with these suggested modifications, PbR as an approach appears inherently feasible for application to children's centres.

Given the short timeframe of the trial, it is not surprising that very few impacts on services in centres had occurred by the end of 2012. However, the early evidence suggested two key findings about the impacts of local PbR:

- A major success of the trial has been the improvement in local data both in terms of what is available and how it is used. This development has gone a long way to meeting the PbR requirement of reliable and robust data. There are also emerging indications that it has had direct beneficial impact on how centres deliver services. To some extent, the improvements in data have been facilitated by rather than motivated by the PbR trial (particularly by the grant funding), but PbR has pushed on the advances in data systems more quickly than they would otherwise have occurred.
- While there were considerable concerns about the risk of perverse incentives at the centre level, few actual examples have materialised. This is partly due to some careful management of the potential problems and partly due to on-going checks on adverse consequences including performance management by LAs and Ofsted inspections. In addition, there are no initial indications that PbR has had any adverse effects on the types of providers willing to tender to deliver centres.

Going forward

Although the national PbR trial ended last year, most trial areas reported that local PbR would probably continue in their area in the absence of a national scheme. Hence, lessons from the trial are likely to continue to emerge in the future. In particular, some issues which had only begun to appear within the evaluation timeframe may surface to a greater extent over time, including the possible effects of PbR on the types of commissioned providers; on the willingness to innovate in service delivery at LA and centre level; and on whether it is possible to guard against perverse incentives. Moreover, the ultimate impacts of the PbR trial on the delivery of children's centre services and, eventually, on outcomes for children and families will only become apparent over the longer term.

1. Introduction

In May 2010, the coalition government made a commitment to trial the use of Payment by Results (PbR) for children's centre services to incentivise a local focus on the core purpose of children's centres. The Department for Education (DfE) began the trial in September 2011 and it lasted 18 months until March 2013. The trial involved 26 trial areas covering 27 Local Authorities (LAs) with one area consisting of a joint trial for two LAs. This report presents the findings from a process evaluation of the trial considering whether and how the tested PbR scheme achieved its objectives.

This introduction provides some background information for the evaluation, outlining the operation and purpose of children's centres; the policy background to PbR; and the main features of the PbR trial. It also describes the aims and scope of the evaluation and presents a theoretical framework of the ideal characteristics of a PbR scheme which will be used in later chapters to assess the PbR models used in the trial for children's centres.

1.1 Children's centres

Children's centres emerged in 2002 out of the earlier Sure Start Local Programmes, originally launched in 1999. The first of these programmes opened in the most deprived areas of the country, but served all families in the catchment areas. Under the Childcare Act of 2006, LAs have a statutory duty to provide children's centre services to meet local needs as far as is reasonable, including ensuring that universal access is achieved with all children and families reached effectively.³ Centres must either directly provide or provide access to early childhood services including childcare; social services; health services; and employment support, information and advice. During the timeframe of the trial, children's centres were funded from the Early Intervention Grant (EIG) which was paid from DfE to LAs to support a full range of services for children, young people and families. The funding for children's centres was not ring-fenced within this grant and LAs had discretion on the amount allocated for children's centres from the grant.⁴

In April 2012, the Government defined the core purpose of children's centres as "to improve outcomes for young children and their families, with a particular focus on the most disadvantaged, so children are equipped for life and ready for school, no matter

³ Department for Education, *Sure Start Children's Centres Statutory Guidance 2010*, <https://www.education.gov.uk/publications/standard/Surestart/Page1/DFE-00020-2011>

⁴ See <http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/delivery/funding/a0070357/eig-fags> This system of funding was amended for 2013/2014 – for example, see <http://www.education.gov.uk/childrenandyoungpeople/strategy/laupdates/a00219262/replacing-lacseq-2013-14>

what their background or family circumstances.”⁵ According to the latest available figures, there are around 3,350 children’s centres in England.⁶

1.2 PbR policy background

The Open Public Services White Paper of July 2011 made a commitment to improve public services on the key principles of increasing choice, decentralising services and opening services to a range of providers, while also ensuring fair access and accountability to users and taxpayers.⁷ As part of introducing an “open commissioning” policy in a number of areas, it was recognized that an element of PbR could “provide a constant and tough financial incentive for providers to deliver good services throughout the term of the contract”⁸ and thereby help to obtain better value for money in public services. The Government is currently trialling and rolling out new commissioning regimes based on PbR in a number of areas including back-to-work support (the Work Programme), reoffending, the criminal justice system, drug recovery, housing services and families with multiple problems (the Troubled Families Programme)⁹. However, there have been few rigorous evaluations of PbR and no systematic analysis of its effectiveness.¹⁰

In theory, PbR is an approach to commissioning services which has two essential elements: a focus on outcomes rather than outputs or volumes of services¹¹ and the withholding of a significant amount of payment until results are achieved. The focus on outcomes (which may be social, economic or financial) means that while the commissioner of the services still determines the ultimate objectives for the services, the choice of method to achieve those objectives is transferred from the commissioner to the provider. The withholding of payment means that there is also a transfer of some financial risk from the commissioner to provider in the form of who pays for services

⁵ Department for Education, *Core Purpose of Sure Start Children’s Centres*, April 2012, <http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/a00191780/core-purpose-of-sure-start-childrens-centres>

⁶ This is the number of children’s centres as of the end of June 2012 (House of Commons Written Answer, Sarah Teather MP, 10 July 2012, column 116119, [parliamentary question](#)).

⁷ Cabinet Office, *Open Public Services White Paper*, July 2011, <http://files.openpublicservices.cabinetoffice.gov.uk/OpenPublicServices-WhitePaper.pdf>

⁸ Page 32, *ibid.*

⁹ Cabinet Office, *Open Public Services 2012*, March 2012, http://files.openpublicservices.cabinetoffice.gov.uk/HMG_OpenPublicServices_web.pdf

¹⁰ Audit Commission, *Local payment by results: Briefing: Payment by results for local services*, April 2012, <http://archive.audit-commission.gov.uk/auditcommission/sitecollectiondocuments/Downloads/20120405localPbR.pdf>

¹¹ An “output” based measure is defined in this report as relating to the use of services while an “outcome” based measure is defined as relating to the behaviour or characteristics of children or families.

which fail to deliver the required standards. Hence, in theory, PbR can potentially achieve objectives for outcomes or increase value for money in service delivery by creating sustained incentives for providers to improve their performance and to find better ways of delivering services. The transfer of the choice of delivery method may also be beneficial in allowing local diversity in delivery best fitted to local needs and conditions. PbR may also have some advantage in the selection of providers by creating a greater incentive for those more likely to perform well or wishing to innovate to tender to deliver services.

1.3 The PbR trial in children's centres

Because central government does not directly commission children's centre services, the PbR trial was uniquely structured with two sets of commissioning arrangements: a "national" element involved the commissioning arrangement from DfE to LAs and a "local" element involved the service and commissioning arrangements between LAs and children's centres.

The stated objective of the PbR trial was to see whether PbR incentivised a local focus on the core purpose in terms of:

- encouraging a local focus on the importance of early intervention in the early years and the role of children's centres
- encouraging local investment in early intervention and children's centres
- encouraging evidence-based decision-making which takes account of the results for families

The national element of the trial involved the setting of national measures and improvement targets by DfE and the payment of financial rewards to LAs for the achievement of those targets. Local PbR allowed LAs discretion to design their own local PbR scheme including identifying measures to assess children's centre performance and deciding how to pay for performance. Both elements of the trial are described in greater detail in chapter 3.

1.4 Aims of the evaluation

A number of aims for the evaluation of the trial were set out by DfE. The main focus of the evaluation was placed on consideration of the national element, but an examination of the development of local PbR models was also required.

For national PbR, the aims were to provide evidence in two key areas. First, on the impact of national PbR on local decision-making at the local (LA) level including:

- whether national PbR raised the profile of children's centres and early intervention;

- whether national PbR increased the focus on the core purpose of children’s centres;
- whether the national measures were effective in influencing local decision-making; and
- whether the payment model provided an effective incentive to change local behaviour

Second, the purpose of the evaluation was also to collect evidence on what works in terms of executing a national PbR scheme and to identify the challenges involved in practical implementation.

For local PbR, the aim of the evaluation was to explore how local schemes had been designed and implemented and to highlight both the conceptual and practical challenges to creating local PbR models for children’s centres.

1.5 Scope of the evaluation

It is important to note that the evaluation covered a short timeframe after the trial began, collecting information only until 10 months after the national PbR scheme came into effect (and only 16 months after the trial began). Consequently, the evaluation focused on changes in processes at the LA level and it was not within the remit to collect evidence on the impact of PbR on actual changes in behaviour at the children’s centre level or any consequent changes in outcomes for children and families. Moreover, it should be noted that the analysis of changes in process at the LA level are only those which occurred within the short timeframe and it is possible that the effects could have been different if the trial and evaluation had lasted for a longer period.

1.6 Framework for an effective PbR scheme

In addressing the evaluation questions, it was useful to develop a theoretical framework of the ideal characteristics of an effective PbR scheme. This used both the existing literature on PbR¹² as well as modifications drawn from the emerging evidence from this trial based on the particular experience of the two-tier model and the application to children’s centre services.

This framework is summarised in the figure 1 and is used to assess both the national scheme and the local PbR models in the trial. DfE constitutes the commissioner and LAs the providers in the national scheme, while LAs are in turn the commissioners and

¹² See, for example, Audit Commission *ibid* for a slightly different set of principles required for a successful PbR scheme.

children's centres the providers in the local scheme (although not all LAs formally commission all centres).

Figure 1 Ideal characteristics for an effective PbR scheme

A set of clearly stated objectives with:

1. Measures directly related to the objectives.
2. Other processes, if needed, to protect against any unintended impacts (perverse incentives).

Measures that the provider has a reasonable ability to influence including that:

3. Changes in the measures are reasonably attributable to the provider or that allowance can be made for the influence of any other factors or local conditions.
4. Data on the measures is reliable and subject to reasonably low levels of random fluctuation.

Autonomy for the provider to determine delivery methods requiring:

5. Measures which are outcomes rather than outputs or service specifications.
6. Few restrictions on the delivery approach.

The transfer of sufficient financial risk to the provider to incentivise the provider to improve performance and/or innovate requiring that:

7. The absolute amount or proportion of funding based on performance is sufficiently high and of sufficient value to the provider.
8. There is no counterbalance in the core funding which could potentially offset the effect of receipt of reward payments or withheld funding or the failure to achieve them.

Sound financing requiring that:

9. The provider has sufficient financial support (i) to deliver services or invest in improvements prior to the receipt of rewards or payment of withheld funds and (ii) to continue to deliver services if rewards or payment of withheld funds is not achieved.
10. A timeframe of performance assessment and reward or withheld funds payment which is financially reasonable for the provider to operate within.

In essence, an effective PbR scheme requires three things. First, a clear set of objectives which can be expressed in a set of target measures and also considers other processes to guard against unintended adverse consequences. Second, a set of measures which

the provider has a reasonable ability to influence in an observable manner and which also permit providers the flexibility to choose and diversify the method used to achieve targets. Finally, a payment scheme which transfers sufficient financial risk to create financial incentives for the provider but which also maintains the capability of the provider to remain financially sound under most reasonable scenarios.

The 10 key points in figure 1 will be used as a reference in assessing the design of both the national PbR and the development of local schemes in chapters 4 and 5.

1.7 Outline of the report

Chapter 2 outlines the evaluation methodology, while chapter 3 describes the national scheme and the development of local PbR through the trial. Chapter 4 assesses the national scheme, with findings regarding the local schemes presented in chapter 5. Chapter 6 draws out the evaluation conclusions.

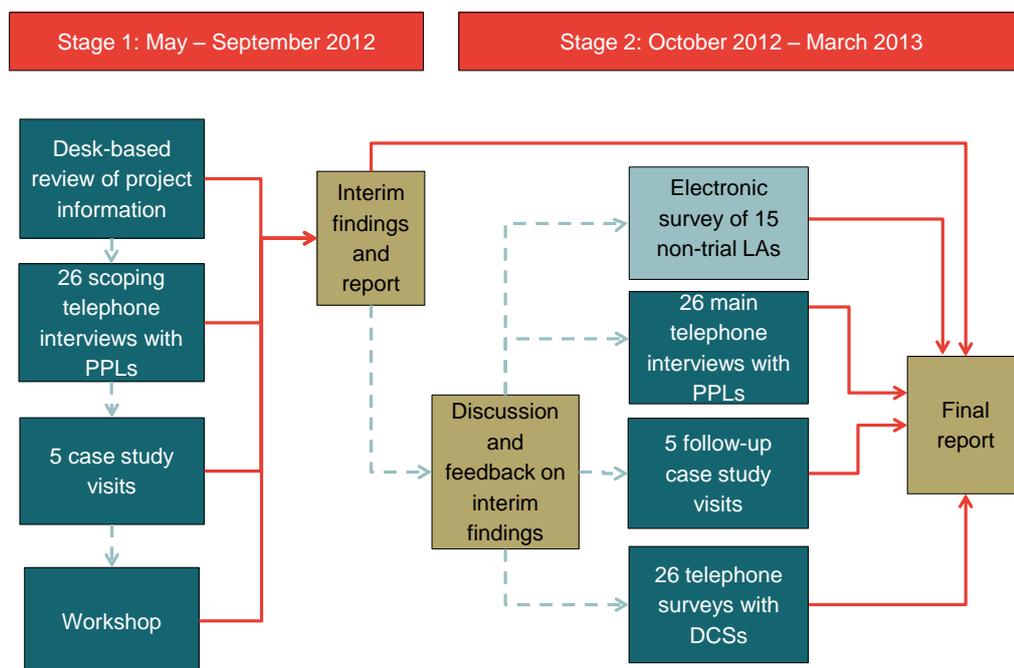
2. Evaluation methodology

The evaluation approach used a mixture of telephone survey data collected from all 26 trial areas and qualitative information collected from five case study areas and a workshop. It also drew on background documentation from LAs and some comparison information collected by DfE from 15 LAs who were not in the trial. This chapter presents the approach used to collect and analyse this data.

2.1 Two stage design

The evaluation was undertaken between May 2012 and March 2013. In order to meet DfE's requirement for interim findings in September 2012, the collection and analysis of data was conducted in two stages as shown in the following figure. The first stage took place between May and September 2012 and focused on the initial implementation of PbR at the LA level, with emerging findings delivered to DfE in October 2012. The second stage of the evaluation was conducted between October 2012 and March 2013 and sought to capture the development and early effects of the trial as well as exploring wider strategic issues within the LA and investigating views from the level of children's centre managers.

Figure 2 Two-stage evaluation design



Notes: PPLs are the PbR Project Leads in each trial area. DCSs are Directors of Children's Services (or their nominated alternative).

While the need for interim findings necessitated the repetition of some elements of the data collection in the two stage approach, it had two additional benefits to the evaluation. First, it allowed an interim assessment and review of the initial evidence which helped the design of the subsequent data collection to clearly address the key issues that had been identified. It also allowed feedback from DfE on areas of key interest to focus on in the second stage. Second, it permitted some mapping of changes as the trial developed, particularly useful as the evaluation was initiated fairly early in the trial and could capture some insight into the initial conditions in the operation and planning of children's centres.

This final report draws on five sources of evidence:

- A desk-based review of background trial documentation
- Two telephone surveys and a workshop with PbR Project Leads (PPLs)
- Two rounds of case study visits to five LAs consisting of face-to-face interviews with a range of individuals involved in the PbR trial at both the strategic and operational level.
- A telephone survey with Directors of Children's Services (or nominated representative) (DCSs)
- An electronic survey of 15 non-trial LAs conducted by DfE

The remainder of this chapter describes the sample of trial LAs and the groups of comparison non-trial LAs and outlines the purpose and approach used for each category of evidence.

2.2 The sample of trial LAs and non-trial comparison group

The trial involved a relatively small sample of 27 LAs and a degree of caution should therefore be exercised in drawing strong conclusions from this evaluation. The trial LAs were selected in order to cover a range of characteristics that might affect the implementation of PbR. Annex A presents a selection of relevant background statistics for all LAs, the 27 trial LAs and the 15 comparison non-trial LAs to demonstrate the comparability between the two samples and the population of all LAs. In addition, the table notes describe the grouping of LAs based on the background characteristics and used in the analysis of differences in PbR development and some survey responses across these characteristics.

The sample of 27 trial LAs and the comparison group of 15 non-trial LAs are broadly similar to the population of all LAs across the characteristics of region, urbanity, governance structure and the proportion of the population aged under five. The only notable difference across the three groups is that the comparison group of 15 non-trial areas has a slightly higher average size of population aged under five than the other two groups, while the sample of trial areas has a slightly higher mean deprivation score. In

addition, the numbers of children's centres within LAs is very similar between the trial sample and the comparison non-trial group, while they differ only very slightly in the proportion of LAs that have all directly-run centres rather than mostly directly-run centres. Overall, the sample of trial LAs is reasonably comparable to all LAs on the basis of the presented characteristics and the group of 15 non-trial areas forms a good comparison sample for the trial areas.

2.3 Review of background documentation

The purpose of the desk-based **review of background project documentation** was to provide an initial picture of LAs' views and plans for the trial in order to frame the scoping telephone survey. It also provided some background information for each LA on the trial development, such as the descriptions of local measures, which provided greater detail than could be collected in the survey approach.

An initial review of background documentation from the trial was conducted in May 2012, with on-going reviews as documentation became available until January 2013. A list of the reviewed documents is presented in table 22 in Annex B. Most of these documents were either communications from DfE to trial areas with information about the national trial or collations of reports from LAs to the Children's Improvement Board on local progress and developments in the trial.

2.4 Telephone surveys and workshop with PbR Project Leads

The purpose of the initial **scoping telephone survey** was threefold:

- to capture an initial picture of trial development across all trial areas
- to provide information to identify five case studies
- to provide some initial findings for the interim report.

Twenty-six scoping telephone conversations were held with PbR Project Leads (PPLs) from each Local Authority participating in the trial. These were conducted during the period 29th May to 22nd June and the duration of the conversations varied between 30 minutes and 1 hour. A list of the job titles of these PPLs is given in table 23 in Annex B, showing a mixture of positions mainly across early years services and commissioning, but with five reporting their title as Project Manager or Lead. In three cases, interviews were conducted with two individuals leading the PbR project in their area and with one individual in the remaining 23 areas. The qualitative answers from the scoping survey were categorised into similar types of responses where appropriate. The survey instrument for the scoping interviews is presented in Annex D and shows the topics covered in the survey.

A **workshop** was held in early September 2012 to allow for interactive discussion on some key elements of the trial with a broad range of the trial areas. The workshop was attended by 29 PPLs and other LA representatives from 22 trial areas. The day-long event consisted of a number of small group discussions and feedback sessions on four topics:

- a) the collection and use of data
- b) the selection of measures and the setting of thresholds for improvements
- c) the role of monetary incentives
- d) the roles of the national and local elements of the trial

The final session considered how these discussions fed into the broader questions of how PbR is being developed, when and how it works best and what improvements it might achieve for children's centres. Notes were taken on each session and compiled by topic.

The **main telephone survey** with PPLs was conducted between 12th November and 7th December 2012. The purpose of the survey was to quantify and expand on the views and experiences of all trial areas on the key issues and early impacts of the trial identified in the earlier stages of the evaluation. The 26 interviews were generally with the same PPLs as the scoping survey (21 cases out of the 26), with two interviews conducted with two individuals. The duration of the conversations varied between 45 minutes and 75 minutes. As with the scoping survey, the qualitative answers from the survey were categorised into similar types of responses where appropriate. The instrument for the main survey is presented in Annex D and shows the topics covered.

2.5 Case study visits

The purpose of the **first wave of case studies** was to

- explore in greater depth the understanding behind the initial findings in the scoping survey
- consider the variation in perspectives on the PbR trial within LAs

The criteria used to select the five case studies aimed to achieve a range in the developmental stage and variant of PbR being implemented and a range of background contextual LA factors covering the management of children's centres and geographical factors. The details of this selection are presented in Annex C.

Visits to the five case study areas were conducted in July 2012. The visits consisted of face-to-face interviews (except for two follow-up telephone discussions) with between four and seven individuals involved in the PbR trial in each area, including those involved at the strategic level (such as the Head of Early Years); those at the more operational

level (such as the PPL) and those involved in steering groups (such as representatives from health). Each visit was attended by two researchers, with one primarily leading the discussion while the other took notes of the discussion.

The same five case study areas were revisited in a **second wave of case study visits** in December 2012 with two key objectives to:

- update on PbR development and early impacts
- explore the impact of PbR from the perspective of children's centre managers

The visits involved interviews with the DCS (or appropriate representative); the PPL; and with groups of children's centre managers from the area.

A list of the job titles of individuals interviewed in each area at each visit is presented in Table 5 in Annex B. The instruments used in each visit are also presented in Annex D and show the range of topics covered by the discussions. The discussion notes from all visits were charted in several matrices, presenting the range of responses on particular themes across all the interviewees and from which broad conclusions and specific quotes were drawn.

2.6 A telephone survey of DCSs

The objective of the **telephone survey of Directors of Children's Services** (or a nominated alternative) was to capture views on the trial from a strategic level across all trial areas. Interviews were conducted between 4th January and 14th February and lasted between 25 and 45 minutes. Interviews were obtained with the DCS (or nominated representative) in all except one area, although interviews were obtained in both LAs in the joint trial area creating a total of 26 interviews. A list of the job titles of those interviewed is presented in table 25 in Annex B. It should be noted that while the respondents to this survey had a broad range of job titles, they are referred to as DCSs as a group throughout this report. The discussions with DCSs focused on overarching, conceptual approaches and reactions to PbR across the LA rather than detail of implementation. As with the other surveys, the qualitative answers from the survey were categorised into similar types of responses where appropriate. The instrument for the DCS survey is presented in Annex D and shows the topics covered.

2.7 An electronic survey of LAs not participating in the PbR trial

An electronic **survey of 15 non-trial areas** was conducted by DfE to obtain some comparative information on broad issues for children's centres in the past year. The areas were selected by DfE and, as described above, were broadly comparable with the trial areas. The survey questions were designed in conjunction with the evaluators to

generate, as far as was possible, answers comparable with those collected in the PPL main survey. The survey was completed in January 2013 by representatives from the comparison LAs who resembled as closely as possible the type of individuals who were PPLs in the trial areas. A list of job titles for these respondents is presented in table 24 in Annex B. The instrument for the survey is presented in Annex D and shows the topics covered.

3. Development of the PbR trial

The PbR trial in children's centres involved two commissioning arrangements: a national element from DfE to Local Authority and a local element from LAs to children's centres. This chapter describes the development of the PbR trial at these two levels and considers the factors related to the speed of implementation at the local level.

3.1 The development of national PbR

The trial, involving 27 LAs (forming 26 trials) began in September 2011 and ended in March 2013.

The trial areas were chosen by DfE to give a good mix in terms of local conditions (including region, urbanity, governance structure and level of deprivation) and in terms of the children's centre management (including the use of data and performance management) and commissioning arrangements. As described above in section 2.2, the trial areas are broadly representative of all LAs in terms of these characteristics. Selection was also based on the strength of the LA's proposal to be part of the trial, including clear plans of action and local support for participation in the trial. The first nine LAs were announced in June 2011 with a second wave announced in September.

System development for the trial was undertaken during the period September 2011 to March 2012. At the national level, DfE commissioned a feasibility study of the PbR trial which was undertaken in September and October 2011 and focused on the suitability of a range of possible national measures for the trial.¹³

At the end of March 2012, DfE set out the six national PbR measures based on the core purpose of children's centres¹⁴:

- **Breastfeeding:** An increase in breastfeeding prevalence at 6-8 weeks in the Local Authority area over a 1 year period.
- **EYFSP:** Narrowing the gap between the proportion of pupils achieving a good level of development (in the Early Years Foundation Stage Profile) that are eligible for free school meals and those that are not.
- **Two year old take-up:** Increase the proportion of disadvantaged 2 year old children taking up early education paid for by the Local Authority.

¹³ National Children's Bureau, *Feasibility study for the trials of Payment by Results for children's centres*, November 2011 http://www.local.gov.uk/c/document_library/get_file?uuid=2b1de4a2-d99c-4747-96ed-7948e7be0b1d&groupId=10171

¹⁴ Department for Education, *Measures and definitions for trial LAs* [Internal briefing document], 25th April 2012.

- **Sustained contact:** Percentage of families in greatest need having sustained contact with children’s centre services in the Local Authority area over the period 1st April 2012 to 31st March 2013.
- **Evidence-based parenting programmes:** Increase the proportion of parents with young children completing targeted evidence-based parenting programmes.
- **Three year old take-up:** Increase the take up of early education for disadvantaged three year olds.

LAs were informed that national reward payments would be attached to up to two of the first three measures listed above for each LA. At the same time, DfE announced that reward payments would be based on an absolute payment amount and would be weighted across LAs according to the size of the under five population. No further information on the rewards was provided at that time. By early May, LAs had submitted their preference for which measures they would like to be assessed for payment.

Many of the national measures (breastfeeding, two/three year old take-up and EYFSP) are strongly influenced by services delivered by agencies other than children’s centres. However, there was an expectation on the part of DfE that, within the trial, LAs would not use other organisations to achieve the PbR targets (such as breastfeeding services delivered by Health Authorities outside of children’s centres or early education places for two-year olds delivered by other providers of places)¹⁵ and this appears to have been broadly adhered to.

The structure of the national reward payment scheme was announced at the end of May 2012.¹⁶ The total funding available for rewards for 2012-2013 was £2 million (an average of almost £77,000 per trial area which is approximately one percent of the average LA annual budget for children’s centres across the trial areas¹⁷). The bulk of the reward fund (£1.8 million) was allocated to “standard performance rewards” which were fixed rate payments to LAs for improvements within “standard performance” thresholds. The remaining £200,000 was allocated for “exceptional performance rewards” to be divided among LAs who achieved above the higher threshold for the standard performance. The schedule of tariff payments for the breastfeeding and EYFSP measures for 2012-2013 was announced by DfE in June 2012, while the tariff payments for the two year old take-up measure was finalised in October. The reward payment amounts were LA specific, based on the size of the under five population for the first two measures and on the April allocation of places for the two year old take-up measure.

¹⁵ Reported by DfE at a meeting on 3rd May 2012 between DfE and the evaluators.

¹⁶ Department for Education, *Children’s Centre PBR Trials – Payment Model.*, May 2012

¹⁷ The trial rewards were in addition to the Early Intervention Grant paid from DfE to LAs from which LAs allocated the budget for children’s centres.

Actual testing of the system took place during the period April 2012 to March 2013. During this period, the trial areas worked to achieve improvements in the national measures and developed their local PbR models.

In addition, the national element of the trial provided two elements of support to LAs to participate in the trial and to develop local PbR models. First, LAs were given grant funding, averaging £65,000 per LA for 2011-12 (ranging from £21,000 to £110,000) and £123,000 per LA for 2012-13 (ranging from £53,000 to £190,000).^{18,19} This funding was to be used to enable trial areas to implement the necessary infrastructure to test PbR such as providing project management capacity; providing additional capacity for local data teams to process and analyse PbR data; enabling LAs to put governance structures in place for the trial; and for disseminating findings. In order to avoid compromising the evaluation of the trial with additional investment in local services, the grant funding could not be used to pay for local service improvements. Second, support for the trial was also provided by Serco under contract for the Children's Improvement Board (CIB). This support consisted of one-to-one time for each LA with a Serco adviser and the organisation and facilitation of national and regional learning sets for LAs.

3.2 Reasons for participation in the trial

This section considers the motivation of LAs to take part in the PbR trial. This may inform on both the LAs' objectives of participation and LAs' understanding of the purpose of the trial.

Both PbR Project Leads (PPLs) and Directors of Children's Services (DCSs) (or their nominated alternative to answer the DCS survey)²⁰ were asked about the reasons that the LA wished to take part in the PbR trial. The types of responses are tabulated in table 1 and fall into three main areas:

- The most common set of reasons given by PPLs and DCSs was to improve centre services or processes. Unsurprisingly, general improvements were more widely reported by DCSs and more detailed reasons by PPLs.
- An almost equally common set of reasons can be broadly categorised as a desire to be involved with national policy including an interest in influencing the development of the national policy or a desire to simply be involved with new

¹⁸ Department for Education, *Payment by Results for Sure Start Children's Centres: individual budget trial grant determination 2011-12*, 2011

¹⁹ Department for Education, *Payment by Results for Sure Start Children's Centres: individual budget trial grant determination 2012-13*, 2012

²⁰ As stated in chapter 3, the respondents to the DCS survey had a broad range of job titles but will be referred to as DCSs throughout the remainder of the report.

initiatives. The interest in influencing national policy was slightly more prominent at the DCS level than at PPL level.

- The third common reason for participating in the trial was that it fitted with local planning for or development of PbR or with other on-going local developments.

Table 1 Reasons that LAs participated in the trial

Reasons for participating in the trial (multiple answers possible)	Number of LAs	
	Reported by PPL	Reported by DCS
To improve outcomes for children	2	1
To improve centre services:		
- to improve delivery / standards	5	10
- to improve data / performance management	7	0
- to improve multi-agency working	5	0
- to show the value of services / raise profile	2	3
Already planning PbR / fitted with on-going developments	6	4
Involvement with national policy:		
- to learn from other LAs	0	2
- to be involved in a new initiative	6	6
- to influence national policy	6	10
To learn about PbR	2	2

Source: PPL scoping survey and DCS survey.

Interestingly, the objective of improving outcomes for children was mentioned by very few PPLs and DCSs, although it could be the case that both the improvement in centre services and a desire to influence national policy were driven by the final objective of improving outcomes for children. In addition, few PPLs and DCSs reported that a reason for participation was to learn about PbR, although evidence from the case studies also suggested that the trial was a means to become familiar with the principles and operation of PbR for potential use in other services. The case studies also indicated that some LAs felt that the trial might help demonstrate the importance of children's centres and their impact to local politicians and administrators in the face of cuts to services.

Overall, however, the most prevalent reasons for participation were a desire to be part of the latest national policy or to improve services in a way not directly related to PbR. Hence, there is little evidence of any strong prior commitment to PbR at the LA level.

The balance of reasons for participation in the trial was different between urban and rural areas.²¹ The proportion of LAs with either the PPL or DCS citing the improvement of

²¹ The reasons for participation were not related to any other local characteristics or the structure of children's centres

centre services was higher in urban LAs than in rural ones (13 out of 18 areas compared to 3 out of 9 areas), while the proportion of LAs with either the PPL or DCS reporting that the trial fitted with on-going planning or development of PbR or other local developments was higher in rural than in urban LAs (4 out of 9 areas compared to 4 out of 18). This is suggestive that rural LAs were more likely than urban LAs to participate because the trial matched with local conditions, but the small sample size cautions against drawing any firm conclusions.

3.3 Development of local PbR

3.3.1 Ongoing management of centres

At the time of the evaluation in autumn 2012, the number of children's centres in each trial area ranged from 7 to 82 centres, with an average 26 centres in each area. Of the 26 areas in the trial, 14 areas directly managed all or most of their centres, while 12 areas commissioned all or most of their centres.²² All centres were managed as individual entities in 7 areas; in clusters or similar small collaborative groupings in 9 areas; and by larger groupings of locality or district in 8 areas. In the remaining 2 areas, centres were managed in a hub and spoke/satellite model in one area and were accountable by provider in the other area.

The on-going approach to the management of centres was similar for directly-run and commissioned centres. Service requirements and standards were specified in service agreements or contracts respectively and were generally tailored towards the particular conditions and local needs for each centre. LAs tried to ensure that these standards were met through performance management, typically based on annual conversations to review performance. LAs tended to respond to poor performance by initially supporting centres with a mixture of guidance, direct managerial support and (in some instances) additional financial support. In assessing performance, LAs stressed the importance of identifying whether circumstances beyond the centre's control or whether the centre's own actions were responsible for performance, highlighting a potential challenge in attributing measurable outputs or outcomes directly to centre performance. For commissioned centres, this management tended to be of a lighter touch, but LAs would consider either terminating the contract (as a last resort) or not re-commissioning the provider when the contract ended in response to persistent poor performance. The case study discussions suggested that this general approach had not changed as a result of the PbR trial.

²² Of the 26 areas in the trial, 7 areas directly managed all of their centres, 7 areas directly managed most of their centres, 7 areas commissioned most of their centres and 5 areas commissioned all of their children's centres.

Some LAs suggested that the re-commissioning process itself already provided the kind of incentive to perform well that is inherent in the PbR model:

“The incentive for our commissioned services is that if they don’t perform they lose their contract. To them, it’s a bigger issue than a few pounds. The incentive to keep their contracts makes a bigger difference than any PbR.” (Workshop participant)

It was also suggested that the same type of incentive exists for some directly managed centres:

“Our in-house centres are technically commissioned in-house and have the same performance structure and service level agreement as outside providers. They can lose the contract. Still a monetary incentive.” (Workshop participant).

It is problematic to verify the impact of these performance incentives. The evaluation found that it was generally rare that contracts were terminated, but this could have been because the threat of change in provider was a sufficient incentive to maintain performance or, alternatively, it could have been that the sanction of change in provider was not always enforced (possibly due to limited local availability of suitable alternative providers).

3.3.2 Timing of the development of local PbR

There was considerable variation in the degree of development of local PbR across the trial areas, both in terms of performance management and in the creation of monetary reward schemes.

At the time of the scoping survey in May/June 2012, just under half of the LAs reported having incorporated PbR into any local procedure such as performance management or commissioning. Only 4 LAs had incorporated PbR into performance management. At this time, many LAs regarded it as too early for there to have been any impact on performance management, while some suggested that changes were not required because they already had a strong performance culture. In the case studies and at the workshop, some commissioning areas reported that changes had been delayed by the need to wait for the next round of re-commissioning. However, by the time of the main survey of PPLs in November/December 2012, 21 LAs reported that local PbR measures had been incorporated into performance management procedures, while a further 4 LAs reported that the local measures would be incorporated.

There was a similar picture in the timing of the development of local PbR payment models. At the time of the scoping survey in May/June 2012, 8 LAs had agreed local measures and targets with children’s centres, while 10 LAs had only agreed local measures and 8 LAs had not agreed either. By October 2012, all except one LA reported

that local measures were being used in the implementation of their local PbR models.²³ By the time of the main survey in November/December, 6 LAs reported having a real reward scheme in place (paying real monetary rewards or withholding funds dependent upon performance), although 2 of these reported that these schemes had been already in place prior to the trial. A further 11 LAs had a virtual (paper) scheme in place, while 9 had no scheme in place.

As shown in table 2, there is little relationship between earlier progress in developing the foundations of a scheme and having one in place at the latter date. For example, the proportion having a real scheme implemented at the latter date is higher among LAs with no key elements agreed at the earlier date than LAs which had local measures agreed and targets set at the earlier time.

Table 2 Timing of the development of local PbR payment models

Number of trial areas Stage of development in May/June 2012	Monetary reward scheme in place in November / December 2012		
	No scheme	Virtual scheme	Real scheme
No key elements agreed	4	0	4
Agreed local measures	3	7	0
Agreed local measures and set targets	2	4	1
Agreed local measures and set targets and thresholds / payment amounts	0	0	1
All	9	11	6

Source: PPL scoping survey and PPL main survey.

Although most LAs reported having a monetary reward scheme (real or virtual) in place, many of these schemes did not have a complete payment structure and LAs were undecided on important dimensions. Table 3 presents the degree of development across 10 key elements of a local reward scheme, showing the proportion of LAs who had implemented or made decisions for each of the 10 elements or for which the PPL was able to give some idea or indication of thinking on likely choices (the remainder having “don’t know” or “not decided” as their responses). At the least developed end, 4 LAs had made no decisions and had some idea on 2-3 elements while at the other extreme, 2 LAs had made decisions or implemented on almost every aspect. It is notable that even LAs with real or virtual schemes in place generally had a substantial number of aspects still to be decided or even to develop thinking about. Seven LAs had not made any firm decisions on these key elements eight to nine months into the trial year.

²³ Serco quarterly reports, October 2012.

Table 3 Progress in the development of local PbR payment models at November / December 2012

Number of trial areas 10 key elements of a reward scheme: number implemented or decided / number with indication of thinking	Monetary reward scheme in place in November / December 2012		
	No scheme	Virtual scheme	Real scheme
None decided / 2-3 some idea	3	1	0
None decided / 5-8 some idea	2	1	0
1-2 decided / 2-3 some idea	1	1	0
1-2 decided / 5-7 some idea	1	1	0
4-5 decided / 1-2 some idea	1	4	0
6-7 decided / 0-2 some idea	1	2	4
9-10 decided / 0 some idea	0	0	2
All	9	11	6

Source: PPL main survey.

Notes: The 10 key elements are whether the scheme is applied to directly-run or commissioned centres; whether it is applied to individual or groupings of centres; the source of funds for rewards; the proportion of the children's centre budget subject to PbR; whether all or just some local measures are used for rewards; whether payments are for improvements or set targets; whether payments are a pre-set amount or share of pot; whether the reward structure is the same for all centres or tailored to individual centres; the method to determine the level of performance that will be rewarded; the method to decide the size of reward payment; and whether the local PbR budget will be used to support struggling centres.

Table 4 Timeframe to implement a local PbR model

Likely date to achieve a completely implemented PbR model reported by PPLs in November / December 2012	Number of trial areas
Already have a completely implemented model	2
This year / April 2013 / year end	3
Another year / 2014	11
A year or two / two years / 2015	4
2016	1
Only if there is a national roll-out	1
Don't know / may not ever do it	4

Source: PPL main survey.

Finally, PPLs were asked in the main survey conducted in November/December 2012, when they thought that their area would achieve a fully completed local PbR model. The

responses are tabulated in table 4. Considering that this question was asked 13-14 months after the trial began (and 7-8 months after the trial began operation), these responses suggest that most LAs require two to two-and-a-half years or even longer to fully implement local PbR. Very few LAs (5) indicated that the model could be developed within the timeframe of the trial, while a similar number were unable to place any estimate on the required time.

3.3.3 The role of local conditions in local PbR development

The variety in the speed of development of local PbR models could be related to local conditions. This was explored in relation to five types of local conditions that might create barriers to or enable the faster development of local models. These were the availability of local resources; support for the trial among local stakeholders; local views on PbR; local arrangements for managing children's centres; and local geographic and demographic characteristics. It should be noted throughout this section that the small sample size means that only indicative patterns can be presented.

Availability of local resources

At the time of the scoping survey, PPLs in the trial areas were evenly divided on whether the availability of staff time and capacity had been helpful or unhelpful to the development of PbR, but most reported that the availability of data and their existing expertise in using data had been helpful.²⁴

There were two notable patterns in the relationships between the reported helpfulness of these factors and actual progress on the development of PbR:

- Areas which had reported their existing expertise in using data as being neutral or unhelpful were less likely than those reporting it as helpful to have agreed any key elements at the time of the scoping survey (3 out of 7 LAs compared to 15 out of 19 LAs), but were more likely to have in place a real reward scheme (4 out of 7 LAs compared to 2 out of 19 LAs) and to have six or more key elements implemented/decided at the time of the main survey (5 out of 7 LAs compared to 4 out of 19 LAs).
- Areas reporting the availability of staff time and capacity to be an unhelpful factor were less likely than those areas reporting it to be helpful or neutral to think that there would be a completely implemented local PbR model within another year (4 out of 11 LAs compared to 12 out of 15).

²⁴ In the scoping survey, 11 LAs reported that the availability of staff time and capacity had been helpful, 4 reported that it had been neutral/mixed/variable and 11 reported that it had been unhelpful. For the availability of data, 16, 5 and 5 LAs reported that it had been helpful, neutral or unhelpful respectively and for the existing expertise in using data, 19, 4 and 3 LAs reported that it had been helpful, neutral or unhelpful respectively.

This suggests that a lack of expertise in using data may have initially constrained development of local PbR but became less important over time, while a lack of staff time and capacity may have had a more prolonged impact on the ability to develop local PbR in some areas.

Local support for the trial

PPLs in almost all areas reported in the scoping survey that support from within the Local Authority, at the children's centre level and from other public agencies had been helpful in the development of local PbR.

However, PPLs in just less than half of the trial areas reported that support from local politicians had been helpful (12, 9 and 5 PPLs reported it as helpful, neutral and unhelpful respectively). Similarly, DCSs in just less than half of the trial areas (11 DCSs) reported that the development of PbR had been enabled by political factors, while most of the remaining (13 DCSs) reported that political factors had not had an impact one way or the other. DCSs reported that the reasons for political factors being enabling included that elected members were committed to the concept of PbR and that elected members were supportive of children's centres (if not PbR itself). Reasons for political factors being neutral included that elected members had held no particular belief about PbR; that it was not important to elected members (in some cases because too little money was involved); that other issues such as budget cuts were seen as more important; and that it was seen as operational work. In one case, political factors were reported as being constraining to the development of PbR because a change of leadership had led to policy reversal.

There was some relationship between the PPL view on the helpfulness of political support and actual development of local PbR²⁵:

- Areas where political support was viewed as neutral or unhelpful were less likely to have a PbR payment scheme (real or virtual) in places at the time of the main survey than those where political support had been viewed as helpful (6 out of 14 LAs compared to 11 out of 12).

This indicates that political support for the trial may have enabled development of local PbR in some areas.

Local views on PbR

At the time of the scoping survey, PPLs in most areas felt that prior experience of PbR was unhelpful to the development of PbR in children's centres (in 5, 7 and 14 LAs it was reported to be helpful, neutral and unhelpful respectively). Evidence from the case

²⁵ Although there was no strong pattern between the DCS view and actual development.

studies suggested that this was because that particular prior experience of PbR-type schemes (or schemes perceived as similar to PbR) was likely to have been poor and left a low opinion on the usefulness of PbR. However, this was not related to actual progress: indeed, areas with reports of it being unhelpful were slightly more likely to have progressed with the development than in other areas.

DCSs were generally positive about the views of stakeholders on the concept of PbR in children's centres with 15 reporting that stakeholders were broadly positive, 9 reporting they were neutral and only 2 indicating a broadly negative view. In the case of the positive responses, it should be noted that the reasons for this positivity were evenly divided between PbR fitting with the local culture or current thinking and with support for the work and focus on outcomes rather than any payment scheme.²⁶

There were some relationships between the DCS perception of local views on PbR in children's centres and the actual development of local PbR:

- Areas where the DCS reported a broadly positive view of PbR in children's centres were more likely than other areas to have agreed at least some key elements at the time of the scoping survey (13 out of 15 LAs compared to 5 out of 11 LAs).
- Areas where the DCS reported a broadly positive view of PbR in children's centres were also more likely than other areas to have in place a (real or virtual) reward scheme (11 out of 15 LAs compared to 6 out of 11 LAs) and to have some key elements implemented/decided at the time of the main survey (11 out of 15 LAs compared to 6 out of 11 LAs).

This suggests that positive views about the concept of PbR in children's centres may have helped the development of local PbR in some areas.

Type of management of children's centres

There were no distinct patterns in the development of local PbR with regard to the number of centres in LAs or whether they were managed in any type of groupings such as clusters.

However, there was a distinct pattern between LAs which directly run all or most of their centres and LAs which commission all or most of their centres:

- Areas which commissioned all or most of their centres were more likely than other areas to have in place a (real or virtual) reward scheme (10 out of 12 LAs compared to 7 out of 14 LAs); to have some key elements of the reward scheme

²⁶ The dominant reason for a neutral view was that stakeholders were interested in PbR but had some anxiety or concerns about it. The reasons for the two negative views were that (i) services were already excellent and the PbR indicators not the right ones and (ii) PbR is conceptually wrong for children's centres.

implemented/decided (11 out of 12 LAs compared to 8 out of 14 LAs); and to expect to have a completely implemented local PbR within the next year (9 out of 12 LAs compared to 7 out of 14 LAs) at the time of the main survey.

There are several possible explanations for this pattern which appears to indicate that PbR was more easily implemented in areas that predominantly commission centres. Areas with more commissioned centres may be more innovative and quicker to adopt change regardless of the nature of that change. Or the arrangements for commissioned centres may make it easier to accommodate PbR and enable faster implementation. Or the concept of PbR may have fitted better in commissioning areas which may be more comfortable, in political and practical terms, with the notion of paying providers for services delivered.

Geographic and demographic characteristics

There were no distinct patterns in the development of local PbR by region; by the proportion of the population aged under five in the LA or by level of deprivation. But, at the time of the main survey in November/December 2012, progression on the development of local PbR tended to be less in rural than urban areas:

- Rural areas were less likely than urban areas to have a real reward scheme in place (0 out of 8 LAs compared to 6 out of 18 LAs); to have some key elements of the reward scheme implemented/decided (4 out of 8 LAs compared to 15 out of 18 LAs); and to expect to have a completely implemented local PbR within the next year (3 out of 8 LAs compared to 13 out of 18 LAs).

This indicates that, in spite of the evidence that suggests that rural LAs were more likely than urban LAs to participate in the trial because the trial matched with local conditions (section 3.2 above), the development of local PbR in these areas was generally slower than in urban areas.

3.4 Important factors for implementation

This section explores the factors that were important in the implementation of national PbR and the development of local PbR.

3.4.1 Timeframe for national decision-making

An important factor that hindered the development of local PbR was that the trial timetable did not allow sufficient time for the development of the national scheme prior to LAs beginning the development of their local PbR models. This may have been due to unforeseen complexities in the national scheme and the time required to develop it in consultation with local areas. Consequently, the national measures were announced very shortly before local schemes were due to come into operation, while the national

payment structure was announced after the local schemes were scheduled to have begun operating.

There is evidence that this impacted on local PbR development. Only half of LAs reported in the scoping survey that the national measures and the communication from the national to the local level had been helpful in the development of PbR. In the main survey, PPLs in 6 LAs reported (unprompted) that the delay and lack of clarity in the national scheme had been a significant challenge to the development of local PbR. A similar proportion of DCSs (in 7 LAs) also reported (unprompted) that the lack of clarity or slow decision-making in the national element had been a main drawback to participating in the trial.

The case study interviews found that the decision about national measures came very late and this affected progress at the local level. For example:

“There was a period of time when uncertainty about the national scheme slowed down the process, demotivated people and was then harder to sell to everybody.”
[Area E, strategic level]

In addition, delay in issuing clear central operational guidance held-up local areas who were expecting to use learning from the national model to shape their own local projects. Specifically, LAs suggested that it would have been helpful to have known the national measures before they chose their local ones; to have had greater clarity and certainty in the definitions used in the measures; and to have had more of a national steer and guidance on the development of local PbR models from the start of the trial.

3.4.2 Timeframe for the development of local PbR

As described above, PPLs in very few areas reported that local PbR would be developed within the timeframe of the trial. In addition, PPLs in 11 LAs reported that the length of timeframe set out in the trial had been a “significant challenge” to the development of local PbR, while PPLs in 6 areas reported that it had been a “barrier”.²⁷

For some LAs, the timeframe was notably too short:

“We knew within a few months that all the background, digging down on data, etc. meant that the timeline that had been set was totally unrealistic. And we had change in staff, restructuring and all that going on as well... .. we need to appreciate that it's going to take time.” [Workshop participant]

²⁷ These were answers to a question with suggested responses of (i) a barrier, (ii) a significant challenge or (iii) not important

But there was also a recognition that the timeframe required to develop PbR varied considerably across LAs and would depend upon local conditions:

“Fundamentally, it depends on your local conditions and there is a huge disparity in what you can do in an LA with 60 different providers and one with 2 different providers. So it [how long is needed] is how long’s a piece of string question because it depends upon context.” [Workshop participant]

3.4.3 Resource cost

Initial evidence from the trial indicated that the implementation of PbR had been extremely costly in terms of both time and money. As reported in one case study:

“It’s been an awful lot of work for staff and partner agencies who have been asked to be part of PbR.” [Area A, strategic level]

Centre managers in the case studies also reported that while there was considerable support for better data, the collection and development of data had been an extra administrative task at a time when administrative support was being cut.

The evidence from the PPL survey indicates that the resource cost of implementing PbR was important in a substantial proportion of the LAs:

- The implementation of national PbR was reported to have involved a considerable amount of resource cost in 2 LAs and some cost in 14 LAs and no or very little cost in 10 LAs.
- The costs for development of national PbR mainly involved staff time (with some new staff hires), project management and data development.
- The implementation of local PbR was reported to have involved a considerable amount of resource cost in 4 LAs, some cost in 14 LAs and no or very little cost in 8 LAs.
- The costs for development of local PbR included those for project management (reported by 5 LAs); data development (3 LAs); specific staff hires (7 LAs); staff time (21 LAs); and staff training (3 LAs).

In addition, PPLs in 15 LAs reported that the need for considerable staff time and other resources had been a “significant challenge” to the development of PbR, while PPLs in 3 LAs reported that it had been a “barrier”.

These costs were mostly funded by the trial grant funding, although a small number of LAs reported that funding also came from the LA or from staff time where the development of PbR was considered part of the existing job. Importantly, the trial grant

funding was viewed as “essential” to the development of local PbR in 17 LAs and as “significantly helpful”²⁸ in the remaining 8 LAs. Evidence from the case studies and workshop suggests that LAs would have struggled without the funding, especially when it came to improving data collection systems and analysis.

“We’re completely revamping our database... We’re basically gearing it up to pull out stuff that is relevant to PbR but also that which is relevant to what we’ve been looking at in terms of local targets. Our view is that PbR has really enabled us to actually spend the time doing that. We couldn’t have done it without the additional PbR funding.” [Workshop participant]

“I think the grant funding has been more helpful than the PbR.” [Workshop participant]

What was particularly helpful to LAs in their development of local PbR was that the strict criteria on the uses for the grant funding meant that it could not be diverted to frontline services.

An indicative cost of the trial is that each area received, on average, £188,000 in grant funding. This is likely to have understated the cost of the time given by LA and centre staff, although it is complicated by the degree to which the PbR trial was part of the “regular day job” of developing children’s centre services.

3.4.4 Assistance from the national level

Central government was important in facilitating the development of local PbR schemes in a number of ways:

- Learning from the national scheme generally helped the development of local PbR schemes. PPLs in most areas reported that such learning had been “essential” (6 LAs) or “significantly helpful” (14 LAs).
- Learning from other LAs involved in the trial and from the learning sets was widely viewed as having been helpful. PPLs in 10 LAs reported that it had been “essential” while PPLs in 14 LAs reported that it had been “significantly helpful”.
- Views were more mixed on the value of the assistance from Serco. Support from Serco was spontaneously reported as helpful by a small number of LAs in the scoping survey. But evidence from the case studies suggested that some LAs considered this support to be limited by a lack of specific expertise on PbR and an inability to answer enquiries about the national scheme. In the main survey, PPLs in 4 LAs reported that the information and advice from Serco had been “essential”

²⁸ These were answers to a question with suggested responses of (i) essential, (ii) significantly helpful or (iii) not important

while 11 reported that it had been “significantly helpful”, but PPLs in 11 LAs reported that it had not been important.

But there was also a general feeling that greater co-ordination at the national level in several areas could have helped the development of local PbR:

- Evidence from the case studies and workshop showed that a major challenge for many LAs was data sharing with Local Health Authorities and their staff. The degree of sharing of information is highly variable across LAs and some LAs suggested that co-ordination at the national level between DfE and the Department of Health could have facilitated data sharing in some areas.
- Evidence from the case studies indicated that there was some conflict between the centre-level data requirements for local PbR and those for Ofsted. Ofsted was reported to be an important influence on centres’ collection of data, but was perceived in some areas as creating problems for local PbR data collection due to conflicting data requirements. Again, co-ordination at the national level between DfE and Ofsted would possibly be helpful in resolving these types of local challenges.²⁹
- The workshop discussion highlighted that some database systems currently used by LAs proved slow and unwieldy for the purposes of developing local PbR, but commercial providers added costs to the trial for extracting the required data. Obtaining data from commercial datasets was reported to have been a “barrier” to the development of local PbR by PPLs in 7 LAs and to have been a “significant challenge” by PPLs in 9 LAs. An initiative to co-ordinate these needs (but not necessarily fund them) at the national level could possibly have helped achieve these updates at lower cost.

3.4.5 Economic context

The economic context may also been a hindrance to the development of local PbR. PPLs in 6 LAs reported that the timing of the trial during a period of declining resources for children’s centres had been a “barrier” to the development of local PbR, while PPLs in 12 LAs reported that it had been a “significant challenge” to that development.

More generally, a common theme among PPLs was that the assessment of PbR needed to be set against the backdrop of the reductions in public spending. Some saw the effects of this decline as overwhelming any impact that PbR might have:

²⁹ Ofsted is also seen as an important influence on centre staff, discussed in section 5.3.3 below.

“What matters is that PbR is happening at a time of massive cuts and trying to grow something at a time when everything else is shrinking is really difficult. We’re swimming against the tide.” [Workshop participant]

Others saw the budgetary context as enhancing the importance of PbR because local planners were responding to any potential source of additional funding:

“Service planners are having to think strategically about PbR in a very challenging economic climate where they are looking for every scrap of money that comes down nationally. They are desperate to sustain services on the ground and, therefore, payment by results is important to them.” [Workshop participant]

In addition, it was reported that the competitive environment for funding meant that the PbR trial was seen as an important means to evidence and reinforce the case for supporting children’s centres.

In the survey, half of DCSs reported that they felt that PbR was more influential in times of financial constraint. Two main reasons were given. First, PbR incentives were considered greater during such periods because any additional money would be more important. Second, PbR was seen as a tool to enable greater output from limited resources. Only 2 DCSs reported that they thought PbR to be less influential during times of financial constraint, while the remainder considered that the economic context was unimportant (in 4 LAs) or did not have an answer (in 7 LAs). Hence, the weight of opinion from DCSs seems to suggest that PbR should be more influential in the current economic climate.

3.5 Continuation of local PbR without the national element

In the absence of a national PbR scheme, 14 PPLs reported that local PbR would be likely to continue in their area, while 7 reported that it was unlikely to continue and 5 did not know. Similar proportions of DCSs responded to the same question: 16 to continue, 8 not to continue and 2 did not know whether it was likely they would continue the local scheme.

As shown in table 5, almost half of the PPLs who reported that local PbR would probably continue said that it would do so in a modified form although this qualification was rare among DCSs who responded that local PbR would continue. When specified, this modified form meant without financial rewards, suggesting that although some elements of PbR would be continued, these would not constitute a PbR model.

Table 5 Continuation of local PbR without the national element

Number of LAs	Reported by PPL	Reported by DCS
Would continue with local PbR	8	14
Would continue with local PbR in a modified form	6	2
Would not continue with local PbR	7	8
Don't know / under consideration whether would continue	5	2

Source: PPL main survey and DCS survey.

Notes: "In modified form" meant probably or possibly without financial rewards in half of the PPL responses and in all of the DCS responses.

Table 6 Reasons for whether or not to continue with local PbR

Number of LAs (multiple answers possible)	Reported by PPL	Reported by DCS
Reasons for continuing local PbR		
Improves delivery quality	-	2
Improves value for money	-	1
Focus on outcomes	2	2
Gives centres more focus / providers more clarity	2	2
Improves data	1	-
Helps performance management	4	3
Like to reward success in target areas	1	-
Makes centres / council more accountable	1	1
Introduces healthy competition	-	2
Shares the risks	-	1
Part of move to commissioning	-	1
Too late to stop	1	-
Reasons for not continuing local PbR		
Risks service delivery through insufficient funding	2	2
Too much uncertainty in planning	1	-
Cannot link causes with long term effects	-	1
PbR not appropriate for outcome services	1	-
Takes too much resources without national funding	1	2
Not enough impact	-	1

Source: PPL main survey and DCS survey.

The reasons given for whether to continue or not to continue with PbR at the local level were quite diverse (table 6). The reasons to continue fell into three broad areas: those connected with improvements in what centres do; those related to better management;

and those related to the advantages of the concept of PbR (although the latter two sets may be seen as leading to better centre services). The reasons not to continue fell into two broad areas: those connected with drawbacks in the concept of PbR (including uncertainty in funding and planning and the need for assessing longer term outcomes) and those related to achieving too little benefit for the cost of implementation.

3.6 Summary

The PbR trial in children's centres was the first PbR-type scheme applied by national government to influence local service delivery indirectly through LAs. This resulted in a two-tier design of commissioning arrangements with a "national" element between DfE and LAs and a "local" element between LAs and children's centres. The national scheme was in operation between April 2012 and March 2013 and included a suite of six national measures with reward payments based on the achievement of improvement targets for one or two national measures from a choice three for each trial area. During this period, the 26 trial areas worked to achieve improvements in the national measures and developed their local PbR models.

This chapter has described the development of the PbR trial at the national and local levels. The key findings on the development of PbR are:

- The most prevalent reasons for LAs to participate in the trial were a desire to be part of national policy development or to improve services in ways not directly related to PbR. Hence, there is little evidence of any strong prior commitment to PbR at the LA level.
- Almost all areas had selected local PbR measures by the end of 2012 and most areas (17 out of 26) reported that they had a real or virtual reward scheme in place. However, many of these reward schemes did not have a complete payment structure and very few trial areas reported that they were likely to have completely developed local PbR models by the end of the trial period.
- There was considerable variation in the degree of development of local PbR across the trial areas. Indicative patterns suggest that existing expertise in using data, availability of staff time and capacity, political support for the trial and a broadly positive local view on PbR were related to greater progress. The patterns also indicated that local PbR may have been more easily developed in trial areas which predominantly commission rather than directly-run centres and in urban rather than rural areas.
- Several factors were important in the development of PbR at the local level:
 - The insufficient timeframe for setting up the national measures and reward scheme hindered the development of local PbR.

- The timeframe for the development of PbR was generally regarded as too short: most areas needed considerably longer than the trial period to achieve a fully implemented local PbR model.
- Implementing PbR involved some (but generally not considerable) resource cost in most trial areas, although the need for staff time and other resources had been a challenge in most areas. Most notably, the trial grant funding was viewed as essential to the development of PbR in most (17 out of 26) areas.
- Assistance from central government was particularly helpful to the development of PbR through the facilitation of learning between trial areas. It also aided the progress through learning from the national scheme and, in some areas, through the support given by Serco. It was suggested that greater co-ordination at the national level with the Department of Health and Ofsted might also have aided development in some areas.
- The economic context of reductions in public spending and declining resources for children's centres was widely viewed as a hindrance to PbR development. There were mixed views as to whether the economic climate made PbR more or less influential.
- Most LAs reported that local PbR would probably continue in their area in the absence of a national scheme for a wide variety of reasons. However, a substantial proportion of these areas also suggested that local PbR would most likely continue in a modified form without financial rewards which would not, strictly speaking, constitute a PbR model. A smaller, but still substantial, number of LAs reported that they would not continue with PbR in the absence of a national scheme for reasons connected to the drawbacks of PbR as a concept or because it was viewed as achieving too little impact for the cost of implementation.

4. Assessment of National PbR

This chapter assesses the effectiveness of the national PbR scheme to influence local level decision-making and whether it achieved its objectives.

More specifically, it considers whether:

- the national measures were effective in influencing local decision-making
- the national payment model provided an effective incentive to change local behaviour

It also considers the impacts of national PbR on:

- the profile of children's centres and early intervention
- the focus on the core purpose of children's centres
- the use of the wider research evidence in planning and delivering centre services
- the planning of children's centre services
- the creation of perverse incentives at the LA level

4.1 Influence of the national measures

This section considers whether the suite of six national measures (described in section 3.1 above) have been effective in influencing local decision-making.³⁰

4.1.1 Match with local priorities

The extent to which national measures will influence local decision-making will depend upon the degree to which the national measures differ from existing local priorities and can potentially change local behaviour rather than reinforce it.

In general, PPLs reported that there was a good match between the suite of six national measures and local priorities, indicating that they captured the breadth of local concerns and the broad understanding of the core purpose. But there were some indications that the national measures contradicted local interests: DCSs in two areas spontaneously reported (unprompted) that a main drawback of the trial had been that the national measures had too narrow a focus, while DCSs in three areas reported that reduced flexibility for local priorities due to the national element had been a major drawback. In

³⁰ The suitability of a wide range of possible national measures was analysed in depth in the trial feasibility study (National Children's Bureau, *Feasibility study for the trials of Payment by Results for children's centres*, November 2011, http://www.local.gov.uk/c/document_library/get_file?uuid=2b1de4a2-d99c-4747-96ed-7948e7be0b1d&groupId=10171).

addition, the case study evidence suggested some tension between the national measures and a need for local flexibility:

“Localism and national PbR just don’t go together” [Area D, strategic level]

“I’m not sure I agree with the concept of national measures. How does this fit with localism?” [Area C, PPL]

As noted in the opening chapter, PbR as a concept does not imply localism in objectives but only in the method of service delivery to achieve those objectives: the commissioner of the services (DfE in the national element of PbR) still determines the ultimate objectives for the services, while the choice of method to achieve those objectives is transferred from the commissioner to the provider (from DfE to LAs in the national element of PbR). Hence, the objectives of the national element of PbR may not always match with LA priorities.

Overall, the suite of six national measures was more likely to have been influential in areas where they were seen as inconsistent with local objectives. However, as most areas reported that there was a good match between the national measures and local priorities, this suggests that any influence may not have been widespread.

4.1.2 Design of the national measures

The effectiveness of the design of the national measures scheme can be considered in the context of the criteria for an effective PbR scheme presented in figure 1 in chapter 1. The measures were generally well designed in terms of attribution, availability of robust data and achievability in a reasonable timeframe.

- There were few major issues about the availability of reliable data for the measures (criterion 4 in figure 1). There were concerns over the feasibility of obtaining data for the three year old take-up measure in a small number of LAs and difficulties in defining the sustained contact measure were quite widely reported. In addition, some LAs felt that the baseline data should have been derived over a longer period to reduce the effects of annual fluctuations in assessing the baseline for performance.
- Most of the measures were potentially achievable within a reasonable period (criterion 10 in figure 1), although it was noted that the EYFSP measure was subject to a sizable lag between the use of centre services and measurement at the end of the child’s reception year.

However, the national measures created problems of attribution; were not closely related to all the stated objectives of the trial and were restrictive on local flexibility to choose the best methods to achieve results:

- Strictly speaking, attribution of the national measures was not an issue³¹ (criterion 3 in figure 1). However, this was due only to the lack of any specification in the definition of the national measures that improvements were to be achieved through children's centres rather than other agencies. If the measures had included such a specification, there were potential attribution problems for the breastfeeding and EYFSP national measures (and possibly the two/three year old take-up measures) as it was generally recognized that these measures are heavily influenced by service providers outside of children's centres, making it difficult to evidence that changes were linked to children's centres.³² This potential problem of attribution was effectively sidestepped by the expectation in the trial that improvements would be achieved through children's centres (as explained in section 3.1 above) and an implicit *assumption* in the national scheme that changes in the national measures were attributable to children's centres. However, the choice of these national measures did raise attribution problems in the development of related local measures, as discussed below in section 5.2.5.
- The six national measures did not *directly* match all of the aims of the trial (criterion 1 in figure 1). Most notably, they did not specifically include raising the profile of children's centres within LAs or encouraging the use of evidence-based research. But there were closer links to other elements of the core purpose. For example, the four measures targeted towards those in greatest need or entitled to free school meals (EYFSP, two year old take-up, sustained contact and three year old take-up) were directly related to the targeted element of the core purpose.
- The outcome-based measures (breastfeeding and EYFSP) permitted LAs considerable flexibility in achieving objectives, but the output-based measures (two and three year old take-up; sustained contact and evidence-based parenting programmes) were more restrictive because they prescribed more precisely the type of service to be delivered or the type of children or families to be encouraged to use services (criterion 5 in figure 1).
- As noted above, the expectation in the trial was that improvements in the national measures would be achieved through children's centres rather than other agencies. This also placed restrictions on local flexibility to achieve the improvements in the national measures (criterion 6 in figure 1), for example, the use of services outside of children's centres to encourage breastfeeding or the use of other settings to improve two year old take-up.

³¹ There was no dispute that LAs were responsible for the achievement of improvements in the measures within their own area and that the data could link the actions of LAs to changes in the measures.

³² The two/three year old take-up measures were potentially less problematic as the number of places could be measured by the type of setting.

Overall, the design of the national measures was conducive to their being influential on local behaviour. However, there were drawbacks in the design: not all of the trial aims were directly reflected in the measures and local flexibility in approach to achieving the trial objectives was restricted.

4.1.3 Effect of the national measures on LA decision-making

By the time of the main survey at the end of 2012, 8 LAs had incorporated the national measures into some LA-level documentation on performance (such as strategy or business plans or LA level performance reports to the DCS or Lead Member), while 8 LAs reported that measures of these type were already basically included in the documentation prior to the trial and 10 LAs reported simply that they had not been incorporated as a result of the trial.

But the national measures were reported to have had some impact on LA processes or decisions in almost all areas. At the time of the main survey, 12 PPLs reported that all the measures had had some impact or played some role, while a further 10 PPLs felt that some, if not all, had had an impact. In most cases, the sustained contact and three year old take-up measures were the ones which had not had any impact because of the measurement difficulties mentioned above and because the three year old take-up measure already had high levels of achievement in most areas. Evidence from the case studies also suggested that the national measures had focused local areas on the operational challenges of translating ‘targets’ into data collection and analysis challenges:

“What the national measures have made us do is work out how we are going to monitor and assess them, rather than just set a target” [Area E, strategic level]

Half of the areas reported that there had been actual changes in the planning of children’s centre services or specific initiatives in children’s centres in order to help achieve improvements in the national measures, while a further 3 areas said that such changes were planned. In 10 areas, no such changes had occurred.

Overall, direct incorporation of national measures into local processes was only evident in about half of the areas, a major reason being that many areas already had local priorities consistent with the measures. However, the measures had some impact on processes or decisions in most areas and fed through into actual decisions about service delivery in around half of the areas.³³

³³ An important impact of the national measures on local behaviour could have been through being incorporated into local PbR models. This is investigated in the description of the development of local PbR models in section 5.2.2 below.

4.2 Influence of the national payment mechanism

This section considers whether the national payment mechanism (described in section 3.1 above) was effective in influencing local decision-making;

4.2.1 Match with local priorities

There was a widespread view that the selection of two national measures for potential reward payments could not match the diversity of problems and conditions across LAs. As one workshop participant stated:

“The problem with national measures is that each LA is so diverse. Picking two out of three national measures that will suit every LA is very narrow.” [Workshop participant]

This suggests that a narrowing of national measures to one or two key and specifically defined priorities could not match with local understanding of key priorities in all LAs and could, therefore, have encouraged a shift in focus towards the national measures selected for potential reward payments.

The distribution of the national measures selected for reward payments was very even across the three possible measures (table 7). Discussion at the workshop suggested that this may have been partly due to the limited choice for LAs in the measures available.

Table 7 Selected national measures for reward payment

	Number of trial areas
Breastfeeding and two year old take-up	10
Breastfeeding and EYFSP	8
Two year old take-up and EYFSP	8
Total	26

Source: DfE, May 2013

The scoping survey with PPLs showed some strong common themes in the reasons for selecting particular measures (table 8):

- The most common reason for the choice of all three measures was that the LA was already investing in the area and this past investment would help achieve improvement in the national measures.
- The need to address a problem or it being a local priority was an equally common reason for the selection of the breastfeeding measure and common secondary reasons for the EYFSP and two year old take-up measures.

- The existing availability of data to baseline and monitor change for the measure at the local level was part of the reason for choices of breastfeeding and the two year old take-up measures.

Hence, LAs' selections tended to reinforce existing local priorities which would have reduced the impact of the national payment mechanism on local decision-making.³⁴

Table 8 Reasons for the selection of national measures for potential reward payments

Number of LAs (multiple answers possible)	National measure		
	Breast-feeding	Two year old take-up	EYFSP
Reasons to select measures			
Needs to be addressed	3	2	2
Already a local priority	4	3	3
Already investing in this area	5	8	4
Can impact	3	2	2
Can impact in short time horizon	-	1	-
Still space to improve	-	1	-
All-encompassing	-	-	1
Most targeted at those in need	-	1	-
Promotes closer working with health	4	-	-
Reasons not to select measures			
Not attributable to CCs	-	1	1
Long time to impact	-	-	1
Already high achieving/hard to improve	1	2	-
Hard / too costly to improve	1	2	-

Source: PPL scoping survey

However, two other reasons for the selection of measures indicate that the payment mechanism may have had greater effect:

- A number of LAs selected the EYFSP measure because they felt they could achieve improvement in the measure. To a lesser degree, an ability to achieve improvement was also important in the selection of the other two measures.
- In a few cases, measures were rejected because high existing achievement levels left little room for improvement or because it was too costly to impact on the measure.

³⁴ It should be noted that this does not derive directly from the fact that LAs select the measures to be assessed for reward payments: LAs could have had no choice and the national measures would still have had little influence if they coincided with local priorities in which LAs were already investing.

Although these reasons do not preclude the possibility that the selected measures also coincided with existing local priorities, they suggest that the national reward scheme may have encouraged a focus on new areas in some LAs.

The case study evidence also indicated that some LAs selected measures for other reasons:

- To send a message about priorities to other parts of the system such as education or health even if it meant that they might not achieve the reward payments.
- Measures where the attribution of improvements to the actions of children's centres was difficult (such as breastfeeding) were rejected on grounds that they would not motivate children's centre staff if the staff felt that other agencies had better control over achieving improvements in the measures.

The choice of measures was not evenly distributed across regions, urban and rural areas and areas with different deprivation levels. A smaller proportion of trial LAs in London than in other regions selected the two year old take-up measure³⁵, while a smaller proportion of rural LAs than urban LAs selected the EYFSP measure.³⁶ Evidence from the case studies suggested that these patterns may have been driven by LAs wanting to select at least one measure that matched local priorities.

In addition, trial LAs with relatively high levels of deprivation were less likely to select the two year old take-up measure and LAs with relatively low deprivation were less likely to select the EYFSP measure.³⁷ The case study interviews also suggested that areas with high levels of deprivation were particularly likely to want to improve EYFSP scores. However, the small sample size cautions against drawing strong conclusions from these patterns.

Overall, the evidence suggests that local priorities were an important driver in the choice of national measures for the reward payment scheme, but the limited choice available and the fact that other reasons also drove the choice in some areas indicates that the national payment mechanism could have helped to focus local thinking and behaviour on new priorities.

³⁵ In the London region, 2 out of 5 LAs selected the two year old take-up measures compared to 16 of 21 LAs in other regions.

³⁶ In rural areas, 2 out of 8 LAs selected the EYFSP measures compares to 14 out of 18 in urban areas.

³⁷ In areas with relatively high deprivation, 4 out of 9 LAs selected the two year old take-up measure compared to 14 out of 17 LAs in low and middle deprivation areas. In areas with relatively low deprivation, 3 out of 9 LAs selected the EYFSP measure compared to 13 out of 17 LAs in middle and high deprivation areas.

4.2.2 Effects of the national payment mechanism

The payment mechanism element of the national PbR had very little impact on local thinking and behaviour. The evidence from the case studies and workshop strongly indicated that while the national payment mechanism did initially raise interest in children's centres, particularly at the strategic level and among politicians, this initial interest waned considerably once the details of the national scheme were announced and it became clear that reward payment amounts were small. Moreover, PPLs in only 4 areas reported in the main survey towards the end of 2012 that the approach taken to achieve improvements in the national measures selected for potential reward payments had been different from that taken for the other measures because of the financial incentive.

Most of the impact of the national PbR scheme was related to the national measures per se rather than the reward payments attached to some of those measures. As will be described in the following subsections, the ineffectiveness of the financial incentive was due to some fundamental features of the application of PbR between national and local government.

4.2.3 Design of the national payment mechanism

In general, there was broad approval of the detail of the design of the national payment mechanism at the local level with PPLs generally feeling that the scheme was fair and the approach effective:

- PPLs in most areas reported that paying for improvements (rather than achievement of a set threshold) was a good way to allocate national reward money (21 LAs).
- PPLs in the majority of areas felt that reward payments should be a set amount for a pre-specified degree of improvement (like the "standard" payment) rather than an uncertain share of a pot of money based on improvement relative to other LAs (like the "exceptional" payment). The standard approach was preferred by PPLs in 18 areas, mostly on the grounds that the certainty of a pre-specified amount helped planning and increased the incentive. A mixed scheme or one based on the exceptional approach was preferred by PPLs in 3 and 4 areas respectively, on the grounds that it would give greater motivation to perform above the average.
- PPLs agreed that weighting the reward money in accordance with the size of the under five population was an equitable/fair approach to weight the rewards, but most thought the weighting should also include some allowance for level of deprivation and/or urbanity.

However, some more fundamental issues in the design of the payment mechanism arose which can be related to the criteria for an effective PbR scheme presented in figure 1 in chapter 1. These include:

- The reward payments were too small (criterion 7 in figure 1)
- The transient and uncertain nature of the payments reduced the value of the rewards to LAs (criterion 7 in figure 1)
- The lack of ring-fencing for national rewards and the design of funding for children’s centres meant that the impact of rewards could be offset (criterion 8 in figure 1)
- There was a lack of financial resources to invest in children’s centres (criterion 9 in figure 1)

Each of these is discussed in the following sections. In addition, as discussed above (in section 3.4.1), the effectiveness of the national payment mechanism was also hindered by delays in announcements about national rewards and uncertainty about the payment process.

4.2.4 Size of reward payments

PPLs in almost all areas reported that no special approach had been taken to achieve improvements in the national measures selected for potential reward payments because the amount of national reward money was too small. Indeed, most areas did not even begin to consider whether the cost of achieving the level of required improvement would be outweighed by the reward amount, typically because the reward amounts were obviously too small. One participant at the workshop said:

“We are not even thinking about the national payment because, whatever it is, it is going to be insignificant in comparison to the budget.” [Workshop participant]

Evidence from the case studies also highlighted how the PbR reward payments seemed particularly irrelevant against budgets that were being cut by millions of pounds (discussed in section 3.4.5 above).

Similar views were reported by DCSs: DCSs in only 4 areas felt that the levels of reward payments were sufficiently large to provide an incentive for their LA to do anything differently, while DCSs in 17 areas considered the amounts insufficient. Estimates of the amounts that would create sufficient incentives suggested by DCSs ranged from three times to ten times the current reward amounts and from 5 percent to around 30 percent of the LA budget for children’s centres. Although DCSs in most areas considered the amount of current rewards too small to influence local behaviour, a small number (3 DCSs) felt that money per se regardless of amount could drive change, while a more

substantial proportion (8 DCSs) felt that non-monetary factors were or should be more important in driving change.

The lack of a sufficient amount of payment based on performance meant that the national payment scheme did not influence LAs' behaviour by transferring financial risk for performance to LAs. The amounts involved constituted such a small fraction of children's centre budgets that they would have needed to have been several magnitudes larger to have generated an impact. This provides clear evidence that a PbR scheme between national and local government requires a sufficient amount of reward payments to be effective and that "money per se" will not provide an effective incentive to change local behaviour.

4.2.5 Usefulness of uncertain rewards

It is inherent in the nature of PbR schemes that reward funding is uncertain and conditional on results. The effectiveness of the national financial incentive depends upon the degree to which LAs can find valuable ways to use uncertain and potentially temporary sources of funding for children's centres.

Evidence from the workshop and case studies indicated that one-off rewards were of limited use to children's centres because the essential element in service provision is the ability to create additional staff positions which require longer term financial planning.

"The status of the reward money is important – whether it's permanent, one-off or ring-fenced affects the capacity to plan the use of those funds and ability to spend it in time. It's very hard to plan for non-recurrent funds." [Workshop participant]

Children's centre managers in the case studies were concerned that uncertainty in funding could lead to short term contracts for staff and the loss of better staff to permanent positions elsewhere.

On the other hand, it was acknowledged that LAs could be more creative in their thinking about how to usefully spend one-off reward money, including for special initiatives or one-off purchases.

"The other thing is the non-recurrent nature of the reward. So it can't be pumped into anything that is frontline. Maybe training or equipment or something like that would work." [Area B, strategic lead]

In addition, DCSs in most areas (14 LAs) were able to provide some specific answers on how any reward money would be spent, with half of these being firm decisions and half being ideas. These answers included that rewards would be shared with partner agencies (8 cases) or given to centres or clusters of centres to decide how the money should be spent (4 cases). More detailed responses included that the money would or might be spent on activities to help narrow the EYFSP gap; prevention services;

additional equipment; improving staff skills or training; a co-ordinator post; and monitoring or data development (1 or 2 cases each). This suggests that even in services like those provided by children's centres, there are valuable ways that temporary and uncertain reward money can be used.

4.2.6 Ring-fencing and children's centre budgets

Although there were no restrictions on how LAs could spend any national reward money, PPLs were uncertain about whether national reward payments would be ring-fenced to a specific use through much of the trial. The workshop evidenced a strong feeling among PPLs that the reward payments should be ring-fenced to (or at least "labelled" or "badged" for) children's centres' budgets or to early childhood services because this would have incentivised those who could have helped to achieve the results and because it could have been used to fund further improvements (or pay back investments made). Indeed, financial incentives will, in general, be more effective if those whose behaviour it is desirable to influence will be the ones who decide how the reward money is spent.

However, DCSs generally reported that their LA would *not* have done anything differently if the reward money had been specifically ring-fenced to be used for children's centres.³⁸ Moreover, it was pointed out that ring-fencing of the national rewards only made sense if the initial children's centre budget had been ring-fenced. Otherwise, ring-fencing of the national rewards would simply have meant that LAs could have taken money out of the budget equation and negated any benefit. Hence, national ring-fencing would have been unlikely to have improved the effectiveness of the national payment mechanism.

In essence, a major obstacle to the effectiveness of the national PbR scheme was the LA's discretion over funding for children's centres from the Early Intervention Grant. This meant that total funding for children's centres was not within the control of the PbR scheme and any reward payments could have been counterbalanced by funding decisions at the local level. While this did not reduce the incentive for the LA as a whole to achieve the PbR rewards, it did reduce the direct incentive for those whose behaviour the scheme aimed to influence.

4.2.7 Additional financial support

The evidence indicates that there was very little additional investment into children's centres in order to reap the return of the rewards. Both PPLs and DCSs were unanimous that national PbR had not influenced the size of the children's centres budget for 2012-13 (although the timing of budget decisions prior to the announcements concerning reward

³⁸ It should be noted that this was 16 responses, with the remaining 10 being don't know or not answered. In addition, the responses may have reflected the ineffectiveness of the low reward amounts regardless of whether they were ring-fenced or not.

payments militated against this). Very few LAs (only 5) reported that any additional funding had been made available to help achieve improvements in the national measures. This suggests that sources of funding to deliver service or invest in improvements prior to the payment of rewards were not generally available. However, it is not clear whether this would be the case in less stringent budgetary conditions.

4.3 Raising the profile of children's centres

One of the objectives of the PbR trial was to raise the profile of children's centres. This was interpreted as meaning to increase understanding of the activities of children's centres and of the benefits they create.

Initial evidence from the case studies and workshop suggested several means by which the trial may have helped to achieve this in some areas:

- Being part of a national scheme accountable to central government for performance provided an external endorsement of the value of the work of children's centres. Several case study areas indicated that national PbR gave credibility and 'political' validity to the work of children's centres:

"It has helped to embed the core purpose, because a national trial gives a lot more authority to it. I don't think it's the money. I think it's the notion that someone is going to drill down and look at what we are doing here" [Area C, PPL]

- The national measures defined the purpose of children's centres more specifically and helped other agencies to understand what they do.
- The presence of a monetary element raised interest in children's centres, particularly at the strategic level and among local politicians:

"The profile of children's centres has been raised by the money – they know it's not going to be very much, but the profile has still been raised. It's because PbR comes with money and PbR has a national profile." [Workshop participant]

Although, as discussed above, the level of the reward payments disappointed LAs at the later stages of the trial.

- Being part of a trial rather than simply being subject to a new national policy raised interest in the work of children's centres among politicians and other agencies, helped by the relatively novel policy approach of PbR and by the evaluation of the outcomes.

However, national PbR did not substantially raise the profile of children's centres in a widespread way. Just less than half of PPLs reported that awareness had been raised among elected members, and, of that half, most felt that it only been raised in a limited

way (table 9). A greater proportion of PPLs reported that awareness had been raised among LA officials not involved in early childhood services (although most of these thought in only a limited way), and most felt that it had been raised substantively among LA officials who work with children’s centres or in other early childhood services. Responses from DCSs to the same questions followed a similar pattern, but with a smaller proportion than that for PPLs feeling that awareness been raised in the first two groups and a slightly greater proportion than that for PPLs feeling that awareness had been raised among LA officials who work with children’s centres or in other early childhood services.

Table 9 Whether national PbR has raised awareness of the role of children’s centres

Number of LAs	Among elected members		Among LA officials not in early childhood services		Among LA officials working with centres or early childhood services	
	PPL	DCS	PPL	DCS	PPL	DCS
Raised awareness	3	3	6	2	12	16
Raised awareness in a limited way	9	3	11	7	5	4
Has not raised awareness	14	20	9	17	7	6
Don’t know / not answered	-	-	-	-	2	-

Source: PPL main survey and DCS survey.

Table 10 Reasons why national PbR has not raised awareness or only raised it in a limited way

Reasons awareness not raised or raised in a limited way	Number of LAs (multiple answers possible)					
	Elected members		LA officials not in early childhood services		LA officials working with centres or early childhood services	
	PPL	DCS	PPL	DCS	PPL	DCS
Raised awareness in a negative way	1	-	-	-	-	-
Too little money in PbR rewards	2	-	-	1	-	-
Too much change/uncertainty in trial	-	2	1	-	-	-
No impact to report	-	2	-	1	-	-
Too much else going on (budget cuts) / other influences	4	4	4	3	-	-
Only interested in PbR	1	-	5	4	2	-
Awareness / discussions rising for other reasons	7	2	1	1	3	1
Already familiar / supportive	7	9	2	3	4	2

Source: PPL main survey and DCS survey.

The reason given for the lack of impact on elected members' awareness in many LAs was that they were already familiar and/or supportive of children's centres (table 10). In addition, several other areas reported that there had been too much else going on with respect to children's centres (such as budget cuts) or that awareness and discussions about children's centres were rising for other reasons. Too much else going on was also a key reason for the lack of impact on the awareness of LA officials not involved in early childhood services, as well as that these officials were interested in the trial to learn about PbR rather than children's centres.

Evidence from the comparison group of 15 non-trial LAs supported the view that awareness about children's centres rose for reasons other than the PbR trial: 12 of the comparison LAs reported that awareness of the role of children's centres had increased among elected members over the past year and 11 reported that awareness had increased among LA staff who are not involved in early years services. This strongly suggests that the PbR trial may not have made a substantial difference to a trend of rising awareness for those outside of early childhood services for reasons not related to the trial.

There were mixed views from the trial LAs on whether having specifically defined national measures had influenced understanding of the objectives of children's centres within the LA: 14 DCSs reported that they thought this had been the case, while 11 reported that the measures had not had this effect. The ways in which the measures were thought to have had an impact included by giving clear objectives for centres or influencing understanding about centres; raising awareness or understanding of objectives; helping understanding for people who were new to the area or those in specialist areas; and providing a framework for discussion or analysis. On the other hand, the reasons given for why the national measures had not had any effect included that objectives are already understood; measures are not novel; measures are not correct; the objectives are too complex to be captured in simple measures; and local objectives are more important. This seems to suggest that the national measures will be less influential in areas where objectives are already clear but may improve understanding about children's centres in other areas. This is not surprising, but the evidence indicates that there may be something of an even split in these types of areas.

Overall, the evidence indicates that PbR raised awareness among those working in early childhood services (possibly via greater multi-agency working which is discussed below in section 4.6.1). However, it did not have any notable impact on raising awareness among politicians and LA officials outside of early childhood services. This lack of impact on awareness for these groups may have reflected the fact that none of the national measures were explicitly connected to this objective and did not provide a clear measure or target that LAs could use as guidance. It could also have been due to the circumstances of the domination of other more pressing issues during the trial period and

a trend of rising awareness of children's centres across all LAs for reasons not related to the trial.

4.4 Focus on core purpose

The core purpose of children's centres is defined as "Improving outcomes for young children and their families, with a particular focus on the most disadvantaged, in order to reduce inequalities in child development and school readiness, supported by improved parenting aspirations, self-esteem and parenting skills and improved child and family health and life chances"³⁹ A central stated objective of the PbR trial was to enhance LA focus on this core purpose.

Given that the core purpose is defined so broadly, it is perhaps not surprising that most PPLs reported in the scoping survey that national PbR had *not* influenced the focus on the core purpose. Evidence from the case studies suggested that a focus on core purpose meant different things in practice to different LAs. Some were very focused on one particular area (such as, school readiness, good health outcomes or addressing child poverty by reducing worklessness) while others emphasised a more general approach covering the broad range of areas. Hence, the PbR trial may not have enhanced the local focus on the broad term "core purpose" because the flexible and often broad understanding of core purpose meant that most PPLs felt that their LA was already focused on the core purpose prior to the trial.

However, a substantial proportion of DCSs (in 11 areas) felt that the national PbR measures (rather than PbR per se) had influenced the focus on core purpose. These were evenly divided in the views that the national measures had led to greater agreement on the core purpose (4 cases); that the measures had clarified or reinforced the core purpose (4 cases); or that the measures were part of a larger discussion about core purpose (3 cases). On the other hand, the most commonly cited reason for the lack of any influence was that the LA already had a strong focus on the core purpose (6 cases), with less common reasons being that the measures only reinforced the existing focus (2 cases) or that the LA did not agree with the national measures and focused on its own local priorities (3 cases).

Perhaps not surprisingly, DCSs' views on the influence of the national measures on the focus on core purpose were related to whether they believed that having specifically defined national measures had influenced understanding of the objectives of children's

³⁹ Department for Education, "Sure Start Children's Centres core purpose", April 2012, available from <http://media.education.gov.uk/assets/files/pdf/s/sure%20start%20childrens%20centres%20core%20purpose.pdf>

centres (described in the previous subsection).⁴⁰ This suggests that national PbR raised understanding (and thereby the profile) of children’s centres by enhancing a focus on the core purpose in a minority, but not insubstantial, number of areas.

4.5 Use of the wider research evidence on effective practice

Another objective for the trial was to consider whether PbR would encourage evidence-based decision-making which takes account of the results for families. While there were notable changes in the collection and use of data (described below in section 5.4), there was little evidence of any substantial changes in the use of the wider research evidence on effective practice. In the scoping survey, half of LAs reported that PbR had not changed their usage of this kind of research evidence because they already used it or because change was occurring anyway. Most of the remaining half reported that PbR had brought about some change, but few specific examples of change could be described. In the main survey, PPLs in only 4 areas reported that any new information from research-based evidence had been used to help make decisions about how to achieve improvements for the national measures.

Evidence from the case studies and workshop highlighted that there was more than one notion of what counts as “evidence” among LAs, including the use of local monitoring and evaluation as well as considering the national and international literature on effective practice (in which context the Allen report⁴¹ was cited but nothing wider).

Overall, there was little impact on the use of research evidence in decision-making, possibly because it was not explicitly connected to a national measure.

4.6 Changes in planning for service delivery

As documented in section 4.1.2 above, the suite of six national measures had an impact on the planning of children’s centre services in a substantial proportion of the trial areas. This section presents the specific ways in which the national measures had such an impact.

⁴⁰ Of the 14 who reported that national measures had influenced understanding, 8 reported that the measures had influenced the focus on core purpose and of the 11 who reported that national measures had *not* influenced understanding, 9 reported that the measures had *not* influenced the focus on core purpose.

⁴¹ Graham Allen, “*Early Intervention:: The Next Steps*”, H M Government, January 2011, <http://www.dwp.gov.uk/docs/early-intervention-next-steps.pdf>

4.6.1 Effect on multi-agency working

Improvements in several of the national measures could be achieved by improving services delivered by agencies other than children's centres (discussed in section 4.6.4 below). This is particularly true for improvement in the breastfeeding national measure because many services within children's centres with the greatest impact on breastfeeding are typically delivered by health staff. Moreover, the accurate reporting of breastfeeding is reliant on other health service providers. Hence, it might be expected that the national breastfeeding measure would impact on the involvement of health with children's centres.

Closer working partnerships with other agencies was the most common benefit of the PbR trial reported by both PPLs and DCSs, although in only 11 areas did either the PPL or DCS cite this (with 9 PPLs and 10 DCSs reporting it). In an additional 6 areas, PPLs reported that links with existing partners had been strengthened by discussions about how to achieve improvements in the national measures, but only 2 areas reported that any new agencies (in both cases health) had become involved in such discussions. Overall, a substantial proportion of areas (19 out of the 26) experienced a strengthening in partnership working.

Evidence from the case studies and workshop indicated that this closer joint working was typically with health and involved more discussions with partners, the creation of co-production groups and better information sharing:

"It has got everyone round the table, and led to practice-related discussions" [Area B, strategic level]

"PbR has given us a common objective, if not a common language" [Area A, PPL]

Most generally, LAs reported that there was a greater appreciation by health partners of what children's centres did and a better understanding of what centres needed from them, indicating a clear change in thinking at the local level among agencies outside of children's centres. To a large degree, the closer working with health was particularly driven by the selection of breastfeeding as one of the national measures selected for reward payments, suggesting that choosing national measures that require joint working can be strategically helpful in encouraging those agencies to work better together.

However, around half of the non-trial LAs in the comparison areas reported that new agencies or individuals had become more involved in the work of children's centres over the past year. In one third of the comparison LAs, there was closer working involved

health (in 5 of the 15 comparison LAs),⁴² suggesting that some of the closer joint working with health in the trial areas may be part of a more general trend rather than due to the trial.

4.6.2 Effect on the targeting of services

Both the EYFSP and the sustained contact national measures created incentives to target services towards children from more disadvantaged backgrounds or families “in greatest need”. In addition, the workshop discussions highlighted that changes in the availability and use of data connected with PbR (discussed below in section 5.5 below) increased the information available about disadvantaged groups and facilitated improved targeting.

A substantial proportion of PPLs (in 10 areas) mentioned in the scoping survey that PbR would be likely to benefit disadvantaged families and children through better targeting or reported in the main survey that that the national measures had shifted the focus towards targeted services. The case study interviews also suggested that while LAs and children’s centre managers supported the concept of universal access, the trial had increased the focus of attention and effort on the most socially disadvantaged families.

However, evidence from the DCS survey was less supportive that PbR created a greater focus on targeting. DCSs in only 5 areas reported that developing PbR had led to more thinking about targeting or more focus on targeted services, while those in other areas reported that PbR had reinforced an on-going move towards targeting (in 5 areas) or that PbR had reinforced the current level of targeting (also in 5 areas). The remainder reported that developing PbR had not influenced the balance between a universal approach and a more targeted one.

Moreover, around two-thirds of the LAs in the non-trial comparison areas reported a shift in focus towards greater targeting in services, the main reason for which being the need to target resources with limited or reduced budgets. This suggests that any greater focus on targeting in the trial areas may have been driven in part by a similar need rather than by the PbR measures.

PbR was felt to have had more influence on the target population for children’s centres than the focus on targeting *per se*. In 11 areas, DCSs reported that PbR had influenced the types of families’ targeted, both through the national measures and through the improvements in the available data. The new focus for the target population mainly involved disadvantaged families (suggesting the influence of the national measures), but

⁴² Partnership working in the past year in the comparison areas was also reported to have become closer with social care / family support (5 LAs), day care / early years providers (2 LAs), schools (1 LA), housing associations / housing partners (2 LAs) and the community / voluntary sector (2 LAs).

also included other groups such as “unreachable families”, communities in need, ethnic minorities and particular geographic areas (suggesting the possible influence of better data).

4.6.3 Effect on service delivery

By the end of 2012, there was little evidence that PbR had influenced the types of services delivered in children’s centres. However, it should be noted that this could reflect the short timeframe of the trial and insufficient time to have brought such changes into effect.

PPLs in 13 areas reported that there had been changes in the planning of services or specific initiatives in children’s centres to help achieve improvements in PbR measures, while PPLs in a further 3 areas reported that changes were planned. A similar proportion of DCSs (in 15 areas) reported that developing PbR had influenced thinking or planning about the types of services that would be available in children’s centres.

Table 11 Changes in the planning of children’s centre services

Number of LAs (multiple answers possible)	PPL	DCS
Planning more focused	4	-
Prioritisation of most effective/valuable services	-	3
Better multi-agency working	2	1
Better integration between centres	2	-
Greater uniformity / full range of services across centres	-	2
Shift towards targeted services	5	5
Breastfeeding initiatives / focus	5	2
Focus on health services	-	1
Speech and language therapy (SALT) initiatives	1	-
Changes in daycare provision	1	-
Focus on safeguarding /services for vulnerable	-	2
Focus on sustained involvement	-	1

Source: PPL main survey, DCS survey.

Table 11 summarises the specific changes mentioned by PPLs and DCSs. The most common changes were a greater focus or prioritisation in service planning; a shift towards targeted services (discussed in the previous section); and greater focus on breastfeeding which could be linked to the national measure. In addition, SALT (Speech and language therapy) initiatives and changes in daycare provision were each mentioned in a single case and could be related to the EYFSP and two/three year old take-up measures respectively. However, none of these changes are widespread.

The case studies and workshop evidence suggested that there may have been a movement towards the commissioning of “accredited” evidence-based programmes (such as Incredible Years) and away from locally developed interventions during the period of the trial. This could have been influenced by the national measure for evidence-based parenting programmes. However, there were mixed views in the case studies and at the workshop as to whether this movement was part of an on-going trend or was related to the PbR measure. Moreover, none of the PPLs or DCSs mentioned in the surveys that the PbR trial had been a factor influencing any move towards evidence-based parenting programmes. In addition, the influence of this measure was undermined by lack of clarity in the national PbR guidance:

“But it has been difficult knowing what the national PbR measure means by ‘evidence-based’: it refers to the NAPR list of accredited programmes, but some evidence-based programmes used locally aren’t on that list.” [Area B, PPL]

4.6.4 Effects on other services

A key feature of the services delivered by children’s centres is that other agencies are also responsible for delivering similar services or for delivering services with similar objectives and changes in their delivery (or policies affecting what they do) may also affect the achievement of improvements in the national measures. As noted above, many of the national measures are influenced by services delivered by agencies other than children’s centres but there was an expectation on the part of DfE within the trial that LAs would not use other services to achieve the PbR targets, which was broadly adhered to. Both PPLs and DCSs reported that PbR had not had an impact on the delivery of other services other than through joint working with children’s centres or through the lessons that could be learned about applying PbR models in other services.

4.6.5 Effects on innovation at the LA level

As discussed in chapter 1, one of the benefits of PbR schemes is argued to be an incentive for innovation as potential rewards may encourage providers to try new approaches or initiatives in order to go beyond normal levels of achievement. On the other hand, the fear of losing funding or of failing to achieve reward levels could encourage providers to be cautious and to continue to use tried and tested approaches. PPLs in most areas (16 LAs) reported that PbR had no effect on the incentive for the LA to try new things in the running of children’s centres. In 4 cases, the PPL reported that PbR generated greater innovation in some LA processes concerning children’s centres, while a further 4 reported that there was greater innovation in service delivery. There was reported to have been a mixed effect in one LA and a negative impact on the innovation in one other LA. On balance, this suggested some positive impact of PbR on innovation in some areas and little evidence of negative effects.

4.7 Perverse incentives at the LA level

An important element for an effective PbR scheme is that the objectives of the scheme should give consideration to whether, in addition to those elements chosen for improvement, there are other aspects of service delivery or outcomes that it is desirable to ensure are not affected by perverse incentives or unintended adverse consequences of the scheme (criterion 2 in figure 1). The national scheme did not include any explicit processes to protect against unintended consequences, but there were already processes in operation which might have ensured this including the statutory obligations placed on LAs to deliver children's centre services which meet specified requirements.

Evidence from the evaluation indicated that there was some concern that the set of specific national measures could create "perverse incentives" for LAs to focus only on the specified measures to the detriment of other activities or other groups of families. For example, it was suggested in the case studies that a focus on those in greatest need may be to the detriment of the universal approach of children's centres. In addition, the sustained contact measure had an incentive to focus on families until they had attained the required number of contacts regardless of actual need:

"Feels like targets were set by people who don't know how things work on the ground. Five face-to-face meetings might never happen because refer on to something better but now you will hold on to the family to make 5 contacts even though it's not best for them and wastes resources." [Area C, centre manager]

More generally, case study respondents were strongly aware of the potential for perverse incentives to arise out of the use of output-focused rather than outcome-based measures within the national suite of measures.

However, most comments were speculative rather than actual observations. Indeed, very few PPLs reported that the national measures had led to any perverse incentives in the main survey: two cases reported an undesirable focus on some types of families and two cases reported less co-operation between centres (discussed further below in section 5.6.3). Of those reporting that they had no actual, realised examples of unintended negative effects of the national measures, several mentioned that they had been careful to manage any potential problems.

4.8 Summary

This chapter has assessed the effectiveness of the national PbR scheme to influence local level decision and the extent to which the national scheme has contributed to the achievement of the trial objectives.

On the effectiveness of the suite of six national measures, the evidence suggests:

- The suite of six national measures had some impact on processes or decisions concerning children’s centres in most of the trial areas, but only resulted in actual changes in the planning of services or specific initiatives in around half of the areas. The lack of actual impact in some areas may have been due to a match between the national measures and existing local priorities which meant that the measures could only reinforce rather than change local behaviour.
- The national measures were well designed in terms of achievability in a reasonable timeframe and having robust data available (criteria 4 and 10 for an effective PbR scheme in figure 1). However, some of the national measures created issues of attribution in the development of related local measures (criterion 3 in figure 1). In addition, the measures were not closely related to the trial aims of raising the profile of children’s centres within LAs or encouraging the use of evidence-based research (criterion 1 in figure 1). They were also restrictive on local flexibility to choose the best methods to achieve results (criteria 5 and 6 in figure 1).
- Consequently, the design of national measures were conducive to them being influential, but not necessarily in a way that met all of the trial objectives or would achieve improvements in the best manner or with diverse local approaches.

On the effectiveness of the national payment mechanism, the evidence suggests:

- Local priorities were an important driver in the choice of national measures for the reward payment scheme, but the limited choice available and the fact that other reasons also drove the choice in some areas indicates that the national payment mechanism could have helped to focus local thinking and behaviour on new priorities.
- There was broad local approval of much of the detail on the design of the national payment mechanism. However, the effectiveness of the trial scheme was severely limited by the low level of reward payment amounts (criteria 7 for an effective PbR scheme in figure 1). In addition, the effectiveness of the trial scheme was limited by a lack of national ring-fencing of rewards and core budgets (criteria 8 in figure 1) and a lack of financial resources to invest in children’s centres due to the economic climate (criteria 9 in figure 1). But the evidence suggested that the potential problem of finding valuable uses for transient and uncertain rewards in the delivery of children’s centre services (criteria 7 in figure 1) is not insurmountable.
- As a consequence of these design features and context, the payment mechanism element of national PbR had very little impact on local thinking and behaviour.

On the overall effects of national PbR, the evidence suggests:

- National PbR raised awareness among those working in early childhood services, but did not have a substantial impact in raising awareness among local politicians and LA officials outside of early childhood services. This may have been because the national measures were not explicitly connected to the objective of raising

awareness, but may also have been hampered by the dominance of other more pressing local issues or that awareness about children's centres was rising for other reasons anyway.

- The national measures (rather than PbR *per se*) influenced understanding of the core purpose for children's centres and helped to enhance a focus on the core purpose in a small number of areas.
- There was little impact on the use of wider research evidence on effective practice. This may not be surprising as this was not explicitly connected to the national measures.
- National PbR (particularly the breastfeeding measure) enhanced partnership working with health. However, this change may also be partly explained by a more general movement towards closer joint working with health which was also observed in non-trial areas.
- There was a feeling that national PbR shifted the focus towards targeted from universal services, but views were mixed on whether PbR had driven this change or just reinforced on-going changes. There was a strong trend in non-trial areas towards greater targeting in services due to the need to target resources in the face of limited or reduced budgets which may have been driving the similar changes in the trial areas rather than the PbR trial.
- There were a small number of other changes in service delivery resulting from PbR including new breastfeeding initiatives in some areas and indications that PbR had enhanced incentives to innovate in service processes and delivery in a few areas. It should be noted that the short timeframe of the evaluation may explain the small number of changes.
- Although there were a significant number of speculative concerns about perverse incentives and unintended consequences, very few actual adverse effects were observed. This may have been due to strong awareness of possible problems and careful management of potential issues or it may simply mean that insufficient time has passed for serious issues to have emerged.

5. Assessment of Local PbR

This chapter considers the development of local PbR arrangements between LAs and children's centres.

More specifically, it analyses:

- the role of the national scheme in developing local PbR
- how local PbR schemes are being developed and implemented
- the conceptual challenges to creating effective local PbR models to influence children's centres

It also considers the initial impacts of the trial on:

- the collection and use of data at the local level
- the delivery of children's centres services
- the creation of perverse incentives at the centre level

5.1 Role of the national trial in developing local PbR

Some trial areas suggested that their LA was 'going in the same direction of travel' as PbR:

"We would not have done anything differently without the national element. We would have done our learning with other LAs and we would have come up with something pretty similar [to what we have now]" [Area E, strategic level]

However, comparisons with LAs not subject to the national scheme suggest that local PbR development was unlikely in the absence of the trial. While local PbR measures were incorporated into management performance in almost all of the trial LAs, few LAs in the comparison group (4 out of 15 LAs) reported having introduced any new measures in the past year. While most of the trial LAs introduced either real or virtual local monetary rewards during the trial, very few LAs in the comparison group (2 out of the 15 LAs) had any local PbR-type scheme currently in place. In addition, analysis of the development of LAs' collection and use of data (in section 5.4 below) strongly indicates that the required data systems for PbR could not have been developed as quickly or at all without the trial grant funding.

Overall, most trial areas were unlikely to have developed local PbR models at all, or to the same extent, in the absence of the national scheme. Being part of the national trial was an important factor driving LAs to move towards a local PbR approach.

5.2 Choice and design of local measures

5.2.1 Description of local measures

A broad range of local measures were established by LAs as part of their development of local PbR. Table 12 presents a summary of these measures, derived from descriptive information that LAs provided on their local measures in their quarterly report to Serco in October 2012⁴³.

The measures were classified according to three dimensions:

- the service area that they related to
- whether “targeted” or “universal” where:
 - “targeted” means either that the measure relates to a service that is specifically designed for only a particular type of child or family to use or that the measure is focused on a particular type of child or family
 - “universal” means either that the measure relates to services which are equally available to all children or families who wish to use them or that the measure counts equally all types of children and families
- whether a measure is “output” based or “outcome” based where
 - an “output” based measure is defined as relating to the use of services
 - an “outcome” based measure is defined as relating to the behaviour or characteristics of children or families

The targeting of measures was usually based on deprivation or greatest need. Two service areas (specialist child or family support and support for employment / economic well-being) are targeted by definition as they are used only by a specific type of family. In addition, some service areas only have output measures (e.g. two year-old take-up) and some only have outcome measures (e.g. EYFSP).

The documentation allowed the identification of a total of 167 measures⁴⁴ across 24 LAs⁴⁵. On average, each LA had 7 local measures, ranging from 2 to 19 local measures.

⁴³ With information added for one area from other background documentation.

⁴⁴ In a few cases, the reported measures included basic LA statistics such as number of new births or the number of children eligible for free school meals which fed into other measures and these were excluded from the analysis.

⁴⁵ The table covers 24 of the trial areas as one area had not provided sufficiently specific information and one area had not decided on local measures as of October 2012.

Table 12 Summary of local PbR measures

Service area (Areas with national measures in bold)	Number of LAs (multiple areas possible):				
	With measures in the area	With measures in the area that are:		With measures in the area that are:	
		Universal	Targeted	Outputs	Outcomes
Breastfeeding	11	11	0	5	8
Other health	8	7	1	4	7
Two year old take-up	7	0	7	7	0
Three year old take-up	4	1	4	4	0
Other childcare / early learning	3	1	2	3	0
EYFSP	10	5	5	0	10
Other child development	9	7	2	4	4
Evidence-based parenting programmes	6	4	2	6	1
Other general parenting support	6	6	1	3	3
Specialised child or family support	10	0	10	5	7
Support for employment / economic well-being	8	0	8	6	4
Sustained contact	10	2	8	10	0
Outreach / registration / attendance	15	11	6	15	0
Process	9	7	3	9	0

Source: Serco quarterly report, October 2012 (and other quarterly reports)

Notes: Process refers to measures concerned with the running of centres such as Ofsted inspections, parental involvement or satisfaction, or establishing systems to aid collaboration with agencies. Targeted measures are those defined for specific types of children or families, usually based upon deprivation or greatest need. Output measures are defined as those relating to the use of services and outcome measures as those relating to the behaviour or characteristics of children or families. The table covers 24 of the trial areas as one area had not provided sufficiently specific information and one area had not decided on local measures as of October 2012.

5.2.2 Choice of local measures

One major objective for local PbR models could have been to filter down the objectives in the national scheme to the level of children's centres either because the national objectives directly influenced local priorities or because LAs were responding to the financial incentives of the national rewards. If achievement of improvements in the national measures was a local objective, it is likely that local measures would have been closely related to the national ones. Hence, the strength of the connection between

national and local PbR measures is suggestive of the influence of the national PbR scheme.

Table 12 highlights that local measures were not more likely to have been chosen in areas in the suite of six national measures (shown in bold in the table) than areas without any national measure. On average, 9.3 LAs had local measures in each of the three areas with national measures eligible for reward payments; 8 LAs had local measures in each area of the suite of six national measures; and 8.5 LAs had local measures in each of the eight areas not specifically related to national measures.

LAs were more likely to have a local measure in an area if they had selected a national measure for a potential reward payment in that area, but the matching between local measures and these selected national measures was not high:

- 8 out of the 17 LAs with breastfeeding as a national measure selected for reward payments had one or more local breastfeeding measures
- 4 out of the 16 LAs with two year old take-up as a national measure selected for reward payments had one or more local measures related to two year old take-up
- 6 out of the 15 LAs with EYFSP selected as a national measure for reward payments had one or more local measures related to EYFSP

However, some of the areas not specifically related to national measures could potentially have fed into the achievement of the national measures, for example, other childcare / early learning into entitlement take-up; other child development into EYFSP; and outreach / registration / attendance into sustained contact.

In addition, LAs themselves reported that national measures were generally not important in their choice of local measures. PPLs in only two areas reported in the scoping survey that local measures were selected to help achieve improvements in national measures. One example from the case studies highlighted how some LAs have strived to develop workable local measures that could feed into the national measures:

“We’ve tried to break down the national measures into local measures that support or lead to the national measure outcome. For example, not just breast feeding but things that will help to sustain breast feeding and that it is sustained for 2 weeks, 4 etc. or whatever.” [Area C, PPL]

However, one workshop participant captured the more widespread perspective:

“Local measures were not to support national measures.” [Workshop participant]

The lack of influence may not be surprising as LAs were developing their local measures before the suite of national measures was announced:

“We had to come up with a local action plan months before we knew the national measures.” [Area D, PPL]

According to the scoping survey, the choice of local measures was driven by a desire to address specific local needs or priorities in over one third of the LAs. This is suggestive that local measures were selected with specific objectives in mind (criterion 1 for an effective PbR scheme in figure 1 in chapter 1). However, PPLs in another third of LAs reported that the choice was driven by the need to meet implementation or process requirements of PbR such as change being attributable to children’s centres, having available data, being evidence-based or being conducive to promoting partnership working. The prioritisation of process requirements in these areas suggests either a lack of specific outcome objectives for PbR or that there was a limited range of workable alternatives. Finally, PPLs in the remaining areas reported a mixture of reasons for the choice of local measures, including a general focus on the core purpose or on improvements for children, which could, possibly, be viewed as an alignment with the national objectives (if not with specific national measures).

5.2.3 Targeting in local measures

Of the 167 local measures 56 percent were identified as universal and 44 percent as targeted. Some 19 LAs had both targeted and non-targeted measures, while 2 LAs had only non-targeted measures and 3 LAs had only targeted measures. Overall, the choice of local measures suggested a mixture of a targeted focus and a universal approach. This suggests that the targeting element of the revised core purpose did not dominate the focus of local PbR models.

5.2.4 Outputs and outcomes

Some 66 percent of the local measures were identified as being based on outputs, while 33 percent were identified as being based on outcomes and 1 percent was insufficiently specified to identify whether the measure was output-based or outcome-based. Some 19 LAs had both output and outcome measures, while 5 LAs had only output measures. This indicates a heavy emphasis on measures that are outputs rather than outcomes which directs centres on how to deliver services rather than specifying the desired impacts on children and families. This restricts the flexibility of centres to choose the best approach to achieve the desired objectives for children and families (criterion 5 for an effective PbR scheme in figure 1).

PPLs in most LAs reported that their local measures reflected a shift towards monitoring outcomes rather than outputs. But this was qualified in most cases: of the 18 PPLs responding that there had been a shift, 6 PPLs reported that outputs were still important, 4 reported that the shift was happening anyway without PbR, and 2 reported that there had been a shift in thinking but that it had been difficult to implement.

More generally, evidence from the workshop indicated that PbR was seen as having reinforced thinking about the link between outputs and outcomes and the importance of using output measures as a means to achieving particular outcomes (the term “intermediate outcomes” being applied to output-type measures to emphasise the means to another end). As reported at the workshop:

“Even though we know that some outputs lead to some outcomes, what PbR has allowed us to do is to focus thinking around that and it has been really helpful.”
[Workshop participant]

“The children’s centre pilot isn’t really about payments. It’s more about process and principles. It’s about how you change to a focus on outcomes at children’s centres.” [Workshop participant]

Overall, local PbR did not constitute an unqualified shift in focus to outcomes, but did enhance thinking about outcomes.

5.2.5 Attribution of local measures

One reason that there was a heavy emphasis on output rather than outcome-based local measures could be related to the problem of attribution in local measures. A significant challenge to most LAs in the choice and design of their local measures was the need to identify local measures that were attributable to centres (criteria 3 for an effective PbR scheme in figure 1), that is, measures which children’s centres had a reasonable ability to influence and that changes in which could be linked to the performance of individual centres. PPLs in 17 areas reported that identifying local measures that were attributable to centres had been a significant challenge to the development of local PbR, while 2 PPLs reported that it was a barrier to that development.

Several inherent features in the nature of the delivery of children’s centres services make attribution problematic:

- Many children’s centre services are jointly delivered with other agencies and centres are dependent on their co-operation to drive improvements. This multi-agency working is particularly problematic for PbR models when agencies working together are funded from different funding streams as in the case of children’s centre services.
- Other agencies are responsible for the delivery of similar services or deliver services with similar objectives to children’s centres and changes in their delivery (or policies affecting what they do) may affect the measures in a way beyond the control of children’s centres. One case study respondent gave an example:

“EYFSP- we struggled with this one. Children's centres play a part, but only one. Many other organisations play a bigger role. So it's a very difficult one to attribute to children's centres”. [Area E, PPL]

- Children and families often use more than one centre and assigning improvements in their outcomes between centres is problematic.
- There may be a considerable time lag between the use of children's centres and outcome type measures which allows other factors to dilute the identification of an impact.

This challenge of identifying attributable measures may both explain the predominance of output type local measures and suggest that output type measures may be the best (and possibly only) approach to developing an effective local PbR model.

The attribution issue also contributed to the lack of influence of national measures on the choice of local ones. There was some feeling that the national measures were too broad to be useful at a local level and that more refined measures were required to enable attribution at centre level:

“We could scrap local measures to pursue rewards on national measures, but the national measures aren't really robust enough, they're not attributable to individual children's centres.” [Area D, PPL]

In addition, the small size of centres means that reliable data which is not subject to large random fluctuations may not be feasible at the centre level (criterion 4 for an effective PbR model in figure 1). The small size means that changes in a measure for a very small number of children or families could have large impacts for the centre overall, generating large random fluctuations in the measure which mask any contribution due to the actions of the centre.

One answer to both the attribution issue and the small sample problem would be a locality-based approach to the PbR model, using measures and reward mechanisms for all services that contribute to the achievement of the core purpose of children's centres within an area. However, this would effectively extend PbR beyond a policy for children's centres.

5.3 Design of local payment mechanisms

This section describes the development of local payment mechanisms for PbR. It also considers three conceptual challenges that arose in the creation of these schemes: the local ethos on relating funding for children's centres to performance; the effectiveness of financial incentives for children's centres; and the feasibility of incorporating PbR into the on-going management and financing of centres.

5.3.1 Characteristics of local PbR models

The key characteristics of the local PbR models are presented in table 13. This includes features that had been implemented or decided and those that reflected the direction of thinking at the time of the main survey towards the end of 2012.

Table 13 Key elements of local reward schemes

Choices – implemented, decided or current thinking	Number of trial areas
Applied to directly-run or commissioned centres: - to both - don't know - not applicable (all or no centres commissioned)	14 2 10
Applied to individual or groupings of centres: - to individual centres - to clusters - to providers - to localities - don't know	6 7 3 7 3
Source of funds for rewards: - from national money / rewards - from national money / rewards and top-slicing of CC budget - top-slicing of CC budget - from Early Intervention Grant / CC budget - don't know	5 1 10 5 5
Proportion of centre budget subject to PbR: - less than 2 percent - 4-5 percent - 5-10 percent - 10 percent - 10-15 percent - 20 percent - 30 percent - depends upon available funds - don't know	6 4 2 2 2 1 1 1 7
Local measures used for rewards: - all local measures - selected local measures - don't know	9 11 6
Payments for improvements or set targets: - for improvements - for set targets - for a mixture of both - don't know	3 3 1 19
Payments are pre-set amount or share of pot: - pre-set amount - share of pot - mixture of both - don't know	2 1 1 22

Table 13 Key elements of local reward schemes (continued)

Choices – implemented, decided or current thinking	Number of trial areas
Reward structure same for all centres or tailored: - same for all centres - tailored for centres or clusters - don't know	5 8 13
Method to determine the level of performance that will be rewarded: - mirror national scheme - use historical data - same as current performance targets - based on centre or local needs - agreed with centre or providers - vague / own judgement - don't know	1 2 1 2 9 3 8
Method to decide the size of reward payment: - amount of available funds - agrees with centre or providers - unit costing - look at other LAs - don't know	3 5 1 1 16
Whether local PbR budget will be used to support struggling centres: - all for reward payments - for both reward payments and support for struggling centres - addressed using payments for clusters or providers - don't know	9 4 5 8

Source: PPL main survey.

Note: the first panel on whether the model is applied to directly-run or commissioned centres was not included in the analysis of the timing of development of local PbR in table 3 because it is only applicable to some trial areas.

Some payment model features were more widespread:

- In areas with both directly-run and commissioned centres, there was a general consensus that PbR should apply to all centres. This suggested that PbR-type arrangements were applicable both within commissioning arrangements and for directly-run centres (discussed further below in section 5.3.4)
- In areas where centres were grouped into clusters, localities or by providers, there was a consensus that PbR payments should be based on the performance of these groupings rather than the performance of individual centres. This suggested a preference for a pooling of the financial risks of PbR across centres (discussed further below in section 5.3.2).
- Most areas reported that local PbR rewards were or would probably be funded through top-slicing (withholding) of children's centre budgets, although 6 areas suggested that rewards might be funded from the national reward payments. The

prevalence of withholding might reflect that LAs felt that centres had sufficiently sound financing to deliver or invest in improvements in services prior to receipt of payment for any achievement (criterion 9 for an effective PbR model in figure 1). However, it is more likely that this was a response to the lack of any alternative means to fund reward payments in the current budgetary climate and a different approach might have been taken in different circumstances. The problem of funding local rewards through national reward payments is discussed in section 5.3.4 below.

- Most areas indicated that only a small proportion of the centre budgets were or would be subject to PbR. Only 4 LAs indicated that the proportion would be greater than 10 percent (with 2 of these having implemented the proportion and 2 indicating that this was a probable/possible proportion to be used). This proportion of funding based on performance was sufficiently high to constitute a notable shift in financial risk to centres and could have been expected to generate sufficient incentives to affect centre behaviour (criterion 7 in figure 1). For LAs using smaller proportions, the effectiveness of the incentive would have depended upon how responsive centres were to monetary incentives (discussed in section 5.3.3).
- Most areas that gave an indication of how payment thresholds and payment amounts would be set suggested that this had been or would be done in discussion and agreement with centres or providers rather than using independent criteria (consistent with meeting criterion 10 in figure 1). It should also be noted that 8 and 16 areas reported that they did not know how thresholds and amounts respectively would be determined.

LAs were more divided and less decided on other elements:

- There was an almost equal split between areas who used or planned to use all local measures in the payment model and those who used or planned to use only some of the local measures. This suggested that some areas see a purpose for local measures (possibly in performance management) which is not connected to the payment model.
- Very few areas were able to report whether payments were likely to be for improvements or for fixed targets and whether payments would be a pre-set amount or share of a pot (just 7 and 4 LAs respectively).
- LAs were evenly divided on whether the payment structure should be the same for all centres or tailored to individual centres or centre groupings. A consistency in payment structure across all centres may have been seen as a means to encourage greater equality in the delivery of services across centres. On the other hand, a tailoring of the payment structure may have taken into account the influence of factors or local conditions beyond the centre's control, enhancing the attributability of any changes to the centre (criterion 3 in figure 1). Interestingly, centre managers in the case study visits, generally reported that they felt that

targets should be centre specific to allow for local needs and conditions, particularly to distinguish urban and rural areas.

- LAs were also evenly divided on whether the PbR budget should be used to help support struggling centres. Only 4 LAs explicitly stated that the budget would or should be used in this way and 5 implicitly suggested that this would occur through a payment model for groups of centres based on clusters or provider organisation whereby better performing centres could support poorer performing ones in the same group. Using the PbR budget to help struggling centres could offset the PbR incentives (in violation of criterion 8 in figure 1) and is discussed in the following section.

The variation in the design of the local reward scheme structure suggests that different local approaches across areas could be beneficial and speaks in favour of a degree of localism in the design of PbR schemes for children's centres. However, the lack of decision in some areas begs the question of whether more national guidance was required for local PbR development or whether simply more time was required.⁴⁶

5.3.2 Relating funding to performance

One of the defining concepts of PbR is that some portion of funding is related to performance, either through the payment of rewards or the withholding of funds until the targets have been achieved (criteria 7 and 8 for an effective PbR model in figure 1).

However, such a relationship between payment and performance runs counter to an ethos of support rather than penalty for poorly performing centres in many LAs. For example, this ethos was expressed by one case study respondent:

“Those who don't get the rewards are the ones who really need it – and those families and children deserve it as well.” [Area D, PPL]

Evidence from the case studies and workshop suggested there were several factors underlying this ethos:

- It was seen as important to support struggling centres because the reasons for poor performance may be beyond the control of centres or something that can only be addressed at the LA level. This view was reiterated by centre managers who stressed the importance of understanding the reasons for failure which may be due to the nature of the area rather than the performance of the staff. Centre managers expressed a willingness to work together to support poorly performing centres:

⁴⁶ As a note of comparison, in the original development of Sure Start, LAs were initially left to develop the programs themselves, but subsequent guidance was then found to be required.

Centre manager 1: "How do you support those [centres] that are failing? I'd prefer to see support given to that centre." [All three others in the group agree.]

Centre manager 2: "I would be prepared for money to go to the failing districts. Our working may be impacted if money has to go to the failing centre but I understand why the centre is failing. It's all the same organisation." [Area C, centre managers]

This connects back to the issue of being able to attribute performance to the individual centre. But it also indicates that some LAs view the responsibility for performance as lying with the LA rather than individual centres. This contradicts a basic pre-requisite for PbR that this responsibility lies with the provider (criterion 3 in figure 1).

- Children's centre services were viewed as essential, but centres are seen as only just able to deliver services with the current levels of funding. This means that any withholding of funds under PbR would risk the ability of centres to deliver these essential services. This view was also reflected by centre managers who reported that talk of 'top slicing' and 'penalties' worried staff because they feared that there would not be enough money to deliver the services. In some cases this view was related to anxieties that withholding could give the message that children's centres had superfluous funds at their disposal:

"Budgeting on the basis of a payment to be withheld could lead to misunderstandings. Some people (such as politicians) might assume that the existing services could be managed without the extra money" [Area B, strategic level]

This contradicts an underlying assumption of the PbR approach that centres can deliver services meeting the core purpose for lower levels of funding, either through operating more efficiently or through curtailing activities which do not contribute to the core purpose (criteria 9 in figure 1).

- Concerns about the variation in the services offered across centres may also underpin the notion that centres with poorer performance require additional support. Indeed, PbR is seen as counter to recent policy attempting to reduce differences in access to services:

"I think you create a difference. We've had a decade of striving for consistency in terms of children and families' access to quality services, and I think you'll create a difference." [Area E, centre manager]

However, the ethos of support is not present in all LAs:

"If someone is underperforming year on year, why would you keep ploughing money in? It's throwing good money after bad." [Workshop participant]

This view indicates that responsibility for performance is clearly seen by some as lying with the centre or the provider.

The responses of PPLs to the question of whether local PbR budgets would be used only to pay rewards for good performance or whether some of the budget would be used to support centres struggling to achieve PbR rewards (reported in table 5.2 above) gives an indication of the diversity in the ethos on supporting poorly performing centres.

Somewhat in contrast, DCSs were more likely to respond to a similar question on the sharing of national reward money in favour of supporting centres who were performing less well or in favour of evenly distributing money (DCSs in 13 areas) than of simply using it to reward performance (DCSs in 3 areas). As with PPLs, a substantial proportion of DCSs (in 9 areas) could not offer any response to the question, indicating that this issue was not something that had needed to be addressed even towards the end of the trial period.

It might be expected that the ethos of supporting poorly performing centres would be less prevalent in LAs which primarily commission rather than directly-run their centres. This is because commissioning arrangements naturally place more responsibility for delivery on centres and the process of re-commissioning embodies the notion that the efficiency or focus of delivery may be improved by alternative providers. Surprisingly, although not conclusive because of the small number of areas considered, there was no marked pattern in the views of both PPLs and DCSs on the use of reward payments between LAs who directly run all or most centres and those that commission all or most centres. If anything, the latter were slightly more likely to express the ethos that poorly performing centres should be supported.

Overall, the evidence suggests that there is a strong ethos of support rather than penalty for poorly performing centres in many areas. But the prevailing ethos in other areas where centres are viewed as responsible for their performance and improvements in performance are seen as possible without risk to the delivery of essential services is more favourable to PbR. In areas with the less favourable ethos to PbR, the use of reward payment schemes closely tailored to what individual centres can reasonably control could help address the question of centre responsibility. The view on the feasibility of improvements could also potentially be addressed either by agreement that centre services can be more focused or delivered more efficiently or by sufficient financial support from within centres to bear the financial risk of failure to achieve rewards. In addition, the fact that PPLs were less inclined than DCSs to think that PbR budgets should be used to support poorly performing centres may suggest that closer involvement with and understanding of PbR and its potential benefits could influence the prevailing ethos. In particular, greater familiarity with and understanding of PbR could encourage a reorientation in ethos away from the necessity to support poorly performing centres.

5.3.3 Financial incentives for children's centres

PbR mechanisms operate on the premise that financial incentives can influence provider behaviour (criterion 7 in figure 1). This responsiveness to financial incentives will critically determine whether reward payments, large or small, can create effective incentives. In the case of children's centre, there is some doubt that managers and staff are motivated by monetary factors because of the nature of the work.

The evidence from the case studies and workshop indicated that both PPLs and others responsible for children's centres at the strategic level viewed their children's centres as already high-performing or very committed to being outstanding, leaving little opportunity to be motivated any further. Others consider middle managers who lead practice to be very motivated by the difference they can make for children and families rather than by additional money for the centre:

"With a few possible exceptions, in the children's world of my experience we don't very often do things for the money; we do them because they're right. I don't lead on the basis of, 'We'll get more money'; I lead on the basis of, 'We'll make a bigger difference for children'." [Area A, strategic level]

Some emphasised that it is recognition rather than financial rewards that motivates centre staff and that small token rewards to the centre can be as effective as monetary rewards. Centre managers in the case studies also reported that centre staff⁴⁷ were motivated by wanting to help children and families and by recognition of their achievements rather than by money.

Professional reputation was also considered important to centres as one workshop participant highlighted:

"The reputational risk of not succeeding is more important than the reward funding" [Workshop participant]

For commissioned centres, LA staff felt that the threat of losing the contract was an important motivation to perform well.

On the other hand, some LA staff believed that monetary rewards, if sufficiently large, could be an important driver of performance because it would enable centres to better serve children and families. As evidence of this, one workshop participant reported:

⁴⁷ In the case study interviews, centre managers typically did not distinguish between themselves and other staff in terms of motivation either in terms of decisions affecting the running of the centre or in personal commitment and performance in delivering services. A similar perspective was taken by LA staff when responding to questions about centre managers and staff.

“We’ve got our own local reward scheme and the children’s centres are more interested in that because the payment is much greater.” [Workshop participant]

Indeed, centre managers were generally very clear that they would use any PbR reward money to invest in services and not to reward individual staff, suggesting that a financial incentive could be effective if it could be used in a way that could help children and families.

Other factors were also important influences on centre decisions about how they operate and the services offered (in violation of the criterion 6 in figure 1). Centre managers reported that Ofsted’s requirements were the main focus for themselves and other staff for ensuring the quality of provision as the inspections considered the bigger picture and provided a better assessment of centre performance. In addition, Ofsted inspections could lead to serious consequences including closure. It was also reported, however, that, to some extent, Ofsted has reinforced the PbR incentives because PbR data could be useful evidence for Ofsted inspections.

In addition, performance management by LAs continued to be an important influence on centres. This was an important part of the local PbR schemes, but it also provided the potential for LAs to reduce the flexibility that centres could exercise in deciding how to achieve PbR targets.

Overall, financial incentives could be an important motivation for centre managers and staff if they could be used to improve services and outcomes for families and children. However, these incentives would compete, to some extent, with other demands from Ofsted and from LA performance management.

5.3.4 Incorporation into centre management

Evidence from the case studies raised a number of centre management issues that have posed barriers to the incorporation of financial rewards into service agreements and contracts with centres.

There was a major issue for some LAs as to how local PbR could be designed for directly managed centres. PbR as a concept is based on a commissioning arrangement and some LAs struggled to understand how it could be applied to services delivered “within house”. As shown above (section 3.3.3), LAs with all or mostly directly-run centres had not progressed as far in their development of local PbR as those with all or mostly commissioned centres. On the other hand, areas with both commissioned and directly-run centres reported that they would apply local PbR to both types of centres (section 5.3.1), implying that PbR in children’s centres extended the concept into a tool to incentivise performance within an organisation. Indeed, directly-run children’s centres tend to operate as independent financial entities with their own budgets and the potential for financial rewards to be paid through this budget. Coupled with the evidence in the

previous section that centre staff are motivated by the desire to improve services, this suggests that additions to the budget to improve services (rather than financial profit or personal payment) could provide a PbR-type incentive mechanism for directly-run centres.

Other issues were of a more practical implementation nature:

- There was a question about how reward payments could be timed, given the complex financial accounting around LA financial years and the constraints on carrying-forward money. Centre managers in the case studies foresaw possible cash flow problems resulting from the timing of the payment of PbR rewards:

“We will have to reduce the budget by the PbR percentage because we need cash flow if we don’t get PbR payments until the end.” [Area C, centre manager]

- In areas with commissioned centres, there was an issue about how PbR could be introduced in the middle of a contract period.
- There was a question about how local reward payments could be financed if their funding was derived from the payment of national rewards but the achievement of local rewards did not directly coincide with the achievement of national rewards.

However, there was a general feeling that these issues could be resolved, although they had slowed the process of developing local PbR.

5.4 Data collection and usage

Improved data collection and use is a natural response to a PbR mechanism: the “results” element requires data and the “payment” part creates additional need for the data to be robust and fit-for-purpose.

Local data collection and usage was reported as having improved in most areas during the trial period. About one third of PPLs stated in the scoping survey that there was more analysis or effective use of data, while one third reported greater co-ordination and sharing of data between agencies. A smaller number reported that PbR had helped them identify gaps in the data or ensure the correct data would be collected. In the main survey, PPLs in 13 areas reported that new local data had been or would be collected as a result of local PbR, while PPLs in 6 areas reported that some data had been or would be collected at centre level for the first time. Of the remaining cases, PPLs in 5 areas reported that they basically already had the data required for the local PbR measures.⁴⁸

⁴⁸ PPLs were also specifically asked about any new sources of data used to help decisions about how to achieve improvements in the national measures, but the positive responses (16 PPLs) tended to relate to

Evidence from the workshop highlighted that improved data sharing with health has been particularly important in many areas. The workshop discussions and case studies also indicated that data is being made more readily available to children's centres in some areas and the trial grant funding has provided resources to train staff in data collection systems and analysis of data in some areas. Some LAs reported that this was prompting centres to think more intelligently about their use of data, although the broader feeling among LAs was that change in data usage at the centre level has not been widespread.

In the case studies, centre managers reported that improved data had been useful at the centre level, not only for showing what had been achieved, but also by helping staff to focus on services and activities that were most effective rather than what they just enjoy doing. Managers reported that the data had also helped to target the most vulnerable families and to better understand family motivations behind behaviour. For example:

*"I think Payment by Results has given us the tools to be able to do our job better...
...but now we can, for the first time ever, compare like-for-like against different localities and different centres."* [Area A, centre manager]

However, it was also suggested that apparent improvements might not be real, but may reflect an improvement in the recording of data:

"The measure will show an increase in breastfeeding prevalence because we're capturing more of the activity we're already doing; there's not a real increase in activity." [Area D, centre manager]

Overall, there was a general recognition that the need for high quality and robust data created by PbR had led to widespread improvements in local data collection and usage. Indeed, PPLs in 9 areas mentioned the better use of data or evidence or improvements in information sharing as an emerging benefit of PbR in the scoping survey, while DCSs in 8 areas mentioned improved data collection or use as one of the main benefits of the introduction of PbR.

However, it should be noted that these improvements have not been straightforward. Most PPLs reported that identifying local measures for which centre-level data could be derived had been a significant challenge. PPLs in 7 areas reported that obtaining the required data from commercial databases had been a barrier to the development of local PbR, while PPLs in 9 areas reported that this had been a significant challenge. Evidence

local PbR rather than the national measures in the description. This suggests that developments in data collection and use have primarily been related to the development of local PbR.

from the workshop highlighted that a major challenge for many LAs has also been data sharing with health and obtaining data from health to implement local PbR.⁴⁹

Moreover, there was a widespread feeling that the developments in the collection and use of data were already beginning to occur at the local level prior to the trial and it was the trial grant funding which allowed this local direction of travel to be taken forward rather than the local measures or PbR per se changing local thinking about the need for and use of data:

“We knew what our priorities were, we knew what we wanted our centres to do – what PbR did was to push us probably to do it sooner.” [Workshop participant]

Moreover, evidence from non-trial areas indicates that improvements in data collection and use are a more widespread trend unrelated to PbR. In the non-trial comparison LAs, 14 of the 15 LAs reported that data systems for children’s centres had improved over the past year in terms of the quality, availability or use of data. In addition, 8 LAs in the comparison group reported that access to data from partner agencies had improved over the past year. This suggests that the PbR trial to a large extent may have facilitated improvements in data collection and use rather than motivated change.

Nevertheless, a major success of the trial has been the improvement in local data both in terms of what is available and how it is used. It has also gone a long way to meeting the PbR requirement of reliable and robust data for PbR measures at the provider level (criterion 4 in figure 1).

5.5 Changes in service delivery

The timeframe of this evaluation was too short to consider the impact of PbR on service delivery or, ultimately, on outcomes for children and families. Nevertheless, a summary of changes that had occurred as of the end of 2012 are presented here, together with the emerging evidence on a number of key issues about the impact of PbR on service delivery.

At the time of the scoping survey, most PPLs were tentatively confident that service delivery within children’s centres and outcomes for children and families would be improved as a result of the PbR trial. Most thought it at least “likely” that PbR would improve outcomes, while only 3 PPLs thought it “fairly unlikely” that PbR would do so. Most PPLs (in 14 areas) felt that any improvements would come from a combination of

⁴⁹ There was also a concern among some LAs that the collection of data for the national breastfeeding measure was not robust. For example, one case study area reported that the unreliability of GPs to complete the required paperwork meant that better data recording could achieve improvements in the national measure.

the national and local elements, while some (in 8 areas) felt that they would come primarily from the local element.

In the discussion with centre managers in the case studies, only a single example of any impact on services was cited and this was more outreach work as a result of better data. As mentioned above, centres managers reported that the data provided by PbR generally helped staff to focus on what is effective rather than what they enjoy but this was not related to PbR financial incentives.

As with the case of the national PbR scheme on LA innovation, local PbR may have positive or negative impacts on innovation within children's centres. In the case studies, centre managers were concerned that PbR may stifle rather than stimulate innovation within centres, but there were no actual examples of any impact.

5.6 Perverse incentives at the centre level

It is sometimes necessary for PbR schemes to have checks against potential perverse incentives (criterion 2 in figure 1). Such checks are put in place to ensure that PbR is not detrimental to objectives or requirements outside of the PbR measures.

5.6.1 General perverse incentives

In the case of children's centres, there was considerable concern that a set of specific local measures would create perverse incentives for centres to focus only on the specified measures to the detriment of other activities, or other groups of families in the case of targeted measures. This issue is particularly problematic for children's centres because of the wide range of purposes they embody. For example, one workshop participant stated:

“Children's centres may start saying “we can't do that because it's not feeding into PbR” [Workshop participant]

Evidence from the case studies highlighted the danger that centres might cherry-pick “easier” families to work with in order to meet targets to the detriment of those possibly in greater need. For example:

“You would choose the ones you're most likely to improve to get the money. It defeats the object in a way. It provides a perverse incentive, as you would choose the easiest gains rather than local priorities. Resource is tight and capacity is tight, you'd go for the easiest money which is not always the best for children and families.” [Area D, PPL]

Centre managers revealed that while front line staff were supportive of the general principle of targeting the most disadvantaged families, they were concerned that this

might be detrimental to those just above the threshold who might also benefit from the service. The case studies also highlighted that time was required to identify possible perverse incentives and to find ways to address them.

At the time of the main survey towards the end of 2012, PPLs in 4 areas reported that they had experienced some perverse incentives from the local measures involving cherry-picking (focusing on families easiest to serve) or shifts in the timing of serving families in order to best meet targets for each period.

In addressing possible perverse incentives, several checks were suggested:

- Performance management was seen as a key means to ensure that other areas of work are not neglected, although it was recognized that this might be more difficult for commissioned centres:

“It is harder to communicate that all services are still important [for commissioned centres]” [Area A, PPL]

- It was suggested that a wide range of local measures or very clearly specified measures could be used to ensure that all objectives were met. Indeed, some areas developed quite long lists of local measures and guidelines:

“We’ve just issued a 40 page document on measures’ definitions.” [Area C, PPL]

- Ofsted inspections were viewed as a strong check against perverse incentives by ensuring the centres continue to focus on other areas.

However, it should be noted that checks which maintain attention across a broad range of areas and activities may affect the ability of centres to focus on PbR measures.

5.6.3 Co-operation between children’s centres

Most LAs emphasised how centres work together, often pooling resources, organising training together and sharing experience. In addition, families are encouraged to use more than one centre if convenient or sessions at one centre are full. However, in the case studies, centre managers gave some indications of rivalry between providers and while centres were positive about helping other centres in their organisation, they were less sure about helping those from other organisations:

“...potentially letting go your jewels in your crown to other organisations” [Area E, centre manager]

Evidence from the case studies suggested that there was some concern that by focusing on achieving centre-based targets and creating competition between centres, PbR might discourage this co-operation. In the main survey, PPLs in 2 areas reported that PbR had reduced the level of co-operation between centres.

It should be noted that PbR does not create incentives for centres to compete if rewards for centres are based only on the performance of that centre and are not relative to the performance of other centres (such as a shared pot of reward money divided according to relative performance). Indeed, if rewards are based only on individual centre performance, PbR could even encourage co-operation between centres if working more closely together improved performance for all. However, the possibility that PbR might enhance co-operation was viewed as unlikely in the case studies.

5.6.4 Types of commissioned providers

An inherent feature of PbR is the shifting of risk from uncertain outcomes from those paying for the PbR scheme to those providing services. In the case of local PbR for children's centre, the risk of paying for services which do not meet standards is transferred from LAs to the centres. This may affect the type of providers that LAs are willing to commission with a greater willingness to commission those they consider more risky but probably able to deliver better services. LAs might also take into consideration the ability of potential providers to bear financial risk, preferring those with greater resources to remain viable through periods of poor performance (criterion 9 in figure 1) and allowing the LA to avoid the cost of having to change providers.

On the other hand, the financial risk of PbR may deter potential providers that are less likely to perform well from tendering or it may deter those who do not have the financial resources to bear the risk. Any additional freedom in the method of delivering services as a result of PbR might also attract potential providers who are keen to innovate. While the selection of potential providers towards those who are likely to perform better is an intended part of the PbR mechanism to improve performance, the deterrent to tendering for those with insufficient financial resources to bear the additional risk is an unintended and possibly undesirable side effect.

Discussion in the case studies and workshop showed that some LAs are particularly concerned that local PbR may deter smaller, voluntary organisations from tendering or re-tendering to run centres because they do not have the financial resources to bear the risk.

“One of the national organisations has expressed a concern about how they would continue to run their current centres if there were top-slicing.” [Workshop participant]

Children's centre managers also expressed concerns that the uncertainty over payment could affect cash flow and might disadvantage third sector organisations that were unable (or less able) than commercial organisations to invest money before receiving payments. Some LAs sought to address this by managing the level of risk in the funding (making only a small proportion of the budget subject to PbR) so as not to deter smaller

potential providers and by providing assistance in the tendering process for smaller potential tenderers.

The evidence suggested that local PbR did not have any notable impact on the types of providers likely to be commissioned or re-commissioned. The PPL in one area reported that there had been an indication of unwillingness to be involved in PbR on the part of potential providers, while PPLs in 3 areas reported that providers were happy to be involved or were positive about PbR. The remaining PPLs in areas which commission centres (16 LAs) reported that there had been no evidence of any effect either way. On the other side, DCSs in only 2 areas reported that developing PbR had influenced thinking about which types of organisations might provide children's centres in their area.

5.7 Summary

This chapter has described the development of local PbR schemes and the challenges to creating effective local PbR models. It has also considered some initial impacts of the trial on children's centres.

On the development of local PbR models, the evidence suggests:

- The national trial was an important factor driving LAs to move towards a local PbR approach. Most trial areas were unlikely to have developed local PbR models or developed their models to the same extent in the absence of the national scheme.
- The choice of local measures was primarily driven by local priorities indicating a connection to clear objectives (criterion 1 for an effective PbR scheme in figure 1) or the need for measures which could meet the requirements of a PbR mechanism. National measures were not an important factor in this choice, possibly due in part to the timing of the announcement of the national measures after LAs had already begun to make decisions on their local measures.
- Local measures were a mixture of those with a targeted focus and those with a more universal approach. This suggests that the targeting element of the revised core purpose did not dominate the focus of local PbR models.
- Around two thirds of local measures could be categorised as output-based and about one third as outcome-based. While there was a shift in thinking towards focusing on monitoring outcomes rather than outputs, the challenges of practical implementation meant that there was a heavy emphasis on outputs in the local measures but with reinforced consideration of the links between these outputs and final desired outcomes. This focus on outputs, nevertheless, restricted provider flexibility in the choice of method used to achieve the outcome objectives (criterion 5 in figure 1).
- There were some common approaches in the design of reward payment structures across areas:

- most would apply PbR to directly-run and commissioned centres
- most would apply PbR to groupings of centres rather than individual centres where structured this way (the pooling of financial risk consistent with criterion 9 for an effective PbR scheme in figure 1)
- most would fund rewards through the withholding of centre funds (consistent with criterion 9 in figure 1)
- most would subject a small proportion of the budget to PbR (contrary to criterion 7 in figure 1)
- most would set thresholds and payment amounts in agreement with centres (consistent with criterion 10 in figure 1)
- But there was also some divergence in the design across areas in:
 - whether all local measures would be included in the payment model
 - whether the payment model would be tailored for individual centres or groupings (tailoring being potentially helpful to criterion 3 in figure 1)
 - whether LAs would use PbR funds to support struggling centres (support being contrary to criterion 8 in figure 1)

The differences in some elements indicate that LA flexibility in the design of local payment schemes may be desirable, supporting an element of localism in the design of PbR.

The evidence identified some potentially important conceptual challenges to the use of PbR for children's centres (and for other services that are similar in nature):

- Attribution of changes in measures to individual or groups of centres (criterion 3 in figure 1) is inherently problematic because many services are delivered in conjunction with other agencies; other agencies deliver similar services or services with similar objectives; children and families often use more than one centre; and there may be considerable time lags between the use of centres and outcomes. In addition, the small size of centres creates a data challenge in robustly identifying the impact of centres from random fluctuations in measures. One answer to this would be to use output-type measures in local PbR models. An alternative solution would be to extend the PbR model beyond children's centres to include all services that work towards the same objectives as children's centres.
- There is an ethos of support rather than penalty for poorly performing centres (contrary to criterion 8 in figure 1) in many areas. This is driven by the views that responsibility for centre performance may not be entirely within the control of centres (contrary to criterion 3) and that centres would be unable to deliver essential services within reduction or withholding of funding (contrary to criterion 9). This first of these views could possibly be addressed through the use of payment

schemes tailored to individual centres. The latter view could be addressed either by agreement that centre services can be more focused or delivered more efficiently or by sufficient financial support from within centres to bear the financial risk of failure to achieve rewards.

- There is some doubt about whether the managers and staff of children's centres are motivated by financial rewards and would respond to the financial incentives inherent in PbR (criteria 7 in figure 1). Motivation is seen to be driven primarily by a desire to make a difference for children and families, although other influences are also seen as important including recognition for achievement; professional reputation; threat of the loss of commissioning contracts; and Ofsted inspections. However, the financial incentives of PbR could be motivating if they were seen as providing centres with additional resources to improve services and better serve children and families.
- Most areas emphasised how centres work closely together. Although any concern that the competitive element of PbR could be detrimental to this co-operative approach was rarely spontaneously raised in the trial, the design of local PbR schemes should seek to minimise any harmful impacts on this close working between centres, possibly through models based on groups of centres rather than individual centres.
- A major issue for some areas was how local PbR could be designed for directly-run centres when PbR is a concept that has primarily been applied to commissioning arrangements. However, the combination of independent budgeting for many centres and staff motivation based upon delivering the best services to help families and children suggests that the concept can be extended into an incentive mechanism for directly-run centres. Indeed, areas with both commissioned and directly-run centres were happy to apply the PbR model to both types.
- Given the short timeframe of the trial, it is not surprising that very few impacts on services in centres had occurred by the end of 2012. However, the early evidence suggested two key findings on the impacts of local PbR:
- A major success of the trial has been the improvement in local data both in terms of what is available and how it is used. This development has gone a long way to meeting the PbR requirement (criterion 4 in figure 1) of reliable and robust data for PbR measures at the provider level. There are also emerging indications that it has had direct beneficial impact on how centres deliver services. To some extent, the improvements in data have been facilitated by rather than motivated by the PbR trial (particularly by the grant funding), but PbR has pushed on the advances in data systems more quickly than they would otherwise have occurred.
- While there were considerable concerns about the risk of perverse incentives at the centre level, few actual examples have materialised. This is partly due to some careful management of the potential problems and partly due to on-going checks

on adverse consequences including performance management by LAs and Ofsted inspections. In addition, there are no initial indications that PbR has had any adverse effects on the types of providers willing to tender to deliver centres.

6. Conclusions

The PbR trial in children’s centres was the first PbR-type scheme applied by national government to influence local service delivery indirectly through LAs. This resulted in a two-tier design of commissioning arrangements with a “national” element between DfE and LAs and a “local” element between LAs and children’s centres. The trial was also a unique test of the ability of PbR to influence the delivery of this particular type of service.

This evaluation has identified some valuable lessons both in building on the existing knowledge of how PbR schemes can be most effectively designed and for enhancing understanding of the unusual and sometimes unique characteristics of delivering children’s centres services. The considerable amount of thinking, discussion and debate that has been an integral part of the trial at national, LA and centre levels reflects both the initial uncertainty about how PbR might work in the trial context and how much understanding of the issues has been driven forward by the experience of the trial.

This concluding chapter draws together the evidence on the national and local PbR presented in the preceding chapters to consider the key questions:

- How well did the design of the national scheme and local PbR models meet the criteria for effective PbR schemes?
- How and to what extent did the national PbR scheme influence local decision-making?
- Is PbR an effective approach for influencing the delivery of children’s centre services?
- What have been the impacts of the trial?

In addition, the final section looks forward to the potential emergence of further evidence from the trial and future developments of PbR for children’s centres.

6.1 The design of national and local PbR models

The framework of the desirable characteristics for a PbR scheme presented in figure 1 in chapter 1 was developed using existing understanding of PbR models augmented with the experience of this trial. This framework in itself is a benefit of the trial and may inform subsequent assessments of PbR models, particularly in application to services similar to those of children’s centres. Designing the national and local PbR schemes have created different conceptual issues, requiring some diversity in how challenges have been addressed.

In terms of the development of PbR measures, the measures were not well matched to all the objectives of the national scheme (criterion 1 in figure 1), but the variety of local measures and the influence of local priorities in their choice suggest that they may be

more closely matched with local objectives. To some extent, statutory guidelines for LAs on the delivery of children's centre services may have served to guard against the more extreme potential perverse incentives (criterion 2), while a number of checks against perverse incentives were already in place at the local level and the design of local schemes appear to have been generally vigilant against creating adverse consequences.

There was no direct attribution issue and reasonably robust data was available for the national scheme (criteria 3 and 4). However, attribution and the development of robust data were key challenges for local schemes, the latter of which may be addressed by the rapid improvement in data systems.

Both national and local measures have a heavy reliance on output-based rather than outcome-based measures (contrary to criterion 5), restricting flexibility for the provider in each case to choose the best method of delivery, although the output measures have been used with greater awareness of the links to final outcomes. Local schemes have not restricted the methods of delivery in any obvious further ways (criterion 6), but the national scheme did informally restrict the method of delivery to be through children's centres, side-stepping a potential sizable challenge of attribution in the process.

An issue for both the national and local schemes has been the size of reward payments and the creation of financial incentives of sufficient size and value (criterion 7). In the case of the national scheme, the available funding for rewards was simply too small to create effective incentives, although the issue of LAs being able to use transient and non-recurrent funds appears to have been surmountable. In the case of local models, the challenge has been a balance between sufficient size of incentive and maintaining a basis of sound financing for centres (criterion 9), while there has also been a conceptual issue of whether financial incentives can influence children's centres at all (discussed in section 6.3 below). The potential of offsetting balances to reward payments (criterion 8) was raised in different ways for both the national and local schemes. For the national scheme, a lack of ringfencing for rewards and the core budget could potentially reduce the effectiveness of PbR. At the local level, the challenge was an ethos of support for struggling centres which could militate against the financial incentives of rewards (also discussed in section 6.3).

Sound financing for providers (criterion 9) was also an issue for the national scheme due to the tight budgetary climate making additional investment or support for children's centre services almost impossible. At the local level, some areas sought to address the issue of sound financing through designing PbR models based on groups of centres rather than individual ones. Finally, the national scheme timeframe of performance assessment and reward payments generally provided a financially reasonable timeframe for LAs to operate within (criterion 10), while the development of local schemes on the basis of consultation with centres and providers indicates that local scheme are also likely to meet this criterion.

Overall, both levels of the trial have achieved considerable progress in meeting and addressing what were often new issues in the design and implementation of PbR. In terms of design, the main and significant difficulty for the national scheme was the low level of funding for rewards payments. In spite of this, the national scheme was influential on local thinking in a number of ways (discussed in the following section). Local schemes faced a number of more conceptual challenges (discussed in section 6.3).

6.2 The influence of the national PbR scheme on local decisions

The national PbR scheme influenced local decisions concerning children's centres in a number of important ways:

- The national trial drove many LAs towards developing a local PbR approach. Most trial areas were unlikely to have developed local PbR models or developed their models to the same extent in the absence of the national scheme.
- The national measures had an impact on local decision-making in almost all of the trial areas and led to changes in the planning of children's centre services or specific initiatives in half of the trial areas.
- The national measures influenced understanding of the core purpose for children's centres and helped to enhance a focus on the core purpose in a small number of areas.

These were substantial effects and indicate that PbR models with a national element can be influential on local thinking. It also reflects the number of ways in which the scheme was well designed including the careful consideration given to the measures and the support given to enhance learning about the scheme.

It is notable, however, that the impacts were mostly driven by the trial *per se* and by the national measures rather than the financial aspect of the scheme. In other words, the national influence may have been more due to the fact that this was a national trial rather than a PbR approach. Given the design of the national payment scheme, it is not possible to draw conclusions about whether a stronger financial element could have been more influential. However, the initial interest raised within some LAs by the potential of monetary rewards suggests that more substantive rewards may have had greater impact.

The design and implementation of the national scheme in the trial identified a number of key lessons for future national schemes seeking to influence local behaviour:

- The national measures need to have a good match with the stated objectives of the scheme. The poor match between objectives and measures may partly explain why the trial did not more widely increase awareness of children's centres among politicians and LA officials outside of early childhood services and did not greatly enhance the focus on the core purpose in most areas. The lack of a corresponding

national measure may also partly explain why PbR did not drive any substantial change in the use of wider research evidence on effective practice.

- Reward payment amounts must be sufficiently high to generate an incentive to change local behaviour: money *per se* is unlikely to have an impact on LAs. In addition, control or ring-fencing over the entire budget may be important to avoid incentives being diluted away from those closest to service delivery.
- In the case of a two-tier system as in this trial, sufficient time should be allowed for the set-up and announcement of the national scheme to be completed prior to the initiation of the local element of the scheme. One reason that the national measures and payment scheme played relatively little role in the development of local PbR models was that planning and thinking on the local models was already advanced in many areas by the time the national scheme was announced. In other areas, the delay in national development slowed progress at the local level. Early announcement of the national element can help its influence on local schemes and drive progress in the development of local models.

6.3 The effectiveness of a PbR approach for children's centres

The development of local PbR highlighted several conceptual barriers to the effective use of PbR in children's centres.

First, attribution of changes in measures to individual or groups of centres is inherently problematic because many services are delivered in conjunction with other agencies; other agencies deliver similar services or services with similar objectives; children and families often use more than one centre; and there may be considerable time lags between the use of centres and outcomes. One answer to this issue would be to use output-type measures in local PbR models. An alternative solution would be to extend the PbR model beyond children's centres to include all services that work towards the same objectives as children's centres.

Second, there is an ethos of support rather than penalty for poorly performing centres in many areas. This is driven by the views that responsibility for centre performance may not be entirely within the control of centres and that centres would be unable to deliver essential services within reduction or withholding of funding. The first of these views could possibly be addressed through the use of payment schemes tailored to individual centres. The latter view could be addressed either by agreement that centre services can be more focused or delivered more efficiently or by sufficient financial support from within centres to bear the financial risk of failure to achieve rewards.

Third, there is some doubt about whether the managers and staff of children's centres are motivated by financial rewards and would respond to the financial incentives inherent

in PbR. Motivation is seen to be driven primarily by a desire to make a difference for children and families, although other influences are also seen as important including recognition for achievement; professional reputation; threat of the loss of commissioning contracts; and Ofsted inspections. However, the financial incentives of PbR could be motivating if they were seen as providing centres with additional resources to improve services and better serve children and families.

Finally, most areas emphasised how centres work closely together. Although any concern that the competitive element of PbR could be detrimental to this co-operative approach was rarely spontaneously raised in the trial, the design of local PbR schemes should seek to minimise any harmful impacts on this close working between centres, possibly through models based on groups of centres rather than individual centres.

Taken together, these issues present a formidable challenge to the feasibility of applying PbR to children's centre services and possibly to other similar services. However, careful consideration of each of the issues suggests that they can be addressed with some modification in model design or even presentation. Overall, with some compromises in the model, PbR as an approach appears inherently feasible for application to children's centres.

6.4 Impacts of the trial

Although the short timeframe means it is unlikely that many significant impacts will have been observed within the evaluation, the evidence suggests that there have been a number of important changes possibly as a result of the trial:

- A major success of the trial has been the improvement in local data both in terms of what is available and how it is used. This development has not only gone a long way to meeting the PbR requirement of reliable and robust data, but there are also emerging indications that it has had direct beneficial impact on how centres deliver services. To some extent, the improvements in data have been facilitated by rather than motivated by the PbR trial (particularly by the grant funding), but PbR has pushed on the advances in data systems more quickly than they would otherwise have occurred.
- National PbR (particularly the breastfeeding measure) enhanced partnership working with health. However, this change this may also be partly explained by a more general movement towards closer joint working with health which was also observed in non-trial areas.
- There was a feeling that national PbR shifted the focus towards targeted from universal services, but views were mixed on whether PbR had driven this change or just reinforced on-going changes. There was a strong trend in non-trial areas towards greater targeting in services due to the need to target resources in the face

of limited or reduced budgets which may have been driving the similar changes in the trial areas rather than the PbR trial.

- There were a small number of other changes in service delivery resulting from PbR. These include new breastfeeding initiatives in some areas and indications that PbR had enhanced incentives to innovate in service processes and delivery in a few areas.

In addition, although there were a significant number of speculative concerns about perverse incentives and unintended consequences of PbR, very few actual adverse effects were observed. This may have been due to strong awareness of possible problems and careful management of potential issues or it may simply mean that insufficient time has passed for serious issues to have emerged.

6.5 Going forward

Although the national PbR trial ended last year, most trial areas reported that local PbR would probably continue in their area in the absence of a national scheme. Hence, lessons from the trial are likely to continue to emerge in the future. In particular, some issues which had only begun to appear within the evaluation timeframe may surface to a greater extent over time, including the possible effects of PbR on the types of commissioned providers; on the willingness to innovate in service delivery at LA and centre level; and on whether it is possible to guard against perverse incentives. Moreover, the ultimate impacts of the PbR trial on the delivery of children's centre services and, eventually, on outcomes for children and families will only become apparent over the longer term.

Annex A: LA background statistics

Table 14 Number of LAs by region

Region	All LAs	Trial LAs	Comparison non-trial LAs
East	11 (7%)	1 (4%)	2 (14%)
East Midlands	9 (6%)	1 (4%)	0 (0%)
London	33 (22%)	5 (19%)	3 (20%)
North East	12 (8%)	1 (4%)	1 (7%)
North West	23 (15%)	6 (22%)	3 (20%)
South East	18 (12%)	4 (15%)	1 (7%)
South West	16 (11%)	4 (15%)	2 (14%)
West Midlands	14 (9%)	1 (4%)	1 (7%)
Yorkshire & the Humber	15 (10%)	4 (15%)	2 (13%)
Total	151 (100%)	27 (100%)	15 (100%)

Source: ONS

Notes: The analysis used three groups of “London” (London); “south, east and Midlands” (south east, south west, east, east Midlands and west Midlands); and “north” (north east, north west and Yorkshire & Humber).

Table 15 Number of LAs by urban classification

Urban classification	All LAs	Trial LAs	Comparison non-trial LAs
Major urban	61 (40%)	9 (33%)	5 (34%)
Large urban	22 (15%)	4 (15%)	1 (7%)
Other urban	23 (15%)	5 (19%)	2 (13%)
Significant rural	20 (13%)	3 (11%)	4 (27%)
Rural	21 (14%)	6 (22%)	3 (20%)
Rural 80	4 (3%)	0 (0%)	0 (0%)
Total	151 (100%)	27 (100%)	15 (100%)

Source: ONS.

Notes: For counties, “predominantly urban” are included in the “other urban” category, “significantly rural” in the “significant rural” category and “predominantly rural” in the “rural” category. The analysis used two groups of “urban” (major urban, large urban and other urban) and “rural” (significant rural, rural and rural 80).

Table 16 Number of LAs by governance structure

Governance structure	All LAs	Trial LAs	Comparison non-trial LAs
County	28 (19%)	7 (26%)	4 (27%)
Inner London authority	13 (9%)	2 (7%)	2 (13%)
Outer London authority	20 (13%)	3 (11%)	1 (7%)
Metropolitan districts	37 (25%)	7 (26%)	3 (20%)
Unitary authority	53 (35%)	8 (30%)	5 (33%)
Total	151 (100%)	27 (100%)	15 (100%)

Source: ONS.

Table 17 Number of LAs by size of population aged under five

Number of under fives	All LAs	Trial LAs	Comparison non-trial LAs
< 10,000	19 (13%)	3 (11%)	2 (13%)
10,000 – 19,999	77 (51%)	12 (44%)	7 (47%)
20,000 – 29,999	26 (17%)	5 (19%)	2 (13%)
30,000 – 39,999	11 (7%)	5 (19%)	0 (0%)
40,000 – 49,999	10 (7%)	1 (4%)	3 (20%)
50,000 +	7 (5%)	1 (4%)	1 (7%)
Total	151 (100%)	27 (100%)	15 (100%)
Mean under five population	21,800	22,933	26,153

Source: ONS.

Table 18 Number of LAs by proportion of population aged under five

Proportion of population aged under five	All LAs	Trial LAs	Comparison non-trial LAs
0% – 1.99%	0 (0%)	0 (0%)	0 (0%)
2% – 3.99%	1 (1%)	0 (0%)	0 (0%)
4% – 5.99%	56 (37%)	10 (37%)	7 (47%)
6% – 7.99%	87 (58%)	16 (59%)	8 (53%)
8 % +	6 (4%)	1 (4%)	0 (0%)
Total	151 (100%)	27 (100%)	15 (100%)
Mean proportion of population aged under five	6%	6%	6%

Source: ONS.

Notes: The analysis used two groups of “low” (less than 6 percent) and “high” (6 percent or more) proportion of aged under five.

Table 19 Number of LAs by deprivation

IMD score	All LAs	Trial LAs	Comparison non-trial LAs
0 – 9.99	6 (4%)	0 (0%)	0 (0%)
10 – 19.99	55 (36%)	10 (37%)	7 (47%)
20 – 20.99	58 (38%)	8 (30%)	6 (40%)
30 – 30.99	26 (17%)	6 (22%)	1 (7%)
40 – 50	6 (4%)	3 (11%)	1 (7%)
Total	151 (100%)	27 (100%)	15 (100%)
Mean IMD score	23	25	22

Source: ONS.

Notes: IMD is the Index of Multiple Deprivation. It is constructed by combining seven metrics of deprivation: income, employment, health and disability, education, skills and training, barriers to housing and services, crime and living environment. A comparison of the three samples by the seven individual metrics showed similar patterns in deprivation levels to the overall index. The analysis used three groups of “low” (IMD score less than 20), “middle” (IMD score of 20 or greater and less than 30) and “high” (IMD score of 30 or greater) deprivation.

Table 20 Number and type of children’s centres

	Trial LAs	Comparison non-trial LAs
Number of children’s centres in each LA:		
Mean	26	29
Minimum	7	7
Maximum	82	81
Number of LAs with centres:		
All directly-run	7 (27%)	6 (40%)
Mostly directly-run	7 (27%)	2 (13%)
Mostly commissioned	7 (27%)	4 (27%)
All commissioned	5 (19%)	3 (20%)
Total	26 (100%)	15 (100%)

Source: Evaluation surveys

Notes: The analysis used 2 groups of number “low” (less than 20) and “high” (20 or more) numbers of children’s centres. It also used four groups of management method as listed.

Table 21 Structure of children’s centres in trial areas

	Number of LAs
Individual units	7 (27%)
Clusters / collaborative structures (small groupings)	9 (35%)
Hub and spoke / satellites	1 (4%)
Accountable by provider (commissioned)	1 (4%)
Localities / areas / districts (larger groupings)	8 (31%)
Total	26 (100%)

Source: Evaluation surveys

Notes: The analysis used three groupings of “individual centres” (individual units); “clusters/hubs/providers” (clusters/collaborative structures, hub and spoke / satellites, and accountable by provider (commissioned)) and “districts” (localities /areas / districts).

Annex B: Evaluation methodology

Table 22 List of reviewed background documents

Document name	Source
Marketing and Advertising efficiency controls: Scopes and Definitions	DfE, February 2011
Sure Start Children's Centres and payment by results	Presentation by DfE and Department of Health, September 2011
LA Project Plans / application forms	Serco, July 2011
PbR Summary – FAQs for public use	DfE, November 2011
LA January 2012 Updates	Serco, January 2012
DfE e-mails sent to Trial Areas	DfE, March-April 2012
Email re: PbR Trial – National Data Collection template for completion	Email from DSD Helpdesk, 13 th April
Measures and definition for trial LAs	DfE, 25 th April 2012
SSCC data collection template	DfE, April 2012
Children Centre's Payment by Results	Presentation by Caroline Jones, DfE, May 2012
Evaluator Briefing	DfE, May 2012
National measures for reward payment preference form	DfE, May 2012
Children's Centres PbR Trials – Payment Model	DfE, May 2012
Payment preference	DfE, May 2012
Compilation of Project Summaries for Trial Areas	Children's Improvement Board (CIB), May 2012
Summary of Year 2 Plans PbR	Children's Improvement Board (CIB), May 2012
Summary of quarter 2 and 3, Shared Version	Children's Improvement Board (CIB), May 2012
Summary of q4 shared version final	Children's Improvement Board (CIB), May 2012
LA Quarterly Reports, Q2 2012	Knowledge Hub, Local Government Association, October 2012
Children's Centre Payment by Results Trial – Reward Payment Note	DfE, 11 th February 2013

Table 23 List of job titles for participants in the two telephone surveys for PbR Leads (scoping and main)

Job title	
Children and Families Commissioner	Partnership and Resources Manager for Family Intervention and Support Services
Children and Families Services Manager (Early Intervention and Child Health)	Payment by Results Project Officer PbR Project Lead PbR Project Manager (x3)
Children's Centres Services Manager	Project Manager - Lead Commissioner for Early Years
Children's Partnership Project Worker	Project Manager, Service Manager, Children's Centres
Children's Services Team Manager	Research and Evaluation Manager
Commissioning Manager, Children and Young People	Senior Consultant, Performance Consultancy
Commissioning Lead (x2)	Senior Integrated Commissioning Officer
Development and Commissioning Manager	Senior Manager Early Years and Family Support
Divisional Manager	Senior Officer, Health Development Team
Early Childhood Strategy and Service Manager	Service Manager Family Care and Wellbeing
Group Manager Early Intervention	Strategic Development and Monitoring Officer
Head of Early Years and Childcare Service Head of Service, Birth to Five	Strategic Lead for Children's Centres (x2)
Head of Preventative Services	Strategy Manager: Children's Centre and Child Poverty

Table 24 List of job titles for participants in the survey of Non-trial LAs

Job Title
County Manager – Children's Centres
Head of Commissioning – Targeted and Preventative Services
Head of Early Help Services
Head of Early Years
Head of Early Years and Childcare (x2)
Head of Integrated Early Years
Head of Service
Head of Services for Young Children
Head of the Integrated Children's Commissioning Unit
Senior Manager 0-5 Services
Service Manager
Service Manager – Early Help and Prevention Service
Service Manager – Early Years
Strategic Commissioning Manager

Table 25 List of job title for participants in the Director of Children's Services survey

Job title
Board Director Commissioning (DCS and DASS)
Commissioning Director (Children and Families)
Corporate Director of Children's Services, Corporate Director – Children and Young People's Service
Director of Children' and Young People's Services Acting Director for Children and Young People
Director of Children & Families
Director of Children's Safeguarding and Specialist Services
Director of Children's Services (x3) Director of Children's Services and Strategic Director
Director of People's Services Director for People Director of Services for People
Director for Children, Education and Families
Director for Children, Family and Adult Services
Executive Director for Children & Young People
Executive Director for Children, Young People and Learning
Executive Director for People, Communities and Society
Executive Director of Children's Services and Learning
Interim Director for Children & Young People's Services (x2)
Interim Executive Director for Children, Young People and Families
Interim Executive Director of Children and Family Services
Strategic Director Children and Young People's Services

Table 26 List of participants in the case studies

Case study	Job titles
A	Strategic Lead – Director of Children’s Services (both stages) Strategic Lead – Targeted Support (first stage) PbR Project Lead (both stages) PbR Steering Group - Early Communication (first stage) PbR Steering Group - Children’s Centre Strategic Lead (first stage) 5 x Children’s Centre Managers (second stage)
B	Lead Member (first stage) Strategic Lead – Children and Young People (first stage) Strategic Lead – Education & Early Intervention (second stage) Strategic Lead – Children’s Centres (second stage) PbR Project Lead (both stages) PbR Steering Group - Health (first stage) 5 x Children’s Centre Managers (second stage)
C	Lead Member (first stage) Strategic Lead – Family & Youth Support (both stages) Strategic Lead – Preventative Services (first stage) PbR Project Lead (both stages) 3 x Steering Group – Children’s Centre Leads (first stage) 7 x Children’s Centre Managers (second stage)
D	Lead Member (first stage) Strategic Lead – Early Support for Children and Families (both stages) PbR Project Lead (both stages) 2 x PbR Steering Group – Business Information (first stage) 2 x PbR Steering Group – Children’s Centre Managers (first stage) 4 x Children’s Centre Managers (second stage)
E	Strategic Lead – Early Years (first stage) Strategic Lead – Children’s Centres (both stages) PbR Project Lead (both stages) PbR Steering Group – Early Years (first stage) PbR Steering Group – Voluntary Sector Provider (first stage) 4 x Children’s Centre Managers (second stage)

Annex C: Selection of case studies

Criteria for selection

The criteria used to select the five case studies aimed to achieve:

- A range in the developmental stage and variant of PbR, including the variant of PbR, including the relative emphasis given to national versus local PbR.
- A range of background contextual LA factors covering the “functioning” of the LA, the number of children’s centres and whether most are directly-run or commissioned; urban/rural status of the LA and region within the UK.

Selection was performed in two stages. First, five initial cases were selected using the first set of criteria alone. Second, how well these five met the second set of criteria was checked and found to be uneven in terms of the number of children’s centres, urban/rural status and region. One case was then exchanged with a similar one on the first set of criteria but which achieved a better balance for the second set of criteria.

Development stage and variant of PbR

The developmental stage and variant of the PbR within each LA was examined using information from the telephone scoping survey and the selection of national PbR measures.

The key questions used to identify characteristics with important variation across trial areas and the ranges achieved across the five case studies are listed in table 27. Questions not used were either correlated with included questions; exhibited little variation across the trial areas; or had drawbacks in interpretation which meant that they were not useful to calibrate the stage of development.

It should be noted that the brief nature of the scoping survey and the variability in the type of information provided in the background documentation meant that only the best available indications of development and variant of PbR could be used rather than comprehensive data which could provide robust measures of these characteristics across the trial areas. It is possible, therefore, that the greater depth of knowledge obtained in the case studies could lead to some modification in the interpretation of PbR development and variant.

Table 27 Development stage and variant of PbR

Factor (questions from scoping survey)	Responses	Number of cases
Objectives and aspirations		
Reason for involvement in the trial	(a) Already had local PbR or plans for it (b) To improve local processes and/or outcomes (c) To influence/be ahead on national development (d) Not clear	1 1 2 1
How likely that PbR will improve outcomes for children and families	(a) Very likely (b) Fairly likely (c) Neither likely nor unlikely (d) Fairly unlikely	1 1 2 1
Stage of implementation		
Change in use of data and research evidence	(a) No change (b) Change in data use only (c) Change in both	2 2 1
Progress on local development	(a) No agreement on local measures (b) Agreement on local measures only (c) Agreement on local measures and some agreement on targets and/or payment structure	1 2 2
Measures selected / adherence to PbR model		
Selected national measures	(1) EYFSP & (2) Breastfeeding prevalence (2) Breastfeeding prevalence (2) Breastfeeding prevalence & (3) Two year old take-up (3) Two year old take-up	1 2 1 1
Reasons for the selection of national measures	(a) Attributable to CCs / needs to be done / local priority (b) Improvement achievable	3 2
Influences on choice of local measures	(a) Address local specific needs (b) Improve process (accountability / data / use of evidence / partnership working)	3 2
Spending of national reward payment	(a) To CCs or children/families (b) Not sure / depends upon ring fencing	3 2
Relative emphasis given to national and local PbR		
Different national and local objectives	(a) Very different (b) Different (c) Not different	1 2 2
Helpfulness of national scheme and communication	(a) Not helpful (b) Average (c) Helpful	1 2 2

In terms of PbR development and variant, the five cases can be described very broadly:

Case A

- Ahead on development

- Good understanding of PbR
- Very independent of the national scheme – poor match between national and local objectives and critical of the national scheme.
- View is fairly likely to achieve improvements in outcomes for children and families.

Case B

- Little change or sense of direction yet
- Focus is not on PbR, but on developing joint working
- Very vague about national and local roles
- Helped by good timing for re-commissioning and good local support
- Neutral with regard to achieving improvements in outcomes for children and families.

Case C

- Very much ahead on development – already trialling PbR.
- Good understanding of PbR, although focus on children's services rather than children's centres.
- Working well with the national scheme – good match between national and local objectives and national scheme helpful.
- View is very likely to achieve improvements in outcomes for children and families.

Case D

- Regards itself as ahead on development, but may be more average
- Weak connection to PbR in approach – PbR seen as possibly harmful to local priorities
- Weak connection to national scheme – national scheme seen as unhelpful and taking own local approach to improvements
- Hindered by being a very disadvantaged area
- View is fairly unlikely to achieve improvements in outcomes for children and families.

Case E

- Some change, but progress held up by waiting on national scheme.
- Some understanding of PbR
- Good match between national and local objectives
- Neutral with regard to achieving improvements in outcomes for children and families.

Background Contextual Factors

Background contextual factors within each LA was examined using information from the telephone scoping survey, the trial background documents and external sources for urban/rural and region. A wide range of information could have been considered, but the number of characteristics that could be used was limited by the small numbers of cases involved.

Table 28 presents the variance in the background factors across the five cases selected.

Table 28 Background contextual factors

Factor	Characteristic	Number of cases
'Health' status and functioning of LA	(a) Not helpful	1
	(b) Average	1
	(c) Helpful	3
Number of children's centres	10-20	3
	40+	2
Type of commissioning	Mainly directly-run	2
	Mainly commissioned	3
Urbanity	Major urban	2
	Large urban	1
	Mostly rural	2
Region	North west	2
	South west	1
	London	1
	South east	1

Sources: 'Health' status and functioning of LA from helpfulness of staff time/capacity, data availability, data expertise questions the telephone scoping survey; number of children's centres and type of commission from scoping survey and trial documents; urbanity and region from ONS.

Annex D: Evaluation instruments

Scoping Telephone Interviews with PPLs

MAY/JUNE 2012

Local Priorities

- A1 Why is your LA involved in the trial? What is it aiming to achieve through the trial?
- A2 Does your LA have different objectives for the national and local elements of the trial?
- A3 What is the key purpose or objective for children's centre services in your area? Has this changed as a result of the PbR trial?

Planning and Decision-Making

- B1 Has being involved in the trial changed the way your authority uses data at the community or population-level? If so:
- What types of changes have been made?
 - Why have these changes been made?
 - What has been the result, if anything, of your change in data usage?
- B2 Has being involved in the trial led your authority to change the way it uses research evidence on 'what works' to achieve better outcomes for children and families (for example, evaluations, or other information on effective interventions)? If so:
- What types of changes have been made?
 - Why have these changes been made?
 - What has been the result, if anything, of your change in the use of this evidence?
- B3 Have you incorporated PbR into any local procedures such as performance management and commissioning? If so:
- What have been the changes?
 - What have been the consequences, if any, of doing this?

National PbR Measures and Payment Mechanisms

- C1 The national measure(s) you selected to attract reward payments through the trial were [measure 1] (and [measure 2]). Why did you select this(these) measure(s)?
- C2 How well does the suite of six national measures match with local priorities?

C3 Can children's centres alone (that is, independently of other services and agencies) achieve improvements in the national measures that you have selected?

If not, what other agencies or local services will contribute to the desired changes?

C4 Does the national reward/tariff structure provide a financial incentive to change the way your authority works with children's centres?

C5 If you do receive a tariff payment from the National PbR, how do you think the money will be spent?

Development of Local PbR

Thinking about your local PbR arrangements with children's centres:

D1 Have you agreed the measures for local PbR with children's centres?

D2 What factors have influenced (are influencing) your choice of local measures? What was (is) the main driver?

D3 Have you set targets for the local PbR measures for children's centres?

D4 Have you set thresholds and payment amounts for financial rewards that will be paid to children's centres if improvements in the local measures are achieved?

D5 Are commissioning contracts being discussed with or agreed with individual Centres (or clusters of Centres) which will include targets or financial rewards?

D6 What do you expect to change, if anything, in the delivery of services within children's centres as a result of your local PbR?

Overview

E1 At this point in time, how confident are you that outcomes for children and families in your authority will be improved as a result of the PbR trial? Is it:

1. Very likely that outcomes will be improved
2. Fairly likely
3. Neither likely or unlikely
4. Fairly unlikely
5. Very unlikely

E2 Is there any evidence of any emerging **benefits** to PbR in your area for:

- Local Authority children's services in general?
- Children's centres in particular?
- Disadvantaged children and families?

E3 Is there any evidence of emerging **disadvantages** to PbR in your area for:

- Local Authority children's services in general?

- Children's centres in particular?
- Disadvantaged children and families?

E4 From your experience of working on the PbR trial to date, have any of the following factors been especially **helpful** or particularly **unhelpful** to the development of PbR in your area?

- a) Availability of time or staff capacity to plan for or implement the new scheme
- b) The choice of measures offered as national targets
- c) The design of the payment structure for the national targets
- d) Communication from the national level to the local level about the structure and purpose of PbR
- e) Communication between authorities, children's centres and other key players at local level
- f) Availability of data to measure results
- g) The existing expertise in using local data for planning and monitoring services
- h) Prior experience of PbR in other areas of local service provision
- i) The degree of support from local politicians
- j) The degree of support at the Local Authority level
- k) The degree of support at the children's centre level
- l) The degree of support from other local public agencies such as health, schools, etc.

E5 Has any other factor not mentioned so far been especially positive or especially negative to the development of PbR in your area?

Main Telephone Survey with PPLs

NOVEMBER / DECEMBER 2012

Section 1 - National PbR

A. Profile and funding of children's centres

- A1 Do you think that national PbR has raised awareness of the role of children's centres in your area among:
- (a) elected members of politicians?
 - (b) Local Authority officials *not* involved in early childhood services?
 - (c) Local Authority officials in agencies which work jointly with children's centres or in other areas of early childhood services?
- A2 Has the budget for children's centres risen, fallen or remained about the same over the last couple of years?
- A3 Did national PbR influence the size of the children's centre budget for 2012-13?
- A4 Has the implementation of national PbR (we will talk about local PbR later) involved much resource cost?

B. Influence of national measures

- B1 Have national PbR measures been incorporated into any LA documentation on performance (such as strategy or business plans or LA level performance reports to the DCS/Lead member)?
- B2 Have any new agencies or individuals become involved in discussions or decisions about how to achieve improvements for the national measures?
- B3 Have any new sources of information such as data on the needs of local families and/or research-based evidence on what works in improving outcomes been used to make decisions about how to achieve improvements for the national measures?
- B4 Has any additional funding been made available to help achieve improvements for the national measures?
- B5 Have there been any changes in the planning of children's centre services or specific initiatives in children's centres in order to help achieve improvements in the national measures?
- B6 Have there been any changes in the planning of other (non-children's centre) services or specific initiatives in other services in order to help achieve improvements in this measure?
- B7 Have any of the national measures had no impact on LA processes or decisions so far?

B8 There has been some speculation that the national measures may create “perverse incentives”, that is, incentives for unintended negative effects. Do you have any actual, realised examples of unintended negative effects from the national measures?

C. Influence of the national payment mechanism

C1 Have you taken a different approach to achieving improvements for the measures you selected for payment (compared to the other measures) because a financial incentive is available?

C2 Has your LA explored how much it would cost to achieve the level of improvement

C3 Do you think that paying for improvement (rather than achievement of a set threshold) is a good way to allocate the national reward money?

C4 Do you think that reward payments should be a set amount for a pre-specified degree of improvement (like the “standard” payment) or an uncertain share of a pot of money based on improvement relative to other LAs (like the “exceptional” payment)?

C5 Do you think that weighting the reward money in accordance with the size of the under 5 population is an equitable/fair approach to weight the rewards?

D. Influence on innovation at the Local Authority level

D1 Has national PbR created incentives for the Local Authority to try new things in the running of children’s centres? Or has it made the Local Authority more reluctant to try new things?

Section 2 - Local PbR

E. The structure of the management of children’s centres

E1 Are centres managed in any sort of grouping such as in clusters, districts or hub-and-spoke?

E2 For commissioned centres, is there any evidence that local PbR has made potential providers either *more* willing or *less* willing to tender or re-tender to deliver centres?

F. Local measures

F1 Did you already have data for your local measures at the children’s centre level (or other degree of locality) or is it being (will be) collected as a result of local PbR?

F2 Have any local measures been (or will be) incorporated into your performance management procedures as part of local PbR?

F3 Do your local measures reflect a shift towards monitoring “outcomes” rather than “outputs” in your area?

F4 There has been some speculation that local measures may create “perverse incentives”, that is, incentives for unintended negative effects. Do you have any

actual, realised examples of unintended negative effects from your local measures?

G. Local payment mechanisms

- G1 Prior to the PbR trial, did you have in place or did you have any plans for a scheme to pay monetary rewards to children's centres based on performance?
- G2 Do you intend to pay real monetary rewards (or are withholding funds dependent upon performance) this year as part of your local PbR or are you running a virtual/paper scheme?
- G3 Is this payment model being applied to directly-run centres and/or commissioned centres in your area (if applicable)? *OR* Do you think that your payment model will be applied to directly-run centres and/or commissioned centres in your area (if applicable)?
- G4 Is your payment model based on individual centre performance or is it based on the performance of localities or groups of centres? *OR* Do you think that your payment model will be based on individual centre performance or will it be based on the performance of localities or groups of centres?
- G5 How will you fund local PbR rewards? *OR* How do you think you will fund local PbR rewards?
- G6 What proportion of centre budgets is subject to PbR (that is, what proportion does the reward money or withheld funds constitute)? *OR* What proportion of centre budgets do you think will be subject to PbR (that is, what proportion does the reward money or withheld funds constitute)?
- G7 How are you rewarding performance? *OR* How do you think you will reward performance?
- G8 How did (will) you determine the level of performance that you will reward?
- G9 How did (will) you decide how much to pay for particular levels of performance?
- G10 Will all of the local PbR budget be used to pay rewards or will some of the budget be used to support centres struggling to achieve PbR rewards?

H Challenges in local PbR development

- H1 When did you achieve (or when do you think you will have achieved) a completely implemented local PbR model?
- H2 Has the implementation of local PbR involved much resource cost?
- H3 Do you think the following have been (i) barriers or (ii) significant challenges or (iii) not important to the development of local PbR?
- a) The need for considerable staff and other resources
 - b) Identifying local measures for which centre-level data can be derived

- c) Identifying local measures for which improvements can be attributed to individual centres
 - d) Obtaining the required data from commercial databases
 - e) The timing of the trial during a period of declining resources for children's centres
 - f) The length of timeframe for development
- H4 Has anything else been a barrier or significant challenge to the development of local PbR?
- H5 Do you think the following have been (i) essential or (ii) significantly helpful or (iii) not important to the development of local PbR?
- a) The trial grant funding
 - b) Learning from the national scheme
 - c) Learning from other LAs (e.g. through learning sets)
 - d) Information and advice from Serco
 - e) The use of external expertise
- H6 Has anything else been essential or significantly helpful to the development of local PbR?
- H7 Would you continue with local PbR even if a national scheme is not rolled out?

Telephone Survey with DCSs

JANUARY 2013

A. Overview of PbR and broad trial objectives

- A1 How is the concept of PbR in children's centres viewed in this authority? Are stakeholders broadly positive, negative or agnostic?
- A2 Why is this LA participating in the PbR trial in children's centres?

B. Profile of children's centres

- B1 Do you think that national PbR has raised awareness of the role of children's centres or changed thinking (that is, understanding or attitudes) about children's centres in your area among:
 - (a) elected members?
 - (b) Local Authority officials *not* involved in early childhood services?
 - (c) Local Authority officials in agencies which work jointly with children's centres or in other areas of early childhood services?
- B2 Do you think that having specifically defined national measures has influenced understanding of the objectives of children's centres within this authority?
- B3 Has the development of PbR been enabled or constrained by local political factors?

C. Planning for children's centres

- C1 Have national PbR measures influenced the focus on the "core purpose" for children's centres in thinking or planning for children's centres in your area?
- C2 Has developing PbR influenced thinking or planning about:
 - (a) Which types of organisations might provide children's centres in your area?
 - (b) The balance between a universal approach for children's centres and a more targeted one?
 - (c) The target population for children's centres in your area?
 - (d) The specific types of services that will be available in children's centres?
 - (e) How you provide other children's services in your area?

D. Influence of the national payment mechanism

- D1 Did being part of the PbR trial influence the size of the children's centre budget for 2012-13?
- D2 Are potential national reward payments *per se* sufficient to drive change or does the amount of payment matter?

- D3 Are the levels of national reward payments for this year sufficiently large to provide an incentive for your LA to do things differently?
- D4 How do you think any national reward money will be spent?
- D5 Given that the national reward money will not be ring-fenced, what, if anything, do you think your LA would have been done differently if the reward money had been specifically ring-fenced to be used for children's centres?
- D6 Is PbR more or less influential in times of financial constraint?

E. Local PbR development

- E1 Will the sharing of any national reward money (or local PbR reward money) take into account any local views on rewarding centres for good performance and/or supporting centres who are performing poorly?
- E2 Would you continue with PbR locally if there were no national element?

F. Overview

- F1 What do you think have been the main benefits of the introduction of the PbR scheme for children's centres?
- F2 What have been the main drawbacks?

Electronic Survey of non-trial LAs

JANUARY 2013

1. How many children's centres are there in your Local Authority?
2. How many of these children's centres are externally commissioned?
3. Was there any change in your budget for children's centres in financial year 2011-2012 compared with the previous year?
4. Was there any change in your budget for children's centres in financial year 2012-2013 compared with the previous year?
5. Has awareness of the role of children's centres changed in your area over the last year among elected members?
6. If you responded yes to the previous questions, in what way(s) has awareness changed among elected members? Other?
7. Has awareness of the role of children's centres changed in your area over the last year among Local Authority staff who are not involved in early childhood services?
8. If you responded yes to the previous question, in what way(s) has awareness changed among Local Authority staff who are not involved in early years' services? Other?
9. Have there been any improvements to data systems for children's centres over the past year? Further details
10. Has access to data from partner agencies changed in your Local Authority over the past year?
11. Have you used data on the needs of local families and/or research-based evidence on what works to inform any decisions about children's centres over the past year?
12. If you answered yes to the previous questions, please can you specify what sources of information you used?
13. And have you typically used these sources of information in the past?
14. Have any new agencies or individuals become more involved in the work of children's centres over the past year?
15. If you answered yes to the previous question, please can you specify which agencies have become more involved?
16. Has there been any change to performance management of children's centres over the past year, either at children's centre level or centrally at Local Authority level?
17. If you answered yes to the previous question, please can you briefly describe these changes?

18. Do you have in place, or do you have any plans for, a scheme to pay monetary rewards to children's centres based on their performance?
19. If you answered yes to the previous question, please can you briefly describe the scheme below?
20. Over the past year, has there been a change in focus from universal provision of services in children's centres towards focussing on children and families from disadvantaged backgrounds?
21. If you answered yes to the previous question, please can you briefly explain why this change in focus has occurred?
22. Have there been any notable changes in the planning of children's centre services over the past year? Please provide details of any changes
23. Is there anything else you would like to add?

Stage 1 Case Studies

JULY 2012

CORE TOPIC GUIDE

Selected questions for each interviewee type:

- Strategic (DCS, Associate Member, Lead Member): A B C E1 E2 E4 E6 E7
- PPL: A B3-B17 C3-C8 D E F G2-G10 H
- Operational (Steering group): A3-A5 B4a B5-B11 C3-C6 D E1 E2 E4 E6 E7 G1b G7-G10 H

Objectives and aspirations

- A1 What do you understand to be the key elements and principles behind “payment by results” schemes in general? If someone unfamiliar with the concept asked you to define PbR, what would you say?
- A2 What do you think are the main objectives of central government in trialling PbR in children’s centres? What do you think government hopes to achieve?
- A3 At the outset, what were the main objectives for the trial in this authority?
- A4 Have your objectives or aspirations changed since the start of the trial?
- A5 Given your experience so far, which of these objectives are most likely to be achieved?

Early years provision and core purpose for children’s centres

- B1 How many children’s centres are there in this authority?
- B2 How many are directly provided by the Authority and how many are contracted out/commissioned?
- B3 How would you describe the core purpose for children’s centres in this Authority?
- B4 What role do children’s centres play within your Authority’s overall strategy for children’s services generally, early years services and early intervention?
- B4a What is the core role for children’s centres within your Authority’s overall strategy for children? If children’s centres did not exist, what difference would it make to local services?
- B5 Has thinking about the role of children’s centres or the core purpose of centres changed since the PbR trial began?
- B6 Has developing PbR changed your sense of the target population for children’s centres?
- B7 Has developing PbR changed thinking or planning on the specific types of services that will be available in children’s centres?

- B8 Has there been or will there be any implications for service design service design? (E.g. type of service/intervention, whether group or one to one, outreach or site-based etc.)
- B9 Has there been or will there be any implications for staffing or training?
- B10 Has developing PbR changing thinking or planning about which types of organisations provide children's centres?
- B11 Has developing PbR changing thinking or planning about providers of services within children's centres?
- B12 Do you think the introduction of PbR has had /could have an impact on the extent to which this Local Authority is innovative or prepared to take risks in the provision of children's centres?
- B13 Overall, how has the concept of PbR been received in this authority? Are stakeholders broadly positive, negative, or agnostic about its introduction?
- B14 Do you have any plans for communication at local level of information about progress on achieving measures?
- B15 Has your Authority used any externally-provided consultancy or technical assistance in developing PbR?
- B16 To what extent does this Authority draw on research and evaluation evidence of "what works" in planning and delivering children's services?
- B17 Has your use of the wider research evidence on "what works" changed at all since the introduction of PbR?

Financial incentives and impact

- C1 What is the overall LA budget for children's centres in 2012-2013?
- C2 Has the amount allocated to the budget at the local level changed since the start of the trial?
- C3 The reward money in the national element of the PbR trial that has been announced is £2 million (£75,000 roughly for each authority). Is this amount sufficient to provide and incentive to do things differently in this LA?
- C4 Is this amount sufficient to provide incentives for children's centres to do things differently?
- C5 How easy or difficult do you expect it to be to achieve the standard and exceptional reward payments on the national measures in this LA?
- C6 If you do receive a reward payment from the national element of the trial, will the payment go directly to the children's centre, or to the budget for early years services, or to somewhere else?

- C7 Do you think the introduction of PbR has had /could have an impact on the extent to which children's centres are innovative or prepared to take risks?
- C8 Do you think the introduction of PbR has /could have an impact on the relationships between different children's centres?

Cross-agency & cross-centre working and collaboration

- D1 Has the type or extent of multi-agency working, or cross-agency collaboration, changed since the introduction of PbR?
- D2 Has the way that children's centres work with other local services changed during the course of the trial?

PbR Measures

- E1 Is it correct that your Authority has chosen to be rewarded on [xxxxx] and [xxxxx] national measures?
- E2 Why did your authority select those particular national measures?
- E3 Thinking about the six national measures, how appropriate do you think they are to achieve the stated national objectives of the trial?
- E4 How well do the national measures reflect or support the objectives and core purpose of children's centres within this Authority?
- E5 Are there any different measures you would have preferred as part of the national element?
- E6 Thinking about your local PbR, is it correct that you will using [xxxxx] measures as part of your local PbR?
- E7 Why did you select (or are thinking about selecting) these measures for your local PbR?
- E8 Are there any other or additional local measures you would have preferred, but could not use?

Data and Evidence

- F1 How far are your existing monitoring and data systems sufficient to enable you to report on the two core national measures that you have selected for reward payments within the trial?
- F2 How far are your existing monitoring and data systems sufficient to enable you to report on the other four national measures for the trial?
- F3 Has anything changed (will anything need to change) to enable you to deliver the data required by the national dimension of the trial?
- F4 How far are your existing monitoring and data systems sufficient to support the local dimension of the trial?

- F5 Has anything changed (will anything need to change) to enable you to deliver the data required by the local element?

Finance and performance management issues

- G1a In this authority, do you plan to alter your arrangements with children's centres so that their funding or part of their funding becomes contingent on the achievement of pre-specific results?
- G1b In this authority, do you expect that arrangements with children's centres will alter so that their funding or part of their funding becomes contingent on the achievement of pre-specific results?

For directly-run centres:

- G2 How are services and budgets for individual children's centres currently (or prior to PbR) decided and monitored?
- G3 Now that PbR is being introduced, do you expect these processes to change?

For contracted out/commissioned centres:

- G4 How are providers currently (or prior to PbR) selected and commissioned to deliver centres?
- G5 Now that PbR is being introduced, do you expect this process to change?

For all types of centres:

- G6 Who will adjudicate over whether children's centres have delivered or not delivered the specified goals under PbR?
- G7 What will happen if children's centres do not deliver the results under PbR?
- G8 Does the uncertainty about whether they will succeed or fail have implications for children's centres?
- G9 Does (or will) your approach PbR take account of the potential contribution of other agencies in delivering the outcomes?
- G10 Are there any significant legal issues or other constraints concerning your Authority's arrangement with children's centres that could impact on the operation of the trial, or its ultimate success?

Overview and summary

PbR comprises a number of elements that are thought to be important to its success: greater use of data and evidence; the setting of performance measures; and financial rewards which provide monetary incentives to focus on priorities.

- H1 Overall, do you think these elements are likely to bring about improvements in services at the children's centres level?
- H2 Which, if any, do you think could be influential alone, without the other factors?

- H3 Is PbR different to previous policy initiatives such as the National Indicators and Performance Indicators?
- H4 Is there any risk of “perverse incentives” (unintended but negative consequences) arising out of PbR?
- H5 Overall, are PbR-type mechanisms suitable approaches for securing improvements in outcomes from children’s services?
- H6 Would your Authority have done anything differently if there had been no national element (measures and reward payments) in the trial?
- H7 The stated objective of the national trial is to “incentivise a local focus on the core purpose of children’s centres”. In your view, does the focus need strengthening, and how will we know if this objective has been achieved?
- H8 In summary, how easy or difficult has it been to introduce PbR in this Authority?
- H9 If you were starting again, would you do anything differently or would you want others to do anything differently?
- H10 And lastly, is there anything else we haven’t already mentioned that you would like to say?

Stage 2 Case Studies

DECEMBER 2012

A. TOPIC GUIDE FOR PbR PROJECT LEADS

Introduction and overview

- Have there been any other key changes or developments in your LA that we should know about as background context?
 - Probe broad changes at LA level; and changes relevant to the PbR trial and how it is managed
 - Overall, what have been the key developments for the trial since we visited in the summer?

Data on the selected measures, & use of evidence

What developments have there been in:

- For Local measures primarily: availability & access to data
 - Probe: especially access and use by children's centres
- For Local measures primarily: quality or coverage issues
- For both national and local PbR: are there any other (supplementary/unforeseen) uses to which PbR data are being put?
- Have there been any other wider developments in data collection, sharing, or use in the LA arising out of the development work done as part of PbR?
- Has there been any greater use of wider research evidence on what works?
 - Probe: has the emphasis supposedly introduced by PbR on 'results' led to a greater interest in using proven interventions?

Measures

- Any changes, issues, difficulties with National measures that have come up since Step 1
- In your selection of the national measures on which to potentially receive reward payments, did you choose those which had the greatest likelihood of achieving the reward?
 - Probe: Was this a consideration at all? Was it more important than other factors affecting the choice such as whether the measures matched with local priorities?
- Looking back, should local areas have had a choice in what national measures were offered?

- Any changes, issues, difficulties with local measures that have come up since Step 1

Finance and Payment mechanisms

- Extent to which now have clarity on National payment mechanism and what level of rewards they are likely to get
- Now that ringfencing is announced as ruled out (for national rewards): do you have any clarity on how the National rewards will be directed/shared/spent locally yet?
- Have there been any changes or issues arising from PbR in relation to budgeting within LA or at Centre level?
 - Probe: is either National or Local PbR being influential here? Is PbR being taken into account in determining spend/setting budgets; if so how. Has the overall SIZE of the children's centres budgets in this LA been affected? Also clarify rewards versus top-slicing models and if/how these are being applied
- What, if anything, would you have done differently if the reward payments were twice as large? If they were ten times as large? If they were twenty times as large?
 - Probe: behavioural changes, as well as procedural.

Payment mechanisms, contracting and performance management

- Progress on design of Local payment mechanism – thresholds, payments, etc.: how will it work?
 - Probe: Differences between directly-run and contracted-out centres
 - Probe: If they haven't made progress: why, what plans to move forward, what support do they think they need?
- Do you know how you will time your reward payments to centres?
 - Probe: Are there any challenges in this (e.g. payment at the end of the year which must be spent immediately; carrying payment into the following year). Have any challenges been addressed?
- Have there been any changes in commissioning arrangements or structure of local children's centres providers? If so, to what extent related to PbR?
 - Probe: Has there been feedback from local centres/providers on how PbR is affecting them from this perspective?

Directly-run centres:

- Have there been any developments with respect to performance management arrangements arising out of PbR?
 - Probe: has there been any shift from output type measures to outcome type measures?

Contracted-out centres:

- Have there been any developments with respect to contract management arrangements arising out of PbR?
 - Probe: has there been any shift from output type measures to outcome type measures?
- Is PbR equally suitable for in-house (directly-run) children's centres and centres that are externally commissioned?
 - Probe: Why exactly?
 - If not suitable for directly-run centres – how is the budget determined? Why can't the budget be related to performance?

Relationships within the system

What developments have there been in:

- Cross-Agency working
- Relationships and collaborations between children's centres
 - Probe: have CCs enhanced, reduce or stayed same with respect to level of co-operation/competition?
- Relationships between children's centres and LA (other than already discussed with respect to performance or contract management relationships)

Implementation issues

- How much progress has been made in implementation of **Local** PbR
- Are there any remaining issues in terms of barriers or lack of 'fit' of PbR to the local context
- Have you had any (more) external technical support since the summer?.
 - Probe: What support still could be useful at this stage, if any, and where would they purchase/find this kind of support

Overview/summary

- At this stage what indications are there of whether your LA will achieve the National Measures?
- For local PbR, at this stage what indications are there of whether your LA will achieve the targets you set?
 - Probe: each local measure. If not going to achieve measures, why not
- If the National Trial had not included the development funding, would you still have made the same progress?

- Probe real use and value of development money – at national or local level – and how easy or difficult it would have been to implement PbR without it. Could ‘new’ trial areas manage without same support?
- Are there any indications of positive impact of PbR we haven’t discussed?
- Are there any indications of negative impact we haven’t discussed?
- And lastly, if you were asked to summarise what have been the main benefits for the LA of PbR, what would you say?
- And what have been the main drawbacks?

B. TOPIC GUIDE FOR CHILDREN’S CENTRE MANAGERS GROUPS

Background

- Name, job role, centre they represent and type of centre (LA run, externally provided etc.)
- Size and scope of Centres represented, and organisational arrangements
 - How children’s centre provision structured in LA, clusters etc.; number of staff, services offered, etc.
- Background context to local situation
 - E.g. any big internal or external changes since trial began, such as budget restrictions, changes in numbers of commissioned/directly- run centres, etc.

Understanding of PbR

- Extent to which feel informed about PbR trial
 - were they consulted in the development of PbR;
 - did they have any say in the measures selected;
 - were service users consulted
- Did your Centre have any choice in whether to take part?
 - If yes, why chose to take part
- What do you understand to be the purpose of PbR? What is it intended to achieve?
 - Probe: what behaviours are LAs trying to influence at children’s centres level? What are they expecting children’s centres will do differently?
- Do you feel you know how PbR works?
 - Probe whether know what the measures are, what payment mechanics are (broadly speaking) and whether they expect to ‘benefit from rewards’ or ‘be subject to top-slicing’

- How do you view your Centre's participation in the trial – is it a good thing or a bad thing?
 - Probe fit with the role; priorities; ethos and culture of your centre
 - Has view has changed over time and does view apply to all children's centres or just theirs

Experiences and Impacts of the trial: Overview

- Overall, if it continues, do you expect PbR to have any effect on children's centres in this area?
 - Probe effects on children's centres in general, and on their Centre in particular

Planning & delivering services

- Since the trial began, have there been any changes in the focus or priority you give to particular groups in the community?
- Have there been any changes in the types of services you offer, or are thinking of offering in future?
 - Probe if moving to more use of EBPs (Evidence-Based Programmes like Family Nurse Partnership, Incredible Years, Triple P
- Have there been any changes in the ways in which your centre delivers services?
 - E.g., one to one, group, outreach, signposting
- Have there been any changes in the ways in which you work with other agencies (or who you work with)
- Has anything changed in the way you collaborate or work with other local children's centres since the trial began?
 - Probe competition & sharing issues
- Has the introduction of PbR had an impact on the extent to which children's centres are innovative or prepared to take risks? (or could it do so in future)?

Monitoring results & using data

- PbR places a lot of emphasis on collecting and using data about services. Has your centre been involved with any new or different ways of **collecting** data since the trial began?
 - Probe: how, and whether new or changed since PbR started; do they collect data on outputs only, or on outcomes as well? Are they getting more 'data savvy'?
- And has your centre been involved with any new or different ways of **using** data since the trial began?

- Probe: especially interested in knowing if there has been a shift to using data to understand user population better, identify gaps in service, plan and monitor their own services, compare local performance, etc
- Does PbR relate to the Ofsted inspection arrangements in any way?
 - Probe: how does Ofsted framework map to PbR measures; which is more motivating to change/likely to improve children's centres?

Agreements, Commissioning, Budgets

Directly-run

- Have your budgeting arrangements changed since the trial began (or will they change)?
 - Probe how much control over budget, if delegated to any extent, degree of autonomy over funds and resources and if changed, relationship to PbR
- Before the trial started, did you have pre-specified targets?
 - Probe what if so and whether same/different to PbR measures
- Before the trial started, was any element of your funding/payment contingent on results?
- How are concerns about a centre's performance dealt with (by the LA)?
- Has anything changed with respect to performance management (or could it change) as a result of PbR?
 - Probe: (how) do they expect PbR to affect annual budget and financial management; sustainability; and ability to deliver basic and new service

Commissioned

- Has anything changed as a result of the trial connected with how the LA agrees or manages the contract for your centre or group of centres?
 - Probe: services to be provided, budget, performance management criteria
- Before the trial started, did you have pre-specified targets?
 - Probe what if so and whether same/different to PbR measures
- Before the trial started, was any element of funding/payment contingent on results?
- If there are concerns at LA level about the centre's performance, how are those dealt with?
- Has anything changed with respect to contract performance management since the trial began?
- Do you expect it to change in future?
 - If yes: how and with what impact

All types of centres

- Have you made any changes in the way you manage budgets internally (within your centre or group of centres) since the trial began?
- If PbR continues, will you make any changes in the way you manage budgets internally (within your centre or group of centres)
- If PbR continues, how will that affect the financial position of your centre or group of centres
 - Probe: how they will manage if don't get reward payment; longer term planning and sustainability
- Apart from the development funding, have you gained any new resources as a result of taking part in PbR trial?
 - Probe what, from where, why given, how used, how useful, etc.
- Has the prospect of potential extra resource from reward payments from PbR enabled you to do anything new or differently?
 - Probe: if not yet, might it do so in future?
- Have you thought about how you will use any PbR payments/rewards?

Will you:

- reward individual staff
- reward staff as a group
- use the payment to add new or modify/develop existing services (if so what & why)
- will any rewards to staff be monetary or in-kind (for example a small present, training, extra day's leave)
- How large do monetary rewards need to be at the Centre level in order to make a difference to what you do in your Centre? Why?
 - Probe: how would a LA identify what level of payment would change what children's centres do?
- If local groups or clusters of children's centres got a reward payment collectively, how large would it need to be to make a difference to what you do or how you work?
- If PbR took the form of 'top slicing'(money held back from core budgets contingent on certain outcomes), would that change what your Centre does or how it works?
- Do rewards need to be monetary or entirely monetary? What other than money would motivate you to make changes to what you do or how you work?
- Does better data change what children's centres do? If so: because it enables:

- seeing or showing others what they are achieving,
- better/easier identification of how improvements might be achieved – for example by targeting specific groups
- comparison with other centres
- Do local PbR measures change what children’s centres do? If so because this means:
 - verification at the LA level of what they are achieving
 - threat of a change in staff management if they under-perform (for in-house centres)
 - the threat of not being re-commissioned if they under-perform (for commissioned centres)
- Do national PbR measures change what children’s centres do? If so because this means:
 - it helps the Local Authority to perform well in national comparisons across LAs

Overall impact on local services

- Has the visibility or ‘profile’ of children’s centres been raised in any way since the trial began
 - Probe: in what ways and from whose perspective (e.g. political?)
- Has/could PbR change the local role of children’s centres?
- Has/could PbR lead to improvements in the way children’s centres are run or operated?
 - Probe if PbR may stimulate more efficiency. Have you made / would you make any changes to deliver the same services using fewer resources? Are there areas where you have / could economise on costs? Are there specific examples?
- Has/could PbR lead to improvements in outcomes for the users of children’s centres?
- Are there any ‘perverse incentives’ or negative outcomes that have been, or could be the result of PbR?
 - Probe especially for actual evidence or just concerns

Close

- What advice would you give/what learning would you share with other children’s centres who may be involved in a PbR scheme?

- Is there anything else we haven't touched on about PbR that you would like to say?

C. TOPIC GUIDE FOR STRATEGIC LEADS

Background & Introduction

- Name, Job Role, level of involvement in PbR trial to date and in setting strategic direction connected with PbR

Overview and broad objectives

- Overall, how is the concept of PbR in general currently viewed in this authority? Are stakeholders broadly positive, negative, or agnostic about it?
 - Probe: Reception by different stakeholders (Directorate/strategic leadership, elected members; Reasons for positions taken)
- Overall, how is the concept of PbR in children's services and in children's centres currently viewed in this authority?
 - How PbR 'fits' with other Stakeholders' own objectives, monitoring and performance management of service outcomes
- Broadly speaking, why is this LA participating in the National Trial and what does the LA hope to achieve?
 - Probe to get specific examples of what the LA wants to see change as a result of PbR. Probe beyond 'opportunity to pilot/get ahead of national policy thinking' answers and find out what practical changes if any are a possible result
- What about the Local Trial: what does the LA hope to achieve?
 - Probe to get specific examples of what the LA wants to see change as a result of PbR at local level and in children's centres
- Are the strategic objectives of the local trial connected to the objectives of the national trial?
- Why did you agree to continue with the national trial?
- Do you expect to change any elements of the local trial in this next phase?

Interface between trial and strategic thinking, policy direction or profile with respect to children's centres locally

- Has strategic thinking about the role of children's centres in this LA changed since the PbR trial began?
- Has the profile or visibility of children's centres changed locally as a result of the trial, and if so, how and with whom?

- Has developing PbR changed thinking or planning about which types of organisations provide children's centres?
 - Probe issues around LA direct control versus contacting out: shifts in thinking now, or likely in future?
- In this Authority, are fears that small providers could be competitively disadvantaged relative to larger providers proving justified?
- Has developing PbR influenced or changed thinking or planning about the target population for local children's centres?
 - Probe issues with respect to balance between universal and targeted; emphasis on disadvantaged groups etc.
- Has developing PbR changed thinking or planning on the specific types of services that will be available in children's centres?

Interface between trial and strategic thinking or policy direction in wider children's services locally

- Has strategic thinking or planning about how you provide children's services (other than children's centres) in this LA been influenced by PbR?
 - Probe: Might be changes in: balance of services for different level of need; geographic spread/location; shift to EB services; more jointly provided services; changes in balance of in-house & contracted out; performance management; contract management
- Is this LA likely to continue to develop PbR approaches for other areas of children's service provision, independently of the children's centres trial?

Financial, contracting and performance management aspects

- What is your current thinking about the predicted amount for reward payments from the National trial: if it is not sufficient to provide an incentive to do things differently in this LA, what would be sufficient?
 - Probe: Does the amount matter, or is it the principle of being paid by results that drives change? If the amount matters, how to judge
- Has the possibility of a national reward payment influenced the budgeting process for children's centres in this LA?
 - Probe especially on the in-house budgets: how are they factoring in PbR?
- If National PbR continues in the longer term, will it change budgeting in any way?
 - Probe issues around reward payments versus top-slice/penalties for non-delivery. How can non-recurrent, non-guaranteed payments be factored into budgeting process

- Does local or national PbR carry implications for the financial viability of children's centres?

Directly-run centres:

- Has PbR led to any changes in the way that performance is managed in directly-run centres?
 - Probe: specific details, and if no changes yet, will they be likely in future?

Externally commissioned centres:

- Has PbR led to any changes in the way that contracts are managed in contracted-out centres?
 - Probe: specific details, and if no changes yet, will they be likely in future?
- Is PbR equally suitable for in-house (directly-run) children's centres and centres that are externally commissioned?
 - Probe: Could PbR change the balance of provision between small and large providers, or between contracted out and directly-run centres, and if so, does it matter?

Political and broader aspects

- Has the way PbR has developed in this LA been enabled or constrained by local political factors?
 - Probe extent to which local politicians following progress of trial, and involved in strategic discussions
- Has the introduction of PbR had an impact on the relationships between children's centres and other agencies (e/g health) (or could it do so in future)
- Has the introduction of PbR had an impact on the extent to which children's centres are innovative or prepared to take risks? (or could it do so in future)
- Is PbR more, or less, relevant to improving services in times of financial constraint?
- And lastly, if you were asked to summarise what have been the main benefits of participating in the trial so far, what would you say?
- And what have been the main drawbacks?



Department
for Education

© Frontier Economics Ltd 2014

Reference: DFE-RR292

ISBN: 978-1-78105-286-0

The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Education.

Any enquiries regarding this publication should be sent to us at:

alan.lott@education.gsi.gov.uk or www.education.gov.uk/contactus

This document is available for download at www.gov.uk/government/publications