



Department
for Education

Payment by Results in Children's Centres Evaluation

Research brief

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Frontier Economics & the Colebrooke Centre

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Summary Report

The trial of Payment by Results (PbR) in children's centres was undertaken between September 2011 and March 2013. The objective was to test whether PbR incentivised a local focus on the core purpose for children's centres using a unique "two-tier" model. This two-tier model consisted of a "national" element of commissioning arrangements between the Department for Education (DfE) and Local Authorities (LAs) and a "local" element involving the service and commissioning arrangements between LAs and children's centres.

The evaluation of the trial aimed to provide evidence on the impact of national PbR on local decision-making and on what works in terms of the practical implementation of a national PbR scheme. It also sought evidence on how local schemes were developed and on the conceptual and practical challenges to creating local PbR models for children's centres.

Key Findings

- National PbR had some impact on LA processes or decisions concerning children's centres in most trial areas and influenced a greater focus on the core purpose in a small number of LAs.
- National PbR was associated with enhanced partnership working with health and a greater focus on targeted services across most LAs, although similar changes were also observed in non-trial areas for reasons not related to PbR.
- The trial drove most LAs towards developing a local PbR approach with children's centres and led to substantial improvements in the availability and use of local data.
- However, the PbR trial did not raise awareness about children's centres among local politicians and LA officials outside of early childhood services and had little impact on the use of wider research evidence on effective practice.
- The impacts of national PbR were mostly driven by the trial *per se* rather than by PbR and by the national measures rather than the financial aspect of the scheme.
- The ineffectiveness of the national payment mechanism was mainly due to the low level of reward payments, showing that money in itself is unlikely to have an impact on LAs and reward payment amounts must be sufficiently high to generate an incentive to change local behaviour.
- A two-tier PbR scheme is likely to be more effective if there are close matches between the national measures and all PbR objectives and if the national measures and reward structure are developed and announced prior to the start of planning at the local level.

- The development of local PbR schemes highlighted some conceptual challenges in applying PbR to children’s centre services including issues of attribution; an ethos of support for poorly performing centres; and the effectiveness of financial incentives for centre staff. However, with suitable modifications to address these challenges, PbR as an approach appears inherently feasible for application to children’s centres.

Background

The PbR trial in children’s centres

The Department for Education (DfE) began the trial of Payment by Results (PbR) in children’s centres in September 2011 and it lasted 18 months until March 2013. The stated objective was to see whether PbR incentivised a local focus on the core purpose for children’s centres defined as “improving 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.” The trial involved 26 trial areas covering 27 Local Authorities (LAs) with one area consisting of a joint trial of two LAs.

Because central government does not directly commission children’s centre services, the 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 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.

Evaluation methodology

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

Second, the aim was to collect evidence on what works in the practical implementation of a national PbR scheme. 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.

The evaluation used five sources of evidence:

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

Summary of Findings

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 by the trial LAs.
- Implementing PbR involved some (but generally not considerable) resource cost in most trial areas. The trial grant funding, which ranged from £84,000 to £285,000 as determined for each LA, was viewed as essential to the development of PbR in most areas.
- Assistance from central government was particularly helpful to the development of PbR including the facilitation of learning between trial areas. 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. Views were mixed on 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* rather than by PbR 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 of the national payment mechanism 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 as a consequence of these features. It is not possible to draw conclusions about whether a stronger financial element in the PbR mechanism could have been more influential. But the initial interest raised within some LAs by the potential of monetary rewards suggests that more substantive rewards may have had greater impact.

Impacts of national PbR

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 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.
- 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 influenced understanding of and focus on the core purpose for children's centres in a small number of areas.
- National PbR had little impact on the use of wider research evidence on effective practice, possibly because it was not explicitly connected to the national measures.

- National PbR 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 similar trend in non-trial areas due to the need to target resources in the face of limited or reduced budgets and this may have been driving the change in the trial areas rather than the PbR trial.
- A small number of changes in service delivery resulted from PbR including new breastfeeding initiatives in some areas (related to the corresponding national breastfeeding measure) and indications that PbR had enhanced incentives to innovate in service processes and delivery in a few areas.

Although there were speculative concerns about perverse incentives 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 had passed for serious issues to have emerged.

Development of local PbR schemes

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 a completely developed local PbR model by the end of the trial period.

The trial was an important factor driving LAs to move towards a local PbR approach. However, national measures were not an important factor in the choice of local measures which was primarily driven by local priorities or the need for measures which could meet the requirements of a PbR mechanism. National measures have been unimportant partly due to their announcement 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 core purpose did not dominate the focus of local PbR models. In addition, there was a shift in thinking towards focusing on monitoring outcomes rather than outputs, that is, measures based on the use of services rather than those based on the behaviour or characteristics of children or families. However, the challenges of practical implementation meant that there was a heavy emphasis on outputs in the local measures, although with reinforced consideration of the links between these outputs and final desired outcomes.

There were some common approaches in the design of local 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.

Most trial areas reported that local PbR would probably continue in their area in the absence of a national scheme. However, a substantial proportion of these indicated that these schemes might not include a financial reward element and would not therefore, strictly speaking, be a continuation of PbR.

Conceptual challenges to the application of PbR to children's centres

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

- 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 for centres 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 include 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.

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.

Impacts of local PbR schemes

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, a major success of the trial has been the improvements in the availability and use of local data. These developments have 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. The improvements in data have to some extent been facilitated by rather than motivated by the PbR trial (particularly by the grant funding), but PbR has pushed on the advances.

In addition, while there were concerns about the risk of perverse incentives at the centre level, few actual examples materialised. This was 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.

Conclusions

The evidence suggests that the PbR trial for children's centres had some important effects on local thinking about children's centres and the delivery of children's centre services. National PbR had some impact on LA processes or decisions concerning children's centres in most trial areas and influenced a greater focus on the core purpose in a small number of LAs. It was also associated with enhanced partnership working with health and a greater focus on targeted services across most LAs, although similar changes were also observed in non-trial areas for reasons not related to PbR. At the local level, the trial drove most LAs towards developing a local PbR approach and led to substantial improvements in the availability and use of local data.

The influence of the national element of the scheme benefited from the careful design of the national measures and the support given to enhance learning about the trial. However, the impacts were mostly driven by the trial *per se* rather than PbR and by the national measures rather than the financial aspect of the scheme. The low national

reward payments in the trial showed that money *per se* is unlikely to have an impact on LAs and payment amounts must be sufficiently high to generate an incentive to change local behaviour. In addition, the trial highlighted that a two-tier PbR scheme will be more effective if there are close matches between the national measures and all PbR objectives and if the national measures and reward structure are developed and announced prior to the start of planning at the local level.

Development of local PbR models highlighted some conceptual challenges in applying PbR to children's centre services (and potentially other similar services) including issues of attribution; an ethos of support for poorly performing centres; and the effectiveness of financial incentives for centre staff. However, with suitable modifications to address these challenges, PbR as an approach appears inherently feasible for application to children's centres.

Although the national PbR trial ended last year, most trial areas reported that local PbR would probably continue in their area and lessons from the trial are likely to continue to emerge in the future. In particular, 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.



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