Briefing Paper: Payment by Results for the Family Sector

By The Children’s Society and the Family and Parenting Institute

1. Payment by Results (PbR) is increasingly being seen as a mechanism to improve the impact of services available to children and families – including through the provision of Children’s Centres and services to support vulnerable and ‘troubled’ families. This Briefing Paper explores some of the key issues related to PbR and some potential solutions to some of the challenges identified in making a success of new models.

2. The paper is aimed at informing those designing or implementing PbR models for services targeted at families and children. It is an initial guide. As ‘live’ PbR trials develop and the use of PbR increases across the sector, further understanding will be developed and shared. The paper follows a roundtable event in late 2011 attended by policy-makers and sector leaders representing a range of family sector organisations, including charities, the civil service, local government, the private sector, think tanks and academics.

3. The Children’s Society and the Family and Parenting Institute jointly hosted the roundtable and authored this paper. We are grateful to the Department for Education’s Family Strategic Partnership (of which the Family and Parenting Institute is a partner) for enabling the roundtable session to occur.

A) Current Context

4. Payment by Results (PbR) entails funding or partially funding an intervention or service on the basis of the results it achieves, rather than on the cost of the activities or outputs it delivers.

5. PbR approaches are designed to strengthen the incentives for service providers to develop innovative solutions to complex social problems and, in doing so, create public services that are better tailored to the needs of their users.

6. PbR should be regarded in the context of other forms of outcomes-based commissioning methods including general outcomes-based contracts and the more complex development of Social Investment Bonds.

7. In different sectors (including criminal justice, the Work Programme and health) PbR models have taken different forms as highlighted in a range of other briefing papers. Models vary in several respects including:
   a. the contract duration
   b. the level (or percentage) of PbR-related payment
c. the emphasis placed on partnership working (and sub-contracting through the voluntary sector)
d. the specification and measurement of short-term and long-term outcomes
e. the data collection methods and evaluation approaches.

8. The payment mechanism is clearly a core element of a PbR model as it provides the incentive structure, which aims to focus the service on specific outcomes, to improve those outcomes, and at the same time foster innovative methods of delivery.

9. There are a range of models currently being developed across services for children and families with, for example, no single approach currently emerging in relation to the trials in Children’s Centres. To illustrate one of the approaches, below is an example of a payment mechanism being used by some Local Authorities in the pilots for Sure Start Children’s Centres.

**Figure 1 – Sure Start Children’s Centre – Example Local Authorities pilot payment structure**

Some Local Authorities are linking the payment on outcomes to the local quality judgment rating of the Children’s Centres in their area. A “Satisfactory” rating will mean that the Children’s Centre will receive their base budget, sufficient to deliver on their core purpose. A “Good” or “Outstanding” rating will mean that a children’s centre receives additional funds which must be re-invested into their reach area. An “Inadequate” rating would produce a negative penalty, with the children’s centre having to fund the additional visits required when Centre’s are given an inadequate rating.

<table>
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<tr>
<th>Financial implications</th>
<th>Local quality judgment</th>
<th>Quality factors</th>
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| Additional payment for “Outstanding” level of quality = Base budget + x%. To be invested into reach area | Outstanding            | • Targets are exceeded  
• Outstanding overall effectiveness and capacity to improve |
| Additional payment for “Good” level of quality = Base budget + x%. To be re-invested into reach area | Good                   | • Targets are met  
• Good overall effectiveness and capacity to improve |
| Receive base budget only                   | Satisfactory           | • Targets are not being met but plan in place to rectify by end of year  
• Satisfactory overall effectiveness and capacity to improve |
| Centre charged for additional monthly Quality Assurance visits | Inadequate             | • Targets not being met  
• Inadequate overall effectiveness and capacity to improve |
Current policy context

10. A commitment to PbR was made explicit in the Open Public Services White Paper which described “open commissioning and payment by results” as “critical to open public services”. The White Paper went on to say “some outcomes take such a long time to deliver, such as the impact of early years family interventions in cutting crime, that a payment by results model may need proxy outcomes to be set that are deliverable more quickly.”

11. PbR is also featured within Graham Allen’s report, Early Intervention: The Next Steps, which argues for more “pioneering financial ideas, such as PBR for outcomes and social impact bonds” to reduce the number of children and young people requiring services.

Payment By Results in Sure Start Children’s Centres

12. In July 2011, the Department for Education (DfE) initiated a trial of PbR across Sure Start Children’s Centres in 9 Local Authority (LA’s) areas. In September 2011, a further 17 areas were announced.

a. This can be viewed as a two-tier trial in the sense that, at one level, the Department for Education is creating PbR mechanisms for Local Authorities around key outcomes; and then LA’s are instigating a PbR mechanism for commissioning Children’s Centres.

b. As part of the trials, the DfE asked LA’s to ensure that Children’s Centres focus on improving four core outcomes, Early Years Foundation Stage results, breastfeeding rates, improving the home learning environment, and building sustained contact with the most disadvantaged children and families.

c. LA’s are given the flexibility to design the trials with children’s centres in their areas, with some additional up-front funding to set up the appropriate systems.

d. At present, for the DfE to LA tier of the pilots, there will be a small amount of reward funding linked to PbR. Emerging evidence is that in some areas the proportion of payment linked to PbR, for the LA to Children’s Centres tier, could be much greater but this will depend on discussions between commissioners and providers.

e. A further intention of the pilot is to improve the quality of data and evidence of impact for Children’s Centres so that outcome measures can be clearly identified and set in the future and better evidence is available of the impact of Children’s Centres on outcomes.


**Payment By Results with Troubled Families**

13. In December 2011, the Prime Minister announced the appointment of Louise Casey to head up a new Troubled Families Unit to be situated within the Department for Communities and Local Government. This was followed by an announcement in January 2011, that the Unit would be spearheading a new £200 million PbR “outreach service” to drive up employment rates among Troubled Families.

14. As PBR gains momentum, it is possible that a range of health, educational, parenting and relationship support and social outcomes will come under the spotlight as potential applications of PbR approaches.

**B) Experiences of service providers in implementing PbR**

15. At the roundtable session, two speakers gave first-hand experience of implementing a PbR model in family services. Firstly we heard from a Children’s Centre Manager from The Children’s Society whose Local Authority instigated their own PbR trial in 2011/12, and are part of the local pilots of PbR in Sure Start Children’s Centres from 2012/13. We also heard from the Managing Director of Education and Children’s Services of a private-sector service provider who has been involved in implementing PbR models in a number of settings including reducing reoffending, the DWP’s Work Programme, and delivering education contracts. The following key points were raised by the speakers;

**The experience of a Children’s Centre Manager:**

- The Children’s Centre was part of a Local Authority who decided to run a ‘pre-trial’ trial in 2011/12 in advance of a more formal trial of PBR approaches. Overall, the experience was described as mixed, with a lot of learning gained.
- The Challenges included:
  - The Children’s Centre had previously led on providing Universal Services and was not contracted to provide intensive support to the most needy children and families, such as children on child protection plans or in categorised as Children in Need (this level of support would be provided by Children’s Services and specialist teams). However providing regular and sustained support for the most needy children was defined as a key outcome for the Children’s Centre in this PbR model.
  - The database provided by the Local Authority recorded family groupings in preference to individuals and was also unable to record the history of children who were moving in and out of categories of need. Partner agencies were also unable to tell the Children’s Centre who the most needy children were.
  - The trial period was too short for systems to change and impact to be made and was not able to identify a potential two-year lag on assessing outcomes.
• Positive learning included:
  o It led to a tightening up of recording procedures and databases within the Children’s Centre.
  o It facilitated greater information sharing between local bodies, allowing for more co-ordinated provision of services to the children and families targeted.
  o While being less efficient in the short term due to resource required for set-up, there were signs of growing efficiency for the longer term.

• There were limited signs that the experience fostered innovation or created a more targeted approach. There was also a deeper concern highlighted by the speaker that targeting in this way could potentially increase stigma and isolate the most needy children and families.

The experience of a Service Provider from the private sector;

• It was emphasised that this is not a new concept and should be seen as just one form of Outcomes Based Commissioning. PbR can work but only if outcome specification and invest to save, two other pillars of Outcomes Based Commissioning, are in place. There are signs that DfE are designing the current SSCC’s pilots in this way.

• Learning points from experiences of Prison, Work Programme, and education contracts included:
  o The risk, responsibility and reward must be aligned between all partners and not overly concentrated in one.
  o There needs to be wide-spread and consistent agreement across a local service area on the outcomes to focus on. For example, in one local education area, support was prioritised for secondary school students, however the broader issue for the area was clearly in early years provision
  o PbR needs to be accepted and embedded from top to bottom in public services, from central government to local authorities to local providers. It will be unbalanced if there is only one aspect of this in place.
  o Up-front financial support is required for small and medium-sized organisations who will experience cash-flow problems otherwise.
  o Clarification of outcomes is key and only outcome that can be attributed robustly should be set. It is possible to use proxies for longer term outcomes, but there is a need to avoid ‘drift’ into a focus on short term outputs only.
  o Users should be involved in designing the schemes from the beginning.
C) Issues and opportunities

16. The following summary covers some of the main issues that were identified at the roundtable. These were discussed in terms of delivering PBR and the final section highlights some potential solutions identified by the roundtable participants;

Issues around ‘Payment’

- **Timing** – the payment structure established needs to include sufficient funds for set-up, on-going work and re-investment. Delaying payment(s) may mean that organisations cannot sustain a service over a number of years.
- **Scale of the PBR element** – will a small proportion (for example less than 5%) be successful in driving innovation and improving outcomes? How far will, or should, this tariff extend to? Should there be a sector agreed cap for PBR beyond which the financial risk exposure is too great for most providers to continue providing the service?
- **Invest to save** – this is another core element of Outcome Based Commissioning, and requires sufficient up-front investment to set up the monitoring and data collection systems required to track outcomes. This investment must be available within current and emerging PBR models.
- **Cash flow** – some organisations are unable to meet the financial exposure and start-up capital needed – there could be ways to support small providers in this, e.g. through social investment funds or through partnering larger and smaller voluntary sector organisations.
- **Vicious cycle** – failure to achieve PBR outcomes will result in reduced funds for the service. This will mean there are reduced funds to invest in improving the service, which may result in a vicious cycle where underperforming services or centres are unable to invest in improvement resulting in the most needy groups being left even more vulnerable as service reduces.

Issues around ‘Results’

- **Outcome specification** – many of the desired outcomes are long term, and therefore there is an inevitable need to measure short term proxies. There is a risk of still paying on outputs, or using false proxies. Outcomes must be measurable and their impact attributable to the service provided. There was felt to be a lack of clarity around the difference between outputs and outcomes.
- **Timescale** – there needs to be at least two years to develop a robust commissioning framework. An end-to-end evaluation must be established to obtain trend data on outcomes.
- **Avoiding perverse incentives** – the system must avoid perverse incentives, including cherry-picking and cream-skimming of users who are easier to reach, or for who it is easier to improve outcomes. A carefully designed contract is key to ensure that this does not become the case.
- **Attribution and impact** – outcomes need to be focused on sustained improvement in social outcomes, and need to be appropriately evaluated against a relevant counter factual, to allow attribution of causation. In partnerships, outcomes need to be correctly attributed to each partner(s) impact.
• **Understanding family outcomes** – One further issue to grapple with in terms of applying PbR to the children and families sector is the lack of history in measuring “whole family” outcomes. Outcomes tend to focus on individuals (often the child) and less on the unit of analysis of the family. Often these two would be similar, but there may be times when focusing on the child outcomes, the parent’s outcome, and the “whole family” outcome may be in conflict.

**Remaining ‘Other’ issues and tensions**

• **Effective systems** - need to be established to monitor and evaluate the model – up-front investment is required to set up the IT system and to build capacity (time and skills) into service providers.

• **Data** – data needs to be shared openly and transparently between partner providers, and often from agencies not involved in the PbR contract itself.

• **Failure regimes/ accountability** – what happens in a situation of failure, when service users require a continuity of service? There is an emerging innovative approach in SSCC pilots with a buddying scheme between providers being set up.

• **Relationships** – effective relationships between commissioners and providers are essential – both voices should be heard in an equal, open negotiation of both the design of the delivery model and decisions on specified outcomes.

• **Localism** – what will happen when national and local priorities regarding outcomes are not shared?

• **Professionalism** - practitioners are unlikely to be motivated by payment-based incentives. PbR requirements will impact on the role of volunteers and the overall voluntary element of the sector.

• **Personalisation** – Are outcomes-based services the opposite of needs-based services, and if so, where does PbR fit with personalised public services?

• **Innovation** – It is unclear whether providers will attempt to avoid risk and stick with established approaches. If so, how can innovation be appropriately incentivised?

• **Political & financial cycles** – It is possible that local or national political events might influence the timing of when outcomes are sought. Can cross-party consensus on key outcomes in areas of the sector be achieved?
D) Moving forward

17. The use of PbR in the children and families sector is quickly evolving. This learning experience started before the Coalition Government came to power in 2010, but has increased significantly over the past two years. Two things have become clear. Firstly, that there is no one preferred model of PbR which can be applied in all contexts, and secondly that PbR alone will not in itself achieve positive outcomes for the sector. Ongoing experience of ‘live’ PbR trials and contracts, for example through the Sure Start Children’s Centres pilots, has shown that PbR can have some positive impact in certain settings, and that its application may take on many different forms.

18. Participants at the workshop were clear that the only way to further the understanding of how and where PbR could be effective in the children and families sector was through actively engaging with commissioners and Government, through sharing and learning from experience, across the sector. This will be vital to ensure that PbR is used as a delivery model in the appropriate settings and results in improved outcomes for children, young people and families.

19. At the workshop we asked participants to propose some key principles or ‘red-lines’ which should frame the sector’s approach to furthering the understanding of the use of PbR in relation to children and families. Some key principles were proposed. These included;

- The ‘winners’ of reform must be children and families and the views of service users must be central to any new models of delivery and specification of outcomes.
- PbR must not threaten the existence of core statutory, universal services for children and families. Where services ‘fail’ this should not harm the provision of services to vulnerable groups.
- There must be widespread commitment to investing in outcomes not outputs – developing outcomes for individual services and “whole families” will take time.
- PbR alone won’t improve outcomes – this needs to be accompanied by investing in the professional workforce and infrastructure around the family – including information and advice for parents about available services.
- PbR may be inappropriate in some settings and where the risk goes up (for example the importance of effective safeguarding arrangements) so too may the price of getting the intervention right. It should be accompanied by further focus and investment in programmes with an existing evidence base. We must avoid inappropriate outcomes being forced on children and families because of the premium on achieving outcomes. Evaluation of PbR models must include a look at that appropriateness of outcomes.
20. We also asked participants at the end of the session to indicate what the **practical next steps** could be. Their thoughts are summarised below;

- Further debate is required about the potential **outcomes** to be selected for PbR models with vulnerable families and their relationship with other outcome areas (like health, wellbeing, anti-social behaviour etc). This would be enhanced by an understanding of the evidence base on what works in improving outcomes for ‘troubled’ families.

- Clarity is required on how infrastructure support and information to parents will continue to be funded within a primary outcomes-based payment model. Furthermore, the complexity of data collection around outcomes means that capacity-building and infrastructure developments will be necessary across the Local Authorities and the voluntary sector in order for systems and data gathering to run smoothly.

- There is a need to create mechanisms, like the Social Investment Bank, to ensure that financial security is available to voluntary sector and small, local providers who may be affected by timings of payments, lack of seed funding for new services, and the lapse in time between providing the service and observing an outcome. Reserve central funding is required for situations where local performance is not sufficient to provide the required services to meet national priorities.

- There should be an official accountable for Payment by Results in each Local Authority to ensure oversight on the overlap across different PbR approaches being adopted – for example across vulnerable families and children’s centres and into health and anti-social behaviour initiatives. This would be a helpful way to share learning, identify issues of duplication, and provide a single contact point into local authorities for both national government and for VCS organisations.

- The Voluntary and Community Sector must continue to engage with the design and implementation of schemes, ensuring trials are based on local needs and keeping an active eye on whether cream-skimming is occurring or whether any at-risk groups are being ignored. This requires continued forums to share knowledge across the children and families sector with commissioners, policy-makers and practitioners.

- The Voluntary and Community Sector must ensure they approach PbR in an active, but challenging way, and raise concerns with a co-ordinated voice. The sector, along with Government, should establish a regular forum for practitioners to feed back their experiences of PbR to decision-makers in local government and central government and that also builds in the voice of service users and children and families.

END
Further information

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References:

1. *Thinking About....Payment by Results* – GHK International and NHS West Midlands -  
2. *Payment by Results and the Youth Justice System* – National Association for Youth Justice -  
5. *Payment by Results trials in Sure Start Children’s Centres* - Department for Education -  

Additional briefings on PBR

- A4E An introductory guide to Payment by Results  
- ACEVO One Million Reasons for Reform –Early Years Taskforce  
- NCVYS A briefing that sets out details of Payment By Results (PBR) and Social Investment  
- NSPCC A discussion paper looking at the benefits and challenges of adopting a payment by results approach to commissioning services for children and families in England.  