



National Audit Office

Report

by the Comptroller
and Auditor General

**Department for Communities and Local Government
and the Department for Work & Pensions**

Programmes to help families facing multiple challenges

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National Audit Office

Department for Communities and Local Government
and the Department for Work & Pensions

Programmes to help families facing multiple challenges

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

27 November 2013

This report examines the design, implementation and performance of two government programmes to help families address a range of challenges.

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This report can be found on the National Audit Office website at www.nao.org.uk/2013-troubled-families

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Key facts

	Department for Communities and Local Government	Department for Work & Pensions
Programme name	Troubled Families	Families with Multiple Problems
Provided by	Local authorities and partner agencies	Prime contractors
Programme objective	To turn around the lives of 120,000 troubled families between 1 April 2012 and 31 May 2015	To place 22 per cent of individuals attached to the programme in the period 1 January 2012 to 31 March 2015 into employment ²
Central government budget over three years	£448 million ¹	£200 million
Central government budget spent in first year of the programme's operation	£128.0 million	£7.8 million
Estimated annual cost to government of troubled families	£9 billion	

Notes

- 1 The Department for Communities and Local Government expects local authorities and their partners are expected to contribute an additional £600 million worth of services to the programme, including resources 'in kind'.
- 2 The Department for Work & Pensions' programme also looks to move families with multiple problems towards employment.

Summary

1 In 2006, the government estimated that there were 120,000 families in England facing multiple challenges such as unemployment and poor housing. In 2011, it revised its definition to include other challenges such as crime and antisocial behaviour. It estimated that the cost to the taxpayer of providing services to support these families was approximately £9 billion a year, of which £8 billion was spent reacting to issues and £1 billion trying to tackle them.

2 In 2012, the Departments for Communities and Local Government and Work & Pensions both introduced programmes to help these families.

- The Department for Communities and Local Government's Troubled Families programme aims, with other initiatives, to 'turn around' 120,000 families facing multiple problems over three years from April 2012 to May 2015. The Department also wants to encourage a more joined-up approach by all the public agencies that interact with the families. It has a budget from central government of £448 million, with an expectation that local authorities and their partners will contribute an additional £600 million of resources over the same period, including resources 'in kind'. The Department is responsible for implementing an extension to the programme beyond March 2015.
- The Department for Work & Pensions' *Families with Multiple Problems* programme seeks to move 22 per cent of individuals attached to its programme into employment and to move others nearer to employability. It has a budget of £200 million for December 2011 to March 2015.

3 Both programmes look to support families rather than individuals and address multiple challenges by joining up the activities of local service providers. Both programmes have elements of payment by results. The Department for Communities and Local Government pays local authorities for attaching families to its programme, with a further payment made for achieving agreed outcomes. The Department for Work & Pensions' programme pays contractors for activities that are designed to address a range of barriers to employment to help clients become more job ready. It makes an outcome payment if a client achieves a progress measure or is placed in sustained employment.

4 It is too early to assess the final value for money of the programmes but our report examines the rationale for and introduction of the programmes, their design, and early performance. We set out our audit approach in Appendix One and our evidence base in Appendix Two.

Key findings

The rationale for the programmes

5 The design of both programmes recognises that addressing the intractable problems encountered by families facing multiple issues can lead to social improvements and fiscal benefits. Besides the prospect of improved outcomes for the families and reduced costs, government's rationale for the intervention also recognises that families facing multiple challenges often deal with multiple agencies, which is confusing, costly and unproductive. The government used evaluations of family intervention programmes, employing a key worker approach to join up services, as part of its case for intervention. The Departments' programmes aim to build on the experience of these projects by incentivising local authorities and local service providers to join up services to focus on the problems families face (paragraphs 1.2 to 1.6 and 1.10 to 1.11).

6 Designing a national programme to support families has significant potential benefits but was inherently challenging given the lack of national data. Our reports on early intervention and integration across government have shown the benefits of joining up services and early interventions but also some of the difficulties involved in doing so. While the information used was the best available and each local authority agreed the Department's estimates of troubled families in their area, the lack of up to date national data on the location of families and the issues they faced created risks. For example, despite giving local authorities flexibility to apply a fourth local criterion alongside its three national ones, the Department cannot yet be sure that it has identified all the families in most need of assistance (paragraphs 2.19 to 2.24).

7 There is a potential tension between the objective of the Department for Communities and Local Government's programme and its definitions of success for an individual family. Families join the programme because they are facing multiple challenges. However, the programme's design means that it is possible for a family which joined the programme because it was facing multiple challenges to count as being 'turned around' if it shows improvement in addressing just one of those challenges. In mitigation, the Department drew on evidence showing that, in practice, most families returning to employment will have achieved progress against other challenges (paragraph 2.9).

The Departments' delivery models

8 Using payment-by-results has had advantages, but the Departments need to understand better the risks of using it where cost and other data are weak.

Payment by results has helped to increase the focus on outcomes and encouraged the collection, sharing and reporting of outcome data. It has also encouraged local delivery bodies to use the data to identify and prioritise interventions. The novel nature of the programmes, however, results in risks that need active management. There is a lack of information on costs and the non-intervention rate (the level of outcomes that would have been achieved without the programmes). Without this information, there is an increased risk that the outcome payments will be set either too high or too low. The Department took the view that it had to balance this risk against the social and fiscal costs of not acting swiftly (paragraphs 2.2 to 2.5, 2.14 to 2.18, and 3.23).

9 The Department for Communities and Local Government's use of payment-by-results is not currently incentivising all local authorities to invest all the available central government funding in services.

One of the principal advantages of payments by results is that outcome payments should encourage service providers to direct investments so as to maximise the achievement of outcomes. Local authorities and other local public bodies have invested resources in kind. However, some local authorities have not consistently invested all the central government funding available. Just over half of the 81 local authorities that responded to our call for evidence funded activities only up to the level of the attachment fee and did not budget for any outcome fees they might receive. Additionally, only seven local authorities were budgeting up to the level of both the attachment fee and the outcome fee (paragraph 2.13).

10 The Department for Work & Pensions did not establish how progress measures would contribute to the programme's outcomes.

In its other programmes, such as the Work Programme, the Department moved away from paying for outputs such as attendance on courses and instead focuses on paying for employment outcomes. This is because such activities did not prove to be consistently cost-effective. There is a risk therefore that progress measures on this programme, many of which are activities like courses, will not be cost-effective. This risk is increased because the Department has little previous experience of the type of progress measures they are funding and no consistent data on their impact on employability (paragraph 2.14).

The flexibility and adaptability of the programmes

11 The programmes have both learned from experience but the Department for Work & Pensions' programme evolved slowly. Past programmes have shown that it is important, when launching innovative programmes against a background of incomplete information, that they are flexible and adaptable and that learning is quickly generated and implemented. Both programmes have shown some adaptability along these lines. Prior to the formal start of its programme, the Department for Communities and Local Government responded to early feedback about the level of the initial attachment fee and it has proactively shared good practice between local authorities, seeking to assist them in achieving the goals of the programme. The Department for Work & Pensions has made changes to allow contractors to identify and recruit participants themselves and has changed the payment regimes to improve cash flow to providers. Its changes were in response to a very low level of referrals to the programme which in December 2012 caused providers to threaten to pull out. The Department had recognised that the referral route was a major risk but did not test it, for example, by piloting. Nor could the Department respond quickly to address the problems – partly because the programme was funded from the European Social Fund which involves strict adherence to public procurement regulations (paragraphs 3.19 to 3.22).

12 The Departments designed the two programmes as separate initiatives, without joint governance or programme structures, which has led to poor integration of the two programmes. Both programmes fund improvements in employability, crime and antisocial behaviour among a similar group of people and both programmes fund similar activities. However, there were separate assessments of need and separate business cases and the programmes launched within four months of each other without any clear data to show which programme was best suited to addressing which issue. The Departments sought to coordinate their different efforts through extensive contact, meetings, a later agreement and additional resources. Furthermore, the Troubled Families Programme was only funded to assist families who were not being catered for through existing provision and included an incentive designed to link the programmes together. However, the existence of two separate programmes focused on one issue caused confusion, and providers have told us that it contributed to the low number of referrals to the Department for Work & Pensions' programme which has in turn impacted on the programme's performance (paragraphs 2.6, 2.29 to 2.32, and 3.4).

13 Judged against each programme's own criteria for success, performance of the Department for Communities and Local Government's programme has been stronger than that of the Department for Work & Pensions'. The government's overall objective of turning around 120,000 families will only be met if both Departments' programmes fully meet their own targets, making success for both programmes vital.

- Attachments to the Department for Communities and Local Government's programme are currently behind local authorities' own commitments, although the programme has, to date, exceeded the Department's internal measures of progress for both attachments and outcomes.
- The Department for Work & Pensions' performance is falling well short of its projections. Actual attachments to 30 September 2013 were just 26 per cent of the level it agreed with providers, and job outcomes 4 per cent (paragraphs 3.9 to 3.11, 3.13 and 3.15 to 3.17).

14 There are large variations in performance between local authorities and providers. The highest performing local authority exceeded the number of attachments agreed with the Department for Communities and Local Government for the first year by almost 170 per cent; the lowest performing missed its target by almost 67 per cent. This is important because the Department for Communities and Local Government will only meet its target of 120,000 families if each local authority meets its individual commitment. The highest performing contractor for the Department for Work & Pensions' programme achieved 74 per cent of its target for attachments in the first 21 months of the programme; the lowest performance was 7 per cent. Variations in performance may be explained in part by differences in approach at a local level, such as the timing of interventions to address issues faced by the hardest to help families. They highlight, however, the scope for local authorities and providers to learn lessons from better performers to sustain or improve current performance (paragraphs 3.10 to 3.12, 3.14 and 3.16 to 3.18).

Conclusion on value for money

15 In setting up the Troubled Families and Families with Multiple Problems programmes the government is addressing an important problem with innovative thinking. This is a complex area in which Departments need to make a consistent effort to understand what works and target their programmes at incentivising that activity. However, the Government's approach was hampered by some of the features of the design of each programme. Although there were benefits to early roll-out, the decision not to pilot some of the programmes' innovative features meant that the Departments did not have the required insight into the likely impact of each programme's delivery mechanism at the point of roll-out. The two programmes were run, approved and set up as separate initiatives and, despite considerable efforts from both Departments, there have been difficulties integrating the programmes.

16 While it is too early to make a definitive statement about value for money, the programmes are starting to help some families address complex challenges, including moving towards employment. Whether they can deliver these benefits at the rate required to meet their ambitious targets will only become clear towards the end of their planned lives. However, performance of the programmes to date shows that considerable challenges remain. Early indications also suggest that the incentives may not work in the way that the Departments envisaged. We would expect the Departments to reflect on the experience of the current programmes in designing new programmes after 2015.

Recommendations

17 The Cabinet Office should, in its role as the strategic centre for government:

a implement the recommendations set out in our previous report *Integration across government* to improve the sponsorship of joined-up approaches.

The programmes to help families have demonstrated again the need for policy making, programme design and implementation to be more joined-up. It is important that all the relevant government departments continue to be fully involved as the Department for Communities and Local Government designs the next phase of support to families; and

b share across government lessons from how both Departments designed and implemented a payment-by-results programme. In particular it should share lessons on the need for programmes to be flexible and adaptive if they are launched without the benefits of supporting data sets or piloting. It should also disseminate lessons on the impact of the incentives that payment-by-results mechanisms give.

18 The Department for Communities and Local Government and the Department for Work & Pensions should:

- c continue to work with local authorities and providers to investigate and manage variations in performance.** Significant differences in performance indicate that there is scope for local authorities and providers to learn from each other. The Departments should identify and share practice from the better performing local authorities with the rest of the sector;
- d build on planned work to generate an improved evidence base to support the design of the next phase of support.** Both Departments need a better evidence base to support the identification of the relevant families and the effectiveness and cost of the interventions they are funding. In particular the Department for Work & Pensions should evaluate the effectiveness of the progress measures that it funds and the Department for Communities and Local Government should assess the effect of its incentives on local authorities; and
- e the Department for Work & Pensions should continue to monitor the funding it is likely to distribute over the rest of the programme and continue to reallocate any predicted unused amounts to other programmes.** The Department should complete its assessment quickly to minimise the risk that the United Kingdom underspends its European Social Fund allocation for 2007–2013.

Part One

Programme background

1.1 In this part of the report we describe the cost to the taxpayer of the challenges that some families face and government's recent programmes to address the issue.

Cost of families facing multiple challenges

1.2 The government estimates that there are 120,000 troubled families in England. Its estimate is based on Cabinet Office analysis of the Family and Children survey from 2005. The survey found that 2 per cent of the United Kingdom population were families with dependent children who had at least five of the following characteristics:

- No parent in work.
- Poor quality housing.
- No parent with qualifications.
- Mother with mental health problems.
- One parent with long-standing disability or illness.
- Family has low income.
- The family cannot afford some food or clothing items.

1.3 The government has estimated that the cost to the taxpayer of troubled families was approximately £9 billion annually for the spending review period of 2010–2015, before the programme was introduced. Of the total, the government estimated that £1 billion was spent helping families (for example, programmes to tackle mental health issues and drug and substance misuse) and £8 billion was spent reacting to families' challenges (for example, social care and the costs of crime, such as court costs).

Programmes for families facing multiple challenges

1.4 The Department for Communities and Local Government and the Department for Work & Pensions have launched separate programmes to help families facing multiple challenges.

Department for Communities and Local Government

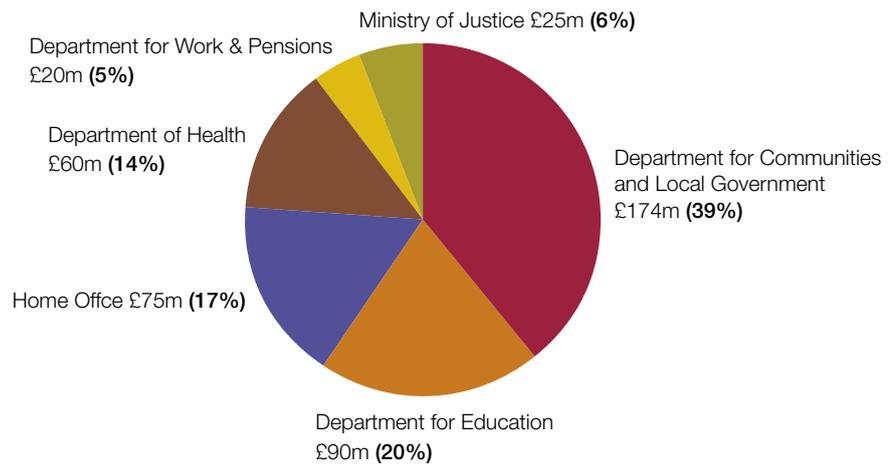
1.5 In December 2010, the Prime Minister made a commitment to ‘turn around’ 120,000 troubled families in England. In September 2011, he announced his intention to launch a cross government programme, led by the Department for Communities and Local Government, to address the issue. The Department’s Troubled Families team introduced a programme designed to encourage local authorities to identify and work with the most troubled families in their area. The programme’s key objective is to turn around the lives of the 120,000 most troubled families by the end of the current Parliament, in 2015. More specifically, the programme’s aims are to reduce truancy, antisocial behaviour, youth offending, worklessness, and the fiscal costs associated with the families. The Department also anticipates that its programme will encourage local authorities to join up services and develop new ways of working with families which focus on lasting change to improve outcomes and reduce costs.

1.6 The Department for Communities and Local Government’s Troubled Families programme, which formally started in April 2012, is intended to consider all the issues that a family faces, building in part on the approach taken by family intervention programmes. The Department has not mandated a specific approach by local authorities, allowing each the latitude to experiment with new approaches. Evaluations of the family intervention programmes demonstrate some successes but there are weaknesses in their scope, including limitations in the use of control groups. The Department has therefore commissioned an evaluation of the various approaches to helping families.

1.7 The programme’s budget is £448 million, for distribution to the 152 upper tier local authorities in England through a payment-by-results mechanism over the programme’s three-year life, from April 2012 to May 2015. Reflecting the programme’s wide-ranging intended effects, six government departments have contributed to its budget (**Figure 1** overleaf).

Figure 1
Funding the Department for Communities and Local Government’s Troubled Families programme

Six departments fund the programme



Source: National Audit Office

1.8 The Department expects the 152 upper tier local authorities in England and other local public bodies to contribute the equivalent of £600 million of their own resources over the same period. However, the Department does not have any powers to influence the level of contribution. And while the Department has collected evidence from local authorities that 99 out of 142 responding to its survey are, along with their delivery partners, contributing their own resources, it cannot quantify this contribution. The maximum overall budget is therefore £1,048 million, including contributions from all 152 local authorities. The Department’s budget includes £51 million to fund, in each local authority for the three years of the programme,¹ a troubled families’ coordinator to oversee the programme. In its original business case, the Department estimated that central government, local authorities and other agencies would achieve a saving of £2.9 billion from the successful implementation of the programme. Since then, it has refined its analysis² and published all currently available cost-related data.

¹ £16 million in 2014-15, and £17 million in 2012-13 and 2013-14.
² The new analysis concluded that the saving would be £2.7 billion.

1.9 The Department for Communities and Local Government's programme pays local authorities for two types of activity. Firstly, the local authority is paid for identifying and attaching a family to the programme according to a mix of nationally and locally set criteria. Secondly, the authority receives a payment once the family has achieved specific outcomes which the Department considers mean a family is 'turned around'. Under the current programme, the Department will only pay for 120,000 families, regardless of how many families local authorities have worked with. **Figure 2** summarises the programme and Appendix Three describes it in more detail.

Figure 2

Overview of the Department for Communities and Local Government's Troubled Families programme

The Department has developed criteria to identify families and pay for successful outcomes

Criteria for attachment to the programme

A troubled family:

- is involved in youth crime and antisocial behaviour;
- has children of school age not in school; and
- has an adult on out-of-work benefits.

Local authorities should attach to the programme all families that meet these three criteria.

Each local authority can also define its own local criteria. It can add a family to the programme if it meets any of the two criteria above and the local (fourth) criteria.

Criteria for payments to local authorities

A local authority receives an attachment fee for each family that joins the programme. For 2012-13, the fee was £3,200, in 2013-14 £2,400, and 2014-15 £1,600.

It will receive a subsequent outcome payment in one of two situations. Either:

- truancy, school exclusion, antisocial behaviour and youth offending rates fall below target levels (£700 per family in year 1);¹ and
- out-of-work members of the family 'progress to work' – i.e. they are attached to or volunteer for the Department for Work & Pensions' programme (£100 per family).¹

or

- after being attached to the programme at least one adult in the family has moved off out-of-work benefits into continuous employment in the last six months (£800 per family).¹
- A local authority will not receive a payment for improvements against the local (fourth) criteria.

Note

¹ These amounts increase each year as the attachment reduces.

Source: National Audit Office

Department for Work & Pensions

1.10 The Department for Work & Pensions announced its *Families with Multiple Problems* programme in early 2011 and it became operational in January 2012. The programme has funding from the European Social Fund of £200 million for the three-year period of its life, from January 2012 to March 2015.³ The Department estimated that its programme could generate £2 in fiscal and social benefits for every £1 spent. Covering England only, its objective was to move families with multiple problems closer to employment. Specifically, the programme’s job outcome target was to move 22 per cent⁴ of people attached to the programme into work over its three-year life. The Department’s target is based on the European Social Fund’s broader target for all UK work programmes.

1.11 The Department has contracts with eight contractors across 12 geographical areas⁵ to provide its programme (see Appendix Four for more detail). As well as paying contractors for achieving job outcomes, the Department will pay a contractor when a programme participant completes between one and three progress measures linked to securing employment or removing a barrier to employment, such as reducing antisocial behaviour and domestic violence. Each provider agreed its progress measures with the Department once the contracts were awarded. Providers can revise their progress measures over the programme’s life, subject to the Department’s approval.

1.12 **Figure 3** explains the Department for Work & Pensions’ programme in more detail.

Figure 3

An overview of the Department for Work & Pensions’ programme to help families with multiple problems

The Department has established criteria to identify families and pay for successful outcomes

Criteria for admission on to the programme

The definition of eligibility is a multi-generational family with multiple problems for which, at the start of the programme:

- at least one member of the family must be on a working age benefit (the family member does not have to participate at any point), which ‘passports’ all other eligible family members on to the programme; and
- either no one in the family is working, or there is a history of worklessness across generations.

Criteria for paying a provider

All providers opted not to receive a payment for attaching a family to the programme. Therefore, 100 per cent of their payment is achieved through outcome payments.

The provider receives a payment when it:

- achieves three progress measures¹ (70 per cent of the total payment available);
- and a further payment when:
- an adult has a period of continuous employment² (30 per cent of the total payment available).

Notes

- 1 This is the original payment structure for progress measures. The Department amended the structure in January 2012 and January 2013 (paragraph 3.19).
- 2 For those on Jobseeker’s Allowance this is 26 weeks out of 30. For those on inactive benefits this is 13 weeks.

Source: National Audit Office

3 The total value of the European Social Fund in England and Gibraltar for the period 2007–2013 is £2.5 billion, which invests in promoting work opportunities for people who face the greatest barriers to work and learning.

4 Cornwall has a locally determined target of 25 per cent.

5 Known as Contract Package Areas.

1.13 Both programmes are based on the number of families joining the programme (known as ‘attachments’) and the achievement of successful outcomes. **Figure 4** illustrates how the programmes might operate.

Figure 4

A comparison of the two programmes¹

Both programmes include criteria for attachments and outcomes, established on a different basis

Department	Attachments	Working with a family or individual	Outcomes
Department for Communities and Local Government	<p>Local practice varies, but families are often identified using data and discussion with service providers. A key worker from a relevant discipline is assigned to the family.</p> <p>The key worker will approach a family and offer to coordinate the services it receives from the local authority.</p>	<p>The Department does not mandate an approach.² However a key worker may:</p> <ul style="list-style-type: none"> ● identify interventions for all family members; ● visit the family a few times a week and attend appointments with the family; ● meet with family members both individually and as a group to identify issues and potential solutions (e.g. after school clubs); and ● coordinate the services dealing with the family and advocate the family’s interests. 	<p>A positive outcome is when the criteria in Figure 2 are met.</p>
Department for Work & Pensions	<p>Local authority or its designated partner organisation identifies a family that meets the programme’s eligibility criteria and refers them to a provider or the provider’s key worker identifies a potentially eligible individual and invites them to an introductory meeting.</p> <p>The provider’s key worker checks the families’ eligibility with Jobcentre Plus.</p> <p>The client meets with a provider’s key worker to discuss the barriers to getting work that the provider may be able to help them overcome.</p> <p>The client is attached to the programme. Joining the programme is, however, voluntary.</p>	<p>The provider identifies which three progress measures reflect the client’s problems.</p> <p>The key worker refers the individual to courses to help meet progress measures.</p> <p>The key worker supports the client on activities related to progress measures.</p> <p>For each successful progress measure completed the provider claims a payment (each representing 25 per cent of the total fee for progress measures).</p>	<p>Outcomes are set out in Figure 3.</p> <p>Provider will normally work with a client for 52 weeks.³</p> <p>Client may leave the programme earlier if they find work.</p> <p>If the client finds continuous work the provider can claim an outcome payment.</p>

Notes

- ¹ The table is intended to be illustrative and local practice may vary.
- ² The Department for Communities and Local Government has published good practice for key workers, available at: www.gov.uk/government/publications/working-with-troubled-families-a-guide-to-evidence-and-good-practice
- ³ Recently extended to allow more work if necessary.

Source: National Audit Office

Part Two

The design of the programmes

2.1 In this part of the report we examine the design of the Department for Communities and Local Government's and the Department for Work & Pensions' programmes. Specifically, we examine:

- the choice of payment by results and how departments are managing their risks;
- how the departments set their programmes' objectives;
- the introduction of innovative features to the programmes;
- the calculation of the costs of interventions;
- identifying families and individuals to join the programmes; and
- consulting on the programmes' design.

The choice of payment-by-results and managing its risks

2.2 The Department for Communities and Local Government considered several ways to provide and fund its Troubled Families programme. Specifically, it considered distributing funding:

- through a national pump-priming payment, accompanied by a publicity campaign to secure commitment;
- to the most deprived areas of the country, providing funding as a grant to local authorities;
- through a payment-by-results programme delivered through contractors; and
- through a payment-by-results programme delivered through local authorities.

2.3 The Department deliberately chose a payment by results approach, delivered through local authorities, over other possible approaches, because it believed it would:

- focus local authorities on outcomes;
- encourage local authorities to develop new approaches to working with families; and
- provide other departments with assurances that the additional funding was focused on securing positive outcomes for families.

2.4 The Department for Work & Pensions only considered payment by results as the delivery and funding mechanism for its programme, although it did draw on its experience of contract management from the Work Programme.

2.5 Payment-by-results, like any delivery model, creates opportunities for, and risks to, the achievement of value for money. In **Figure 5**, we have identified a number of risks associated with the programmes and mitigating actions taken by each Department.

Figure 5

Mitigating risks from using payment-by-results

Both programmes have a number of risks which the departments have sought to mitigate

Risk	Department for Communities and Local Government's mitigation	Department for Work & Pensions' mitigation
Local authorities/providers focus their work only on families who are most likely to achieve outcomes.	A proportionately large attachment fee in the first year of the programme is designed to provide local authorities with the capacity to focus on all families. Also, local authorities are incentivised above and beyond the payment-by-results incentive to work with the hardest to help because of the potential savings available from turning them around.	The programme's payments for progress measures should incentivise providers to work with all individuals. Until August 2012, only local authorities referred families to providers.
Use of progress measures focuses providers on outputs, not the ultimate outcome.	The programme excluded progress measures to avoid the risk.	Providers create an individual action plan for each person on the programme intended to lead to employment.
Payment-by-results transfers risk from the department to local authorities and providers, who may transfer this through the delivery chain.	The Department consulted on, but did not model, the likely financial impact on local authorities and their delivery partners. Instead it relied on each local authority's commitment to a target to manage the risk. In practice, all local authorities agreed to their targets.	Providers must sign up to the Merlin Standard (the Department's code of conduct for its supply chain) which includes a provision preventing providers from passing on 'undue' financial risk to subcontractors.

Source: National Audit Office

How the Departments set their programmes' objectives

2.6 The government as a whole has an objective to 'turn around' 120,000 families. To achieve this, the Department for Communities and Local Government is aiming to turn around 100,000 families through its programme and therefore only funds local authorities to turn around five out of six families in their area. In addition, the Department for Work & Pensions needs to turn around 15,000 families, of which the Families with Multiple Problems programme must provide 11,000, and the Work Programme 4,000.⁶ Other departments have to turn around a further 5,000 families. This means that all these programmes and approaches have to hit their targets for the Government's overall objective to be achieved.

2.7 In designing the programme, the Department for Communities and Local Government has assumed that all local authorities will turn around an agreed number of troubled families in their area over the programme's three-year life. All 152 local authorities have signed up to the target, suggesting that they are confident of meeting their commitments. The Department did not however assess whether each local authority could deliver these outcomes without the programme.

2.8 However, the Department made it clear to local authorities that they would have to work with more families than their agreed commitments to generate the required numbers. In addition, although their case mix may have been more complex, evidence of the success of family intervention projects shown below suggests the Department's target is ambitious:

- Reduced antisocial behaviour – 59 per cent.
- Reduced crime – 45 per cent.
- Reduced truancy – 52 per cent.
- Increased employment – 14 per cent.

The combination of these two factors suggests that local authorities will have to attach considerably more families than they are committed to 'turn around', although the Department has left it up to them how they deal with the operational and financial consequences of this position.

2.9 The Department for Communities and Local Government's programme focuses on families which face a wide range of issues. While turning around a family might involve addressing more than one of these issues, a family can be considered 'turned around' if it achieves just one outcome, in two ways:

- a family selected using the fourth local criteria can be counted as 'turned around' by meeting one of the three outcome measures (Figure 2); or
- a family is considered as 'turned around' if at least one family member has moved off benefits and into work. Evidence shows that most families who have secured an employment outcome are likely to have made progress against other outcomes first.

⁶ Since the original objectives were established, the Department's contracted employment programmes and Jobcentre Plus will contribute to the Department's commitment.

2.10 The Department faced a challenge in defining outcomes which balanced completeness against simplicity of administration and measurement. As a consequence, its definition of ‘turned around’ has resulted in ambiguities about what might count as a result with regard to youth crime and school attendance. For example, a family could register a reduction in truancy if the child in question reaches an age when they can leave school.

2.11 The Department for Work & Pensions has set four criteria for its programme against which it will assess performance. The programme will contribute to:

- an increase in the employment chances of family members;
- a decrease in numbers of families with multiple problems;
- a decrease in the number of workless households; and
- the 22 per cent⁷ overall job outcome target the Department has as a European Social Fund co-financing organisation.

2.12 The Department did not set measurable targets for the first three objectives set out above, and has assumed that the programme’s contribution to the overall job outcome target is 22 per cent. In January 2012, the Department’s internal audit department concluded that ‘there was an element of uncertainty [about the programme’s success] because of the lack of evidence to support the effect of family interventions on increased employability/employment’.

2.13 There were gaps in each Department’s consideration of the risks associated with their programmes:

- The Department for Communities and Local Government used its consultation with local authorities to understand how much central government investment was required to encourage contributions from local government. However, it did not consider whether local authorities would commit to spend the maximum amount that was potentially available to them (£4,000 – made up of attachment fee and payment for outcome), or the attachment fee only, in order to manage their financial risk. Of the 81 local authorities that responded to our call for evidence (see Appendix Two), 43 said that they were budgeting to spend the attachment fee only, implying that they may not have been incentivised to achieve more outcomes.
- The Department for Work & Pensions did not cost the risk of programme failure. This would include calculating the cost of dealing with situations in which, for example, providers affected the success of the programme by significantly reducing or withdrawing their service. Nor did the Department consider whether the outcomes could be achieved without the programme.

⁷ See footnote 3.

The introduction of innovative features to the programmes

2.14 Both Departments introduced innovative features into their programme design:

- The Department for Communities and Local Government designed a payment-by-results programme which focused on multiple outcomes (Figure 2), in line with its original policy intent, to identify the target population and to pay for successful outcomes. It also emphasised the attachment fee over payment for a successful outcome to encourage local authorities to join the programme and identify families.
- The Department for Work & Pensions' programme complements the typical structure of a payment-by-results model of an attachment and outcome fee (although no provider bid for a payment for attaching an individual to its programme) with payment for securing progress towards employment (Figure 3). Each provider specifies progress measures, thereby allowing them to account for local circumstances, which are then approved by the Department. These measures, such as counselling for domestic violence victims, are interventions intended to help individuals move towards employment. In principle, this encourages providers to be innovative. Providers and their trade body welcomed these progress measures. However, the Department has not been able to demonstrate how achievements against each progress measure improve the employment rate of troubled families and there is an unquantified risk that the Department may pay for activity that does not contribute to its ultimate objective.

Calculating the cost of interventions

2.15 The Department for Communities and Local Government estimated that 20,000 of the 120,000 families would be turned around by existing provision. It therefore estimated the total cost of turning around the remaining 100,000 (**Figure 6**).

2.16 The Department estimated the average cost of turning around a family (including those already accessing family intervention services) at £10,000. The Department calculated this figure on the basis of the most recent estimate of the number of families facing multiple challenges. This estimate comes from data published in 2006. The Department included a further 8,400 families who had participated in the earlier family intervention projects: these families had not yet started the programme but were due to start receiving support in April 2012 and are eligible for assistance on the Troubled Families programme. While the Department included in their cost modelling assumptions about the difference between those families whose children had behavioural difficulties and those whose children had no such difficulties, the Department did not consider any further variations in the costs of intervening with families facing different issues. Nor were such variations reflected in the incentives for local authorities.

Figure 6**Planned cost of the Department for Communities and Local Government programme to help troubled families**

Intervention	Unit cost (Source)	Number of families	Total cost
Families with children who have behavioural problems	£14,000 (family intervention projects)	35,360	£495 million
Families without children with behavioural difficulties	£9,000 (Department for Work & Pensions)	54,680	£492 million
Families on family intervention projects in 2012 whose outcomes are paid from the scheme	Already participating in the family intervention projects	8,400	Already participating in the family intervention projects
Total		98,440	£987 million

Note

1 The Department based its assessment of the total cost of its programme on information from the Department for Education and the Department for Work & Pensions.

Source: Department for Communities and Local Government

2.17 Because the Department will only pay for agreed attachments and outcomes, its budget is likely to be a reasonable forecast of its actual costs. For local authorities, however, the budget will only act as a realistic forecast if they convert the vast majority of attachments to outcomes. Any shortfall in the conversion rate will require additional resources from local authorities and partners.

2.18 The Department for Work & Pensions did not have the information needed to make an informed calculation of the cost of an intervention. It had not previously worked with the group that its programme targeted and therefore did not have data on which to estimate the cost of interventions. Nor did it seek details of such costs from other sources. Moreover, the Department's payments to contractors do not take into account the characteristics of each individual attached to the programme. A provider therefore receives the same payment for success regardless of the individual's distance from employment. The Department did go some way to differentiating between participants by varying the length of continuous employment required to secure an outcome payment, based on whether the participant claimed Jobseekers Allowance or not. However, it could have gone further by designing payments to differentiate between participants using a wider range of benefit types, as they did with the Work Programme.

Identifying families and individuals to join the programmes

2.19 The Department for Communities and Local Government defined troubled families using three specific criteria, with the flexibility to use a fourth local criterion (Figure 2) and has defined the targets of the programme against the three specific criteria. The Department consulted other government departments and professional bodies in selecting the criteria. It told us that the criteria would allow local authorities to identify families while minimising the administrative burden for local authorities and local delivery organisations.

2.20 Local authorities must identify and attach families that meet the three criteria set by the Department for Communities and Local Government. If the local authority does not identify the total number of families in its population using these criteria, it should use a fourth (locally determined) criterion to identify the additional families. Local authorities can attach a family to the programme if it meets two of the three criteria set by the Department and the fourth locally set criterion.

2.21 However, there is a mismatch between the criteria the Department used to calculate the total number of families at which its programme is targeted, and the criteria for identifying the families in each local authority and then rewarding positive outcomes:

- The seven criteria the government used to identify the target population of 120,000 families (paragraph 1.2) focused on measures of disadvantage.
- The three criteria the Department used to identify families in each local authority and then reward them for successful outcomes (Figure 2) addressed measures of school attendance, youth crime, antisocial behaviour, and unemployment.

2.22 Emerging evidence from the programme's operation suggests that criteria used to identify troubled families could be refined. The Department's evaluation shows that over 50 per cent of local authorities used domestic violence or abuse, drugs, alcohol or substance misuse, and mental health for their local criteria. Although the ability to use local criteria provides flexibility, 21 per cent of local authorities responding to our call for evidence considered the Department's choice of criteria potentially excluded some families with multiple challenges in their area from the programme. The Department has worked closely with troubled families coordinators to ensure that appropriate families are put on the programme.

2.23 The Department used two indices to calculate the number of troubled families in each area – the Index of Multiple Deprivation and the Child Well-Being Index. The Department apportioned a number of families to each local authority based on these indices, which each local authority agreed. The Department's approach is reasonable, considering the limited data that it had available to it at the beginning of the programme. However, it risks failing to apportion money between local authorities on the basis of need, as the indices do not fully reflect the government's own definition of a troubled family.

2.24 In the absence of details about the number and characteristics of the population its programme was directed towards, the Department for Work & Pensions involved the Department for Communities and Local Government and the Local Government Association in discussions about the implementation of the programme. The Department for Work & Pensions also asked programme bidders to work directly with local authorities to determine how many families might be suitable for the programme. As a result, it was able to establish contacts between providers and local authorities in order that providers could make more realistic bids based on local authorities' advice. Despite this, the Department for Work & Pensions was not able to generate sufficient information required to understand the population the programme was targeting although it did identify the referral routes as a major risk.

Consulting on the programmes' design

2.25 In October 2011, the Department for Communities and Local Government started to consult with local authorities on the programme's design and with other government departments, including the Department for Work & Pensions to draw on its knowledge of designing the Work Programme, a payment by results programme. In November 2011, the Department for Communities and Local Government wrote to all local authorities to inform them of the launch of its Troubled Families programme; and in December 2011, the Department released further details of its programme to local authorities.

2.26 The Department continued to liaise with local authorities in the build up to announcing the programme. For example, it visited local authorities, ran conferences and brought together a range of local authorities including those that had focused on these families through their involvement with community budgets.⁸ It used the consultation to help design particular aspects of the programme, such as the appropriateness of the split in total funding between attachment fee and outcome payment and the criteria used to identify troubled families.

2.27 The Department for Work & Pensions' consultation started in April 2011. It launched a public consultation which focused on the programme's design, the families' characteristics and the issues that should be targeted, and identified areas of good practice in interventions. It received 108 responses including 40 from local authorities. The Department also held a number of outreach events with local authorities through the autumn of 2011. This enabled the Department to deepen its understanding of the barriers families faced and of the progress measures which might be of use, such as English language teaching.

2.28 The Department for Work & Pensions issued the invitation to tender for its programme in June 2011. The competition ran until October 2011 and the Department awarded contracts to successful bidders in November 2011. During the competition period, providers were asked to estimate the number of referrals by contacting local authorities.

⁸ Community budgets allow providers of public services to share budgets, with the intention of improving outcomes for local people and reducing duplication and waste.

2.29 Key dates in the design and implementation of both programmes overlapped and the discussions between the Departments were not successful in integrating the two programmes:

- In June 2011, the Department for Work & Pensions issued a project initiation document for the Families with Multiple Problems programme and published the invitation to tender for its programme.
- In September 2011, the government decided to establish the Troubled Families programme, and agreed that the Department for Communities and Local Government should lead the work.
- In October 2011, the Department for Communities and Local Government started its consultation with other government departments and local authorities. The Department for Work & Pensions' tendering process closed.
- In November 2011, the Department for Work & Pensions approved a business case to go ahead with the Families with Multiple Problems programme and awarded the contracts. The Department for Communities and Local Government agreed the budget for its programme.
- In December 2011, the Department for Work & Pensions' programme started.
- In February 2012, the Department for Communities and Local Government agreed a business case for the Troubled Families programme with the Treasury.
- In April 2012, the Department for Communities and Local Government's programme started.

2.30 The timetable above shows that the Department for Work & Pensions was not able to consider the impact of the Troubled Families programme in its invitation to tender. It was already bound by the legal constraints of its procurement process by the time the Department for Communities and Local Government started its consultation with other government departments. This meant that it would have had to stop the existing procurement process and start a new one in order to integrate its programme with the Troubled Families programme.

2.31 The structure of the two programmes risks duplicating effort between providers and local authorities. Providers are incentivised to undertake activity relating to antisocial behaviour and parenting addressed by working more generally with the family through progress measures, which may duplicate local authority efforts to achieve the outcomes in the Department for Communities and Local Government's programme. In addition, providers' estimates of referral rates and costs did not reflect the fact that local authorities would be referring individuals to providers in a similar programme.

2.32 Based on Department for Work & Pensions estimates, the Department for Communities and Local Government anticipated that the former's programme would 'turn around' 11,000 of the 120,000 families in its target. It also used the Department for Work & Pensions' cost estimate to inform its own cost estimate. However, it did not consider the impact of its programme on the Department for Work & Pensions' programme.

Part Three

The introduction and management of the programmes

3.1 This part of the report covers:

- The speed of the programmes' introduction.
- The arrangements for managing programmes.
- Performance to date.
- The departments' changes to their programme.
- Other impacts from the programmes.
- The departments' plans for provision after March 2015.

The introduction of the programmes

3.2 Both Departments introduced their programmes quickly, taking no more than seven months from design to implementation in each case. In doing so, both departments sought to bring forward the potential benefits of their programmes. For example, the Department for Communities and Local Government told us that the introduction of the Troubled Families programme reflected an assessment of risk around not taking action. However, because of the speed of implementation, neither Department could pilot the detailed elements of their programmes to identify risks to successful delivery, and then take mitigating action.

3.3 The Department for Communities and Local Government was able to consider some of the principles of a payment-by-results programme based on earlier pilot programmes that the Cabinet Office managed. But neither Department piloted the specific elements of their programmes to identify risks to successful delivery.

3.4 Analysis of performance for the first 21 months of the Department for Work & Pensions' programme shows an average of 90 attachments per month per contract package area, less than the Department's expectations of 352. We have identified four factors that may have contributed to the programme's slow start, of which the first two are the most important.

- Local authorities lacked confidence in the providers for the Department for Work & Pensions' programme and therefore limited the number of referrals.
- Local authorities told us they were initially uncertain about the remit of the Department for Communities and Local Government's Troubled Families programme, and delayed referrals to the Department for Work & Pensions' programme. Providers believe that this resulted in more complex referrals than they were expecting which slowed the programme's progress.
- Joining the programme is voluntary and providers have struggled to convert referrals into attachments: 52 per cent of referrals converted to attachments in the first 18 months.
- Given the issues faced by families, each provider had to meet, separately, each local authority's safeguarding arrangements before they could start to work with an individual referred by the local authority.

Arrangements for managing programmes

3.5 Both departments have established arrangements to manage their respective relationships with local authorities and contractors. The Department for Communities and Local Government has set out the terms governing its programme's operation in its *Financial Framework*⁹ and in correspondence between the Department and local authorities. For example, it suggests the number of troubled families with which the local authority would work in the programme's first year (33 per cent) and second year (50 per cent). Local authorities agree with the Department the number of families with which they will work each year. The Department does not consider these numbers as a target.

3.6 At the start of the programme, the Department identified the need to develop a staged approach to addressing underperformance. A central team within the Department advises local authorities and maintains contact with them, regarding, among other things, underperformance. For example between April and August 2013, this team conducted 32 visits to local authorities, offered advice through telephone conferences and on occasion organised peer-to-peer contacts between authorities. Ultimately the Department is able to withhold a proportion of the attachment fee from local authorities who are failing to engage with the programme.

9 Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/11469/2117840.pdf

3.7 Because the Department for Work & Pensions has contracts with its providers, it applies a formal contract management framework to oversee its programme. For example, dedicated accounts managers and teams monitor performance issues. The Department can put a provider on a performance improvement plan to improve performance. Currently, none of the providers are on such a plan. The Department's contracts with providers include provisions for managing a provider's withdrawal from the programme.

3.8 Both Departments collect information necessary to make payments to local authorities and providers for attachments,¹⁰ progress measures,¹¹ and outcomes. The Department for Communities and Local Government relies upon a statement from each local authority's internal audit department, undertaken under the authority of the local authority's chief executive, to validate claims. It has also introduced a regime for spot checking performance results.

Performance to date

3.9 Both Departments have set some targets for the organisations delivering their programmes:

- The Department for Communities and Local Government has agreed with each local authority the number of families it will turn around by May 2015. While the Department does have internal projections for annual attachments to the programme, it has not set annual targets for the number of attachments to the programme made by each local authority. Each local authority tells the Department at the beginning of each year how many families it proposes to attach in that period. Local authorities are not required to provide the Department with similar information for how many families it will turn around in that period, although the Department does have annual internal projections across all local authorities; and
- The Department for Work & Pensions' contracts with providers includes targets for attachments, progress measures and job outcomes over the course of the programme. There are no monthly or annual targets for providers within the contracts. The Department therefore monitors performance against what it describes as a notional annual target.

¹⁰ Potential contractors for the Department for Work & Pensions' programme could have included an amount for an attachment fee in their bids. However, none did and the Department has not incurred expenditure for this.

¹¹ Department for Work & Pensions only.

Department for Communities and Local Government

3.10 For the period from 1 April 2012 to 31 March 2013, the 152 local authorities in England committed to attaching 41,835 families – 35 per cent of the 120,000 targeted families. They actually attached 35,618 families, 15 per cent below this commitment.

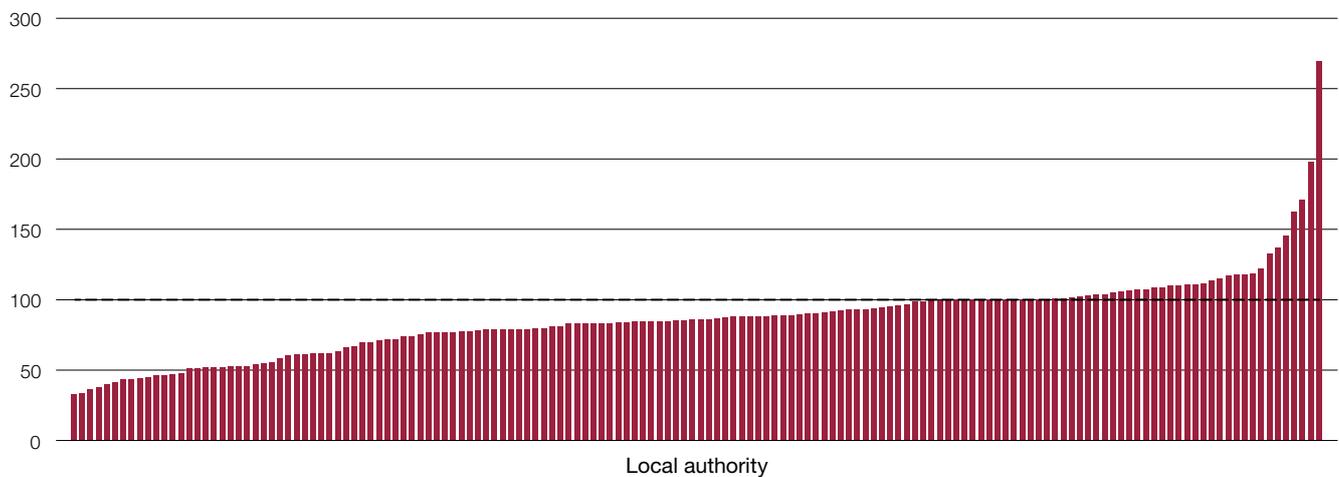
Figure 7 summarises performance for the same period. Performance varied from 33 per cent of the commitment to 270 per cent, and 107 local authorities failed to meet the number of attachments to which they committed. To date, the Department has paid £230 million in attachment fees to local authorities. Alongside these figures, the Department for Communities and Local Government has created its own internal projections, against which the programme has exceeded its projection for the number of attachments in the first year of operation, by 2 per cent.

Figure 7

Department for Communities and Local Government’s programme – number of attachments, 1 April 2012 to 31 March 2013

Fewer than half of local authorities achieved the target for attachments they each agreed with the Department

Percentage of first year target achieved



Source: Department for Communities and Local Government’s data

3.11 In December 2012, the Department for Communities and Local Government asked all local authorities to attach a further 50 per cent of their full cohort of troubled families by April 2014, so that 85 per cent of the 120,000 total would be attached before the programme entered its final year. The Department has published data for the first six months of 2013-14 which shows that local authorities have accelerated attachments, with 62,527 families attached in the eighteen month period to 30 September 2013 against an expectation of 72,000.¹² Local authorities will have to accelerate the pace of attachments again to fulfil their commitments to the Department.

3.12 The Department has investigated the reasons for the variation in performance by:

- engaging directly with the lowest performing 41 local authorities in terms of performance against their year one commitment for attachments;
- assessing the maturity of provision of a third of local authorities; and
- holding discussions at local, regional and national levels.

On the basis of this emerging picture, the Department believes that performance might vary because of local authorities' different approaches to delivering services and to claiming for outcomes.

3.13 Evidence from family intervention programmes suggests programmes such as the Department's can take up to a year to have an impact.¹³ The Department has internal projections for the number of outcomes it anticipates local authorities securing in each year for the period 1 April 2013 to 31 March 2016.¹⁴ Between 1 April 2012 and 31 October 2013, local authorities claimed payment from the Department for 22,104 outcomes,¹⁵ exceeding its projection of 21,515 by 3 per cent. Of these 22,104 families, 20,674 have achieved progress against the applicable crime and education outcome measures and 1,430 achieved progress against employment measures. The Department has distributed £13.5 million to the local authorities concerned.

3.14 **Figure 8** overleaf shows the variability in performance across local authorities. Thirty-one local authorities have so far claimed for half of the outcomes on the programme and 12 local authorities have claimed fewer than 20 outcomes so far. It is not possible to judge the performance of individual local authorities as the Department does not set targets for individual local authorities nor does it ask each to commit to a target.

¹² The Department does not have a profile for the expected number of attachments it expects in the eighteen month period to 30 September 2013. Based on the Department's expectations of attachments in the programme's first and second years, we calculated a figure for an expected number of attachments in the period. While the measure does not necessarily reflect the reality of the approach taken by individual local authorities it does provide a reasonable estimate of expectations for the sector's performance.

¹³ The Department therefore expects the majority of outcome claims to be made in Year 2 (32,118), Year 3 (47,687) and in the period immediately after the programme ends (15,791).

¹⁴ Local authorities can claim for attachments and outcomes after the programme comes to an end in May 2015.

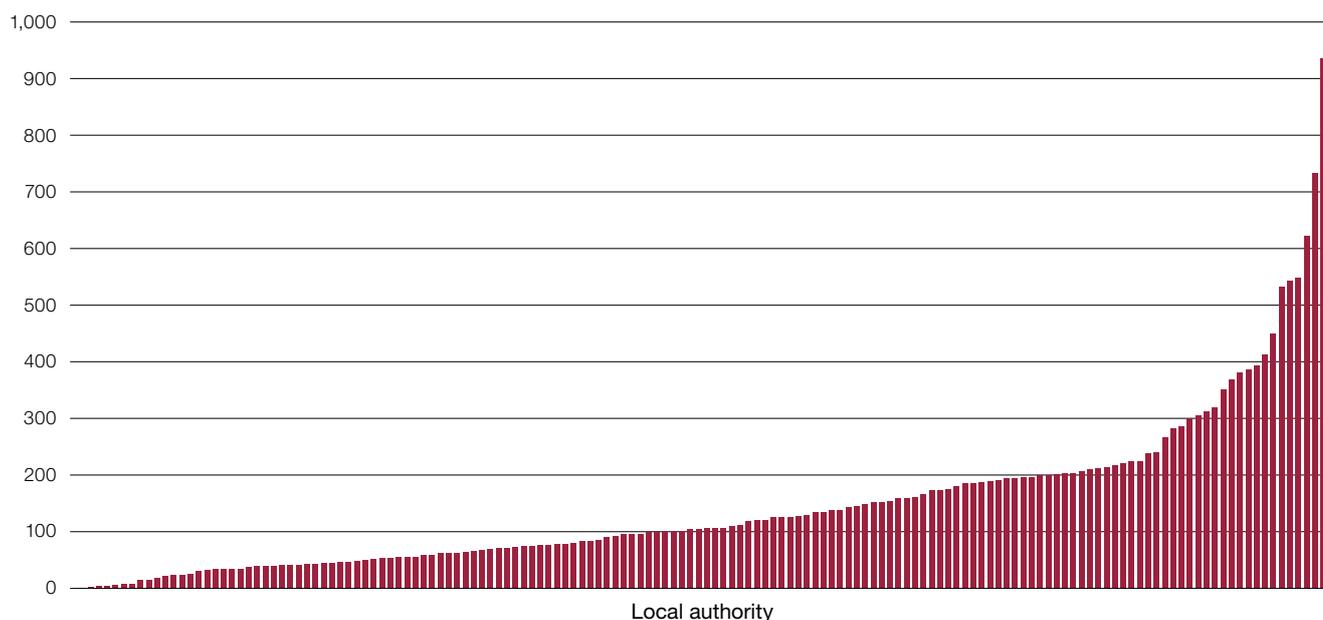
¹⁵ An outcome is defined in Figure 2.

Figure 8

Department for Communities and Local Government's programme – number of outcome claims by local authorities, 1 April 2012 to 31 October 2013

There is large variability in the numbers of outcomes claimed by local authorities

Number of outcomes claimed 1 April 2012 to 31 October 2013



Source: Department for Communities and Local Government's data

Department for Work & Pensions

3.15 While the Department for Work & Pensions does have contractual targets for attachments, performance measures and sustained outcomes for the life of the contract, it does not have interim targets against which progress can be judged. We therefore used the contractual targets to generate an estimate of likely performance to date. Whilst this approach does not take into account time lags between attachments and sustained job outcomes, it does provide a reasonable measure against which to assess progress.

3.16 In its first 21 months the Department for Work & Pensions achieved just over one quarter of planned attachments (**Figure 9**). From 1 January 2012 to 30 September 2013, 22,800 individuals were attached to the programme, 26 per cent of its target for same period. None of the Department's providers met the target number of attachments for the period, with the best performer attaching 74 per cent of its target. None of the providers' bids included a payment for an attachment, so the Department has not incurred any expenditure in this respect.

Figure 9

Department for Work & Pensions' programme – number of attachments, 1 January 2012 to 30 September 2013

No provider achieved their target for attachments

Provider	Region	Attachments		
		Target	Actual	Percentage
Reed in Partnership	East of England	10,267	750	7
Working Links	East Midlands	6,125	2,360	39
Reed in Partnership	London East	6,344	1,730	27
Reed in Partnership	London West	6,833	1,190	17
The Wise group	North East	5,308	1,450	27
G4S	Greater Manchester, Cheshire, Warrington (excluding Halton)	4,597	3,420	74
Reed in Partnership	Cumbria, Lancashire and Merseyside (including Halton)	10,640	2,390	22
Skills Training UK	South East	7,817	1,780	23
Twin Training International	South West (excluding Cornwall and the Isles of Scilly)	5,621	1,000	18
Paragon Concord International	Cornwall and the Isles of Scilly	2,917	1,100	38
EOS Works Ltd	West Midlands	12,112	2,910	24
EOS Works Ltd	Yorkshire and Humber	10,178	2,710	27
Total		88,759	22,800	26

Note

1 The Department for Work & Pensions rounds its figures for performance to the nearest ten.

Source: Department for Work & Pensions' data

3.17 None of the providers achieved the Department's targets for sustained job outcomes in the programme's first 21 months (**Figure 10**). Specifically, providers claimed for 720 job outcomes, against the Department's target of 19,832. It is not possible to assess performance with regard to progress measures because the Department has changed the payment basis.

Figure 10

Claims for outcomes by the Department for Work & Pension's providers – 1 January 2012 to 30 September 2013

No provider met its targets for progress measures and job outcomes

Contractor	Regions	Outcome		
		Progress measures Actual	Sustained job outcomes Target	Actual
Reed in Partnership	East of England	170	2,259	20
Working Links	East Midlands	1,620	1,348	30
Reed in Partnership	London East	350	1,396	80
Reed in Partnership	London West	360	1,503	70
The Wise group	North East	190	1,327	30
G4S	Greater Manchester, Cheshire, Warrington (excluding Halton)	2,050	1,012	100
Reed in Partnership	Cumbria, Lancashire and Merseyside (including Halton)	1,260	2,341	140
Skills Training UK	South East	840	1,720	80
Twin Training International	South West (excluding Cornwall and the Isles of Scilly)	250	1,294	10
Paragon Concord International	Cornwall and the Isles of Scilly	870	729	10
EOS Works Ltd	West Midlands	1,550	2,665	60
EOS Works Ltd	Yorkshire and Humber	1,940	2,239	90
Total		11,450	19,832	720

Note

1 The Department for Work & Pensions rounds its figures for actual performance to the nearest ten.

Source: Department for Work & Pensions' data

3.18 The pace of attachments remained low until the beginning of 2013. The Department therefore focused its attention and effort on assisting providers in bringing the numbers of referrals up. The Department maintains the capacity to review the performance of providers once it is satisfied that attachments have risen sufficiently. Lower than expected performance also means that the Department is not distributing as much of the European Social Fund as it anticipated. It has therefore taken steps to redistribute underspends to other programmes such as those extending help to reoffenders.

The Departments' changes to their programmes

3.19 The Department for Work & Pensions has worked to address poor performance, although its ability to introduce change quickly was constrained by the procurement rules for the European Social Fund. Specifically, it has changed its programme to increase the number of people referred to providers and has amended the payment regime. One effect of this action is that more families may join the Department's programme who will not contribute to the 120,000 target because they may have been selected on the basis of different criteria to the Department for Communities and Local Government's Troubled Families programme. **Figure 11** summarises changes to the programme and their intended and actual impact to date.

Figure 11

Department for Work & Pensions' changes to its programme

The Department has increased the number of ways a provider can identify individuals to attach to the programme and has changed the profile for paying providers for achieving progress measures

Change	Impact	
	Proposed	Actual
In March 2012, the Department allowed local authorities to designate partner organisations to refer individuals on their behalf.	To improve the number of referrals.	The Department does not have validated data for the period January 2012 to March 2012. Between April 2012 and July 2012, referrals averaged 1,227 per month.
In August 2012, the Department introduced a secondary referral route to allow providers to identify and contact families, without the requirement to clear eligibility for attachment to the programme with the local authority.		Between August 2012 and September 2013, referrals averaged 1,815 per month.
From February 2013, the Department decided that it would pay providers for achieving each progress measure separately rather than when three progress measures are achieved.	To increase the likelihood that outcomes would be achieved.	Between January 2012 and March 2013, the Department paid providers for 490 claims for a set of three progress measures. In the period February 2013 to August 2013, it paid providers for 9,310 individual progress measures.

Source: National Audit Office analysis of Department for Work & Pensions' papers and data

3.20 The Department has responded positively to providers' feedback. However, it has decided to pay providers for meeting one individual progress measure rather than three. While neither the total amount providers might receive nor the requirements to claim for a payment will change, payments to providers are being brought forward and they are being rewarded for achieving less than originally planned.

3.21 In December 2012, the Department for Communities and Local Government responded to requests from local authorities for advice on how best to work with troubled families. It published *Working with Troubled Families: a guide to evidence and good practice*.¹⁶ The guide brings together evidence about the potential benefit of family intervention and case studies of how it might work.

3.22 As well as acting unilaterally to improve performance, the departments have a joint agreement¹⁷ with 11 commitments, such as improved data sharing and coordinating programmes, to boost the employability of family members. Advisers from Jobcentre Plus have been seconded into local authorities to give practical support such as highlighting training opportunities and improving job interview skills. In total, 150 advisers are seconded to the 94 local authorities with the highest number of troubled families,¹⁸ accounting for 80 per cent of the total number of troubled families. Improved data sharing includes work between local authorities and Jobcentre Plus to ensure that Troubled Families participants are identified on the Department for Work & Pensions' administrative systems.

Other impacts of the programmes

3.23 Local authorities told us that they were broadly positive about the Department for Communities and Local Government's programme. Fifteen of the 82 local authorities who responded to our call for evidence, when asked about the positive change promoted by the programme, said that it had encouraged them to focus on outcomes. An early output from the Department's evaluation of the programme found that 71 per cent of the authorities surveyed were working with and through other local agencies and 70 per cent had received contributions in kind from other agencies. Local authorities noted, as a further benefit, improved data collection by, and sharing between, agencies.

3.24 The Department for Communities and Local Government has taken steps to focus on the financial benefits for local authorities of addressing the issues faced by some families. In January 2013, the Department for Communities and Local Government published *The Cost of Troubled Families*¹⁹ to encourage local authorities to examine their expenditure on families and therefore allow them to estimate the financial benefit of successful interventions. The Department has established some common themes which other local authorities may use to undertake similar work. It has also commissioned a fiscal evaluation of the programme.

¹⁶ Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/66113/121214_Working_with_troubled_families_FINAL_v2.pdf

¹⁷ Available at: www.gov.uk/government/publications/delivery-agreement-putting-troubled-families-on-the-path-to-work

¹⁸ The number of advisers allocated to each local authority was determined by a formula based on the number of troubled families identified in each local authority.

¹⁹ Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/68744/The_Cost_of_Troubled_Families_v1.pdf

Departments' plans for provision after 2015

3.25 In June 2013, the Treasury announced that the Department for Communities and Local Government would administer an additional £200 million for 2015-16 to support a further 400,000 families. It intends that the programme will cover the five-year period from April 2015 to March 2020. The Department is developing a detailed specification for the programme with local authorities and partners. The Department for Work & Pensions does not have any plans to continue or replace its provision after March 2015.

3.26 Both departments have commissioned evaluations of their programmes:

- The Department for Communities and Local Government expects to receive its initial evaluation findings in early 2014.
- The Department for Work & Pensions anticipates receiving its final evaluation in summer 2014.

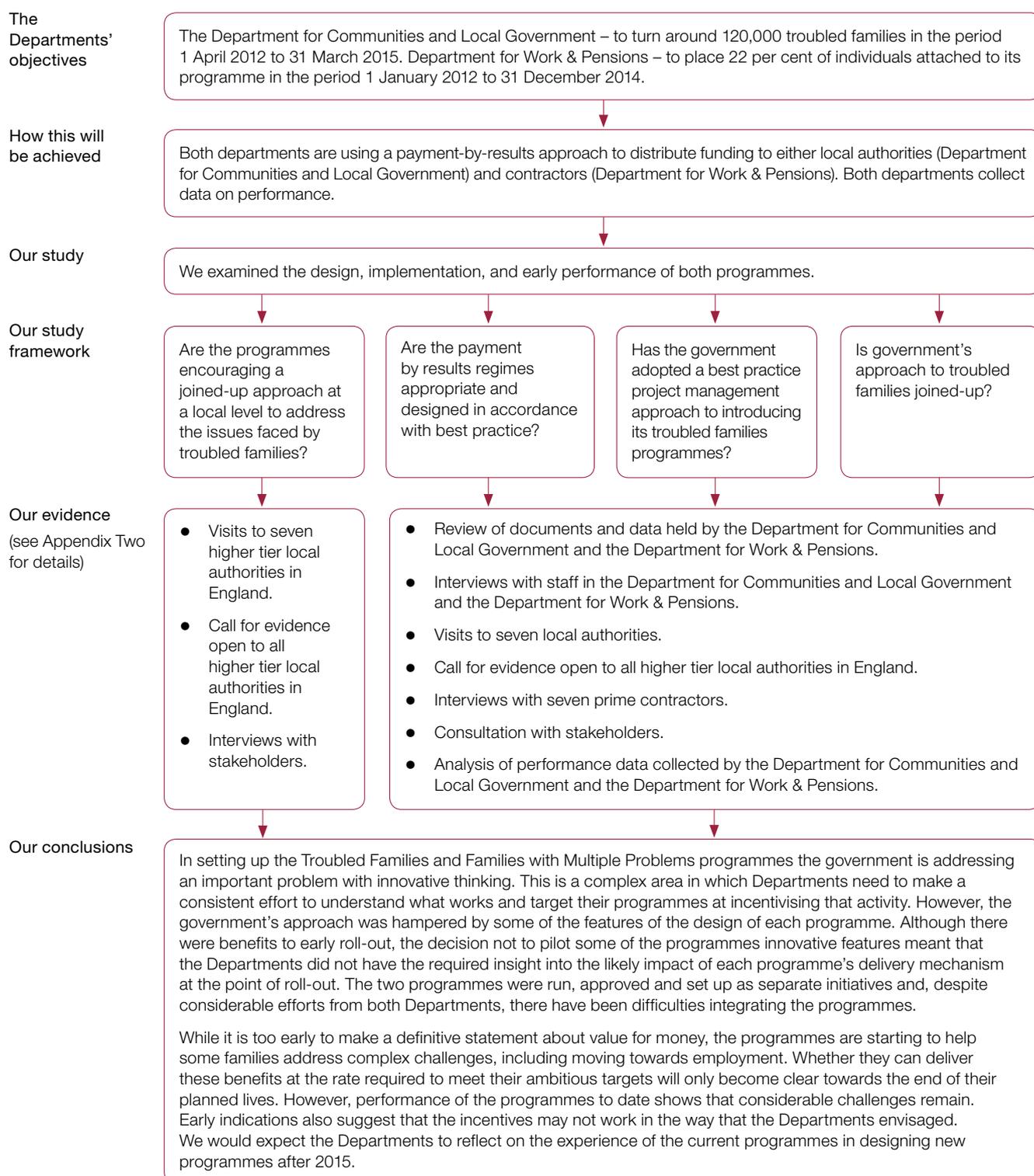
Appendix One

Our audit approach

- 1 We examined the Department for Communities and Local Government's and the Department for Work & Pensions' programmes to help families facing multiple challenges. We focused on design, implementation, and early performance.
- 2 We organised our work around four key questions:
 - Are the programmes encouraging a joined-up approach locally to address the issues faced by families facing multiple challenges?
 - Are the payment by results regimes appropriate and designed using best practice?
 - Has the government used a best practice project management approach to introducing its troubled families programmes?
 - Is the government's approach to troubled families joined up?
- 3 Our audit approach is summarised in **Figure 12**. Our evidence base is described in Appendix Two.

Figure 12

Our audit approach



Appendix Two

Our evidence base

- 1 Our independent conclusions on the rationale for the programmes, their design and introduction, and early performance of programmes to help families facing multiple challenges were reached following our analysis of evidence collected between March 2013 and October 2013. Our audit approach is outlined in Appendix One.
- 2 We completed an examination of departmental documents, including the following:
 - The business cases and financial models for both programmes.
 - The Department for Communities and Local Government's financial framework for the Troubled Families' programme.
 - The Department for Work & Pensions' invitation to tender for the Families with Multiple Problems programme and contracts between the Department and providers.
 - Documents relating to both Departments' oversight of both programmes.
 - Protocols for the cooperation between the two Departments.
 - Management information, including performance targets where available and information of actual performance to date (number of attachments, progress measures²⁰ and outcomes).
 - Documents published by both Departments relevant to the progress of their programmes.
 - Evaluations commissioned by the Departments.
 - Risk registers, meeting agendas and notes, and correspondence; and

We made use of in-house expertise in programme management and costing to help with the review of the Departments' documents.

- 3 We interviewed officials in both departments – for example, the Director and Deputy Director with responsibility for the Department and Local Government's Troubled Families programme, and those with responsibility for finance and programme and performance management issues. At the Department for Work & Pensions we met with officials with responsibility for policy development and the design of the programme, the procurement exercise to appoint providers, and those with responsibility for performance management. We also spoke to a representative from Jobcentre Plus.

²⁰ For the Department for Work & Pensions' programme only.

4 We completed visits to seven local authorities to develop our understanding of how the programmes worked in practice. At each local authority we met staff with responsibilities for, for example, the programme's policy aspects and implementation, as well as representatives from bodies such as the police and local charities. Amongst other things we discussed the following:

- The local authority's experience of how the programmes were working in practice.
- The design and early performance of the programmes.
- The risks to the future success of the programmes.
- The advantages and disadvantages of the payment by results mechanism.
- The Departments' management of the programmes.

5 We discussed with five key workers in local authorities their experiences of family intervention work. We also met with two families in receipt of local authority services through the Troubled Families programme. Specifically we discussed with them how their experience of local authorities and partner organisations had changed.

6 We interviewed seven of the eight providers of the Department for Work & Pensions' programme to discuss their views on the following:

- The Department's approach to commissioning and contracting.
- The Department's approach to the design and early implementation of the programme.
- The advantages and disadvantages of the payment by results mechanism.
- The Department's management and oversight of the programme.
- Their experiences of how the programme is working in practice.
- The risks to the programme's future success.

7 We ran a focus group of experts from the Cabinet Office, the National Centre for Social Research, the Association of Directors of Children's Services, the British Association of Social Work, Action for Children, Family Action, and the Employment Related Services Association. The purpose of the focus group was to help understand the design and implementation of both programmes.

8 We met with the following third sector bodies: Catch 22, the National Centre for Social Research, the Social Landlords Crime and Nuisance group, and Making Every Adult Matter. We also met with an academic from Kingston University.

9 We ran a call for evidence open to all local authorities to obtain their views on the Departments' programmes. The response rate was 54 per cent.

Appendix Three

The Department for Communities and
Local Government's programme

Figure 13

The Department for Communities and Local Government's programme

Criteria for attachment to the programme

Troubled families that fit the Department's criteria are households who:

1 Are involved in crime and antisocial behaviour

Households with one or more under 18-year-old with a proven offence in the last 12 months **and/or** Households where one or more member has an antisocial behaviour order injunction or contract **or** where the family has been subject to a housing-related antisocial behaviour intervention in the last 12 months.

2 Have children not in school

A child in the household has been subject to three or more fixed school exclusions across the last three consecutive terms; is subject to alternative provision because they have previously been excluded; **or** is not on a school roll; **and/or** a child has had 15 per cent unauthorised absences or more from school across the last three consecutive terms.

3 Have an adult on out-of-work benefits

Once local authorities have identified everyone who meets **one or both of criteria 1 and 2**, they may identify households which **also** have an adult on Department for Work and Pensions out of work benefits.

All families who meet all of criteria 1–3 should automatically be included in the programme.

4 Cause high costs to the public purse

Local authorities can use their **local discretion** to add other families who meet any two of the three criteria above **and** are a cause for concern, for example due to frequent police call-outs or health problems such as drug and alcohol misuse.

Criteria for payments from the programme to local authorities

1 The local authority will receive an attachment fee of £3,200 (for 2012-13) per family with which they begin to work.

80 per cent attachment fee

2 There are then two possible results payment scenarios:

Scenario one

If after being attached they then achieve all three of the education and crime/antisocial behaviour measures:

- 1 Each child in the family has had fewer than three fixed exclusions and less than 15 per cent of unauthorised absences in the last three school terms.
- 2 A 60 per cent reduction in antisocial behaviour across the family in the last six months.
- 3 Offending rate by all minors in the family reduced by at least a 33 per cent in the last six months.

20 per cent results payment

Results payment = £700 per family

and If they do not enter work, but achieve 'progress to work' (for example, they are attached to the Department for Work & Pensions' programme).

Result's payment= £100 per family

Or

Or

Scenario two

If after being attached at least one adult in the family has moved off out-of-work benefits into continuous employment in the last six months (and is not on the Department for Work & Pensions' programme to avoid double-payment).

20 per cent results payment

Result's payment = £800 per family

Local authorities therefore have the potential to be paid £4,000 for each family they successfully attach to the programme and turn around. This funding is not ring-fenced.

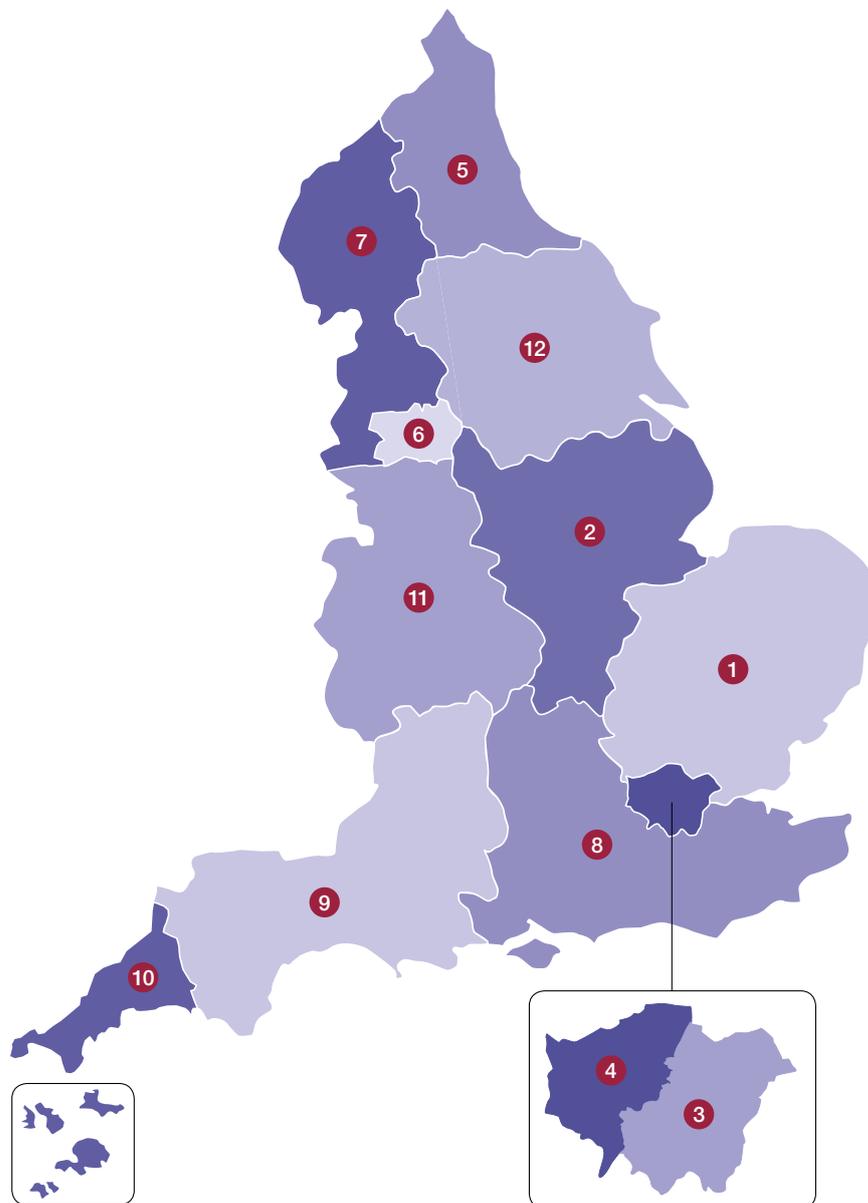
Payment profiles for future years are set out below

	Attachment fee	Results payment
2013-2014	60 per cent (£2,400)	40 per cent (£1,600)
2014-2015	40 per cent (£1,600)	60 per cent (£2,400)

Source: Department for Communities and Local Government, Financial framework, March 2012

Appendix Four

The Department for Work & Pensions' programme – providers



1 Contract Package Area 1

Area: East of England
Prime: Reed in Partnership
Contract value: £17m

2 Contract Package Area 2

Area: East Midlands
Prime: Working Links
Contract value: £16m

3 Contract Package Area 3

Area: East London
Prime: Reed in Partnership
Contract value: £12m

4 Contract Package Area 4

Area: West London
Prime: Reed in Partnership
Contract value: £12m

5 Contract Package Area 5

Area: North East
Prime: The Wise Group
Contract value: £16m

6 Contract Package Area 6

Area: Greater Manchester, Cheshire and Warrington, excluding Halton
Prime: G4S
Contract value: £16m

7 Contract Package Area 7

Area: Cumbria, Lancashire, and Merseyside, including Halton
Prime: Reed in Partnership
Contract value: £18m

8 Contract Package Area 8

Area: South East
Prime: Skills Training UK
Contract value: £14m

9 Contract Package Area 9

Area: South West (excluding Cornwall and the Isles of Scilly)
Prime: Twin Training
Contract value: £9m

10 Contract Package Area 10

Area: Cornwall and Isles of Scilly
Prime: Paragon Concord
Contract value: £13m

11 Contract Package Area 11

Area: West Midlands
Prime: EOS Works Ltd
Contract value: £28m

12 Contract Package Area 12

Area: Yorkshire and Humber
Prime: EOS Works Ltd
Contract value: £25m



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