



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

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.