



House of Commons
Committee of Public Accounts

Early Action: landscape review

Second Report of Session 2013–14

*Report, together with formal minutes, oral and
written evidence*

*Ordered by the House of Commons
to be printed 13 May 2013*

HC 133 [incorporating HC 1007 of Session 2012-13]

Published on 20 September 2013
by authority of the House of Commons
London: The Stationery Office Limited
£10.00

Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

Current membership

Rt Hon Margaret Hodge (Labour, Barking) (Chair)
Mr Richard Bacon (Conservative, South Norfolk)
Stephen Barclay (Conservative, North East Cambridgeshire)
Guto Bebb (Conservative, Aberconwy)
Jackie Doyle-Price (Conservative, Thurrock)
Chris Heaton-Harris (Conservative, Daventry)
Meg Hillier (Labour, Hackney South and Shoreditch)
Mr Stewart Jackson (Conservative, Peterborough)
Sajid Javid (Conservative, Bromsgrove)
Fiona Mactaggart (Labour, Slough)
Austin Mitchell (Labour, Great Grimsby)
Nick Smith (Labour, Blaenau Gwent)
Ian Swales (Liberal Democrats, Redcar)
Justin Tomlinson (Conservative, North Swindon)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Adrian Jenner (Clerk), Sonia Draper (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is pubaccomm@parliament.uk

Contents

| | |
|---|-------------|
| Report | <i>Page</i> |
| Summary | 3 |
| Conclusions and recommendations | 5 |
| 1. Leadership of early action | 7 |
| 2. Barriers to early action | 9 |
| | |
| Formal Minutes | 12 |
| Witnesses | 13 |
| List of printed written evidence | 13 |
| List of Reports from the Committee during the current Parliament | 14 |

Summary

‘Early action’ in public policy delivery involves the use of resources to tackle causes rather than symptoms. The Government spends nearly £400 billion each year on, for example, health, education, employment, justice and welfare, but huge numbers of people still suffer preventable health problems that are expensive to treat, too many young people leave school with too few qualifications and unable to get a job, too many young offenders commit further crimes when they leave prison, often because of drugs or alcohol addiction, and too many families get locked into benefit dependency.

A concerted increase in effective early action could help to deal with the root causes of such problems, benefiting individuals and society and saving the taxpayer billions of pounds each year, but governments have consistently failed to deliver. Early action accounts for only a fraction of annual spending and this spending is not properly co-ordinated. There is no common definition of early action, no central ownership, and little capacity at the centre to drive effective delivery and share good practice.

The Treasury is far too focussed on the short term, meaning that it risks missing the opportunity to help stabilise the public finances over the longer term, improve outcomes for citizens and get better value for money. We recognise the difficulty of diverting resources from acute services to early action in a world of pressing need, but robust evidence on the cost-effectiveness of early action and strong incentives for departments to implement early action projects are both vital. Good evidence, however, is thin on the ground and existing incentives do not seem to be working. It is notable that most early intervention grants are not ring-fenced, and the Treasury has been reluctant to address this. Addressing social problems effectively also requires that departments work together, but we found that, despite some encouraging evidence of joint working amongst departments and at the local level, silo behaviour still predominates.

There are some promising signs of change, such as the introduction of ‘What Works’ centres and the establishment by the Department for Education of the Early Intervention Foundation. But it is now time for— led by the Treasury—to respond imaginatively to the challenge and opportunity of early action and to adopt an integrated, long term, preventative approach to public spending for the benefit of society as a whole.

On the basis of a Report by the Comptroller and Auditor General¹, we took evidence from Her Majesty’s Treasury, the Department for Education, the Department of Health, the Centre for Social Justice, the New Economics Foundation and the Founder of Community Links, on early action across government.

1 C&AG’s Report, *Early action: landscape review*, Session 2012-13, HC 683

Conclusions and recommendations

- 1. There is a lack of leadership on early action, especially at the centre.** All departments involved in social spending, such as the Departments for Health, Education, and Work and Pensions, and the Ministry of Justice run early action programmes, but only the Department of Health and the Department for Work and Pensions have put early action at the heart of their corporate strategies. At the centre of government there is no agreed common definition of or focus on early action, and no overall ownership, direction or co-ordination to help realise the potential of early action to deliver substantial long-term savings. The Treasury should take an active leadership role, in close partnership with the Cabinet Office, in driving and co-ordinating early action in central government. As a first step the Treasury should establish an agreed, common definition of early action and undertake an exercise to quantify the potential of early action to reduce public spending and increase economic growth.
- 2. Planning and budget-setting remain too focussed on the short term.** The benefits of early action initiatives can take years to materialise, even though they may ultimately be good investments. The Treasury's current spending review process fails to incentivise investment in early action as it focuses on short term results, and does not seek evidence from departments about the long-term potential benefits. As part of the next spending review, the Treasury should introduce mandatory 10-year impact assessments for all departmental spending programmes. We will invite the C&AG to examine how the Treasury has used those assessments in determining resource allocations for departments.
- 3. There are not enough incentives to encourage the implementation of early action.** Department of Health funding for public health promotion will remain ring-fenced for 2013-14, but ring-fences for most other funding, such as the Department for Education's Early Intervention Grant, have been removed. At the same time, local incentives for front line practitioners are often lacking, for example we know that GPs were not incentivised to carry out the full range of screening tests for diabetes, recommended by the National Institute for Health and Clinical Excellence, despite the long-term pay back in reduced costs. The Treasury should look again at the potential benefits of ring-fencing early action budgets, and the Treasury and departments should provide incentives for local commissioners and front line practitioners to implement early action initiatives.
- 4. The case for early action is hindered by the lack of evidence on the impact and cost effectiveness of early action programmes.** Few programmes have the strong evidence of success needed to encourage the diversion of resources away from acute services to early action. The Cabinet Office's new 'What Works' centres, including the Department for Education's Early Intervention Foundation, are intended to help improve the quality of evidence, but it is not yet clear if these will be enough. In collaboration with the 'What Works' centres, the Treasury should provide clear guidance to departments of how to evaluate the cost-effectiveness of early action programmes, and what types of evidence it expects to see.

5. **Joint working remains poor.** Long term social problems are multi-faceted and require a co-ordinated response from government bodies to maximise long-term benefits. There are some good examples of bilateral joint work, such as between the Department of Health and the Department for Education in Early Years provision. However, this is not the norm, and witnesses appeared reluctant to pool budgets. The Treasury, working with departments, should set out how early action budgets could be pooled between departments to bring about the required step change in joint working.

1 Leadership of early action

Leadership

1. ‘Early action’ involves providing public services to address causes rather than symptoms. It is where government departments, local authorities or other organisations use resources to help prevent or reduce, for example, acute health conditions, and therefore demand on costly public services in the future.² Classic examples of early action include encouraging walking and cycling to improve health, and reduce reliance on carbon-intensive transport, and making homes more energy efficient to help reduce carbon emissions and conserve energy.³

2. There is broad consensus that early action can lead to savings down the line, and improve people’s lives. Successive governments have not, however, been able to convert this consensus into effective action.⁴ To do so requires strong leadership, not least because it could involve diverting spending from areas where there is an immediate need. However, the C&AG’s report found that ineffective leadership within departments has hampered the adoption and implementation of early action.⁵ In addition, although departments involved in the nearly £400 billion of social spending—such as the Departments for Health, Education, and Work and Pensions, and the Ministry of Justice—run early action programmes, only the Department of Health and the Department for Work and Pensions put early action at the heart of their corporate strategies.⁶

3. Many early action initiatives cut across government departments’ policy areas. For example, supporting child development requires joint action from both the Department of Health and the Department for Education, but until very recently the two departments have largely worked separately. Despite the cross-cutting nature of early action, however, no central department has taken ownership of early action, or has taken the lead role in co-ordinating early action activity. We have particular concerns that the Treasury—the ultimate custodians of public money—is not sufficiently engaged in early action; for example, the Treasury conducts no research centrally on early action.⁷ The Cabinet Office is proposing to set up a series of ‘What Works’ centres in 2013, which include the Department for Education’s imminent establishment of the Early Intervention Foundation.⁸

2 C&AG’s Report, para 1

3 Q5

4 Qq 15, 72

5 C&AG’s Report, para 3.15-16

6 C&AG’s report, para 7

7 Qq 2, 43-47

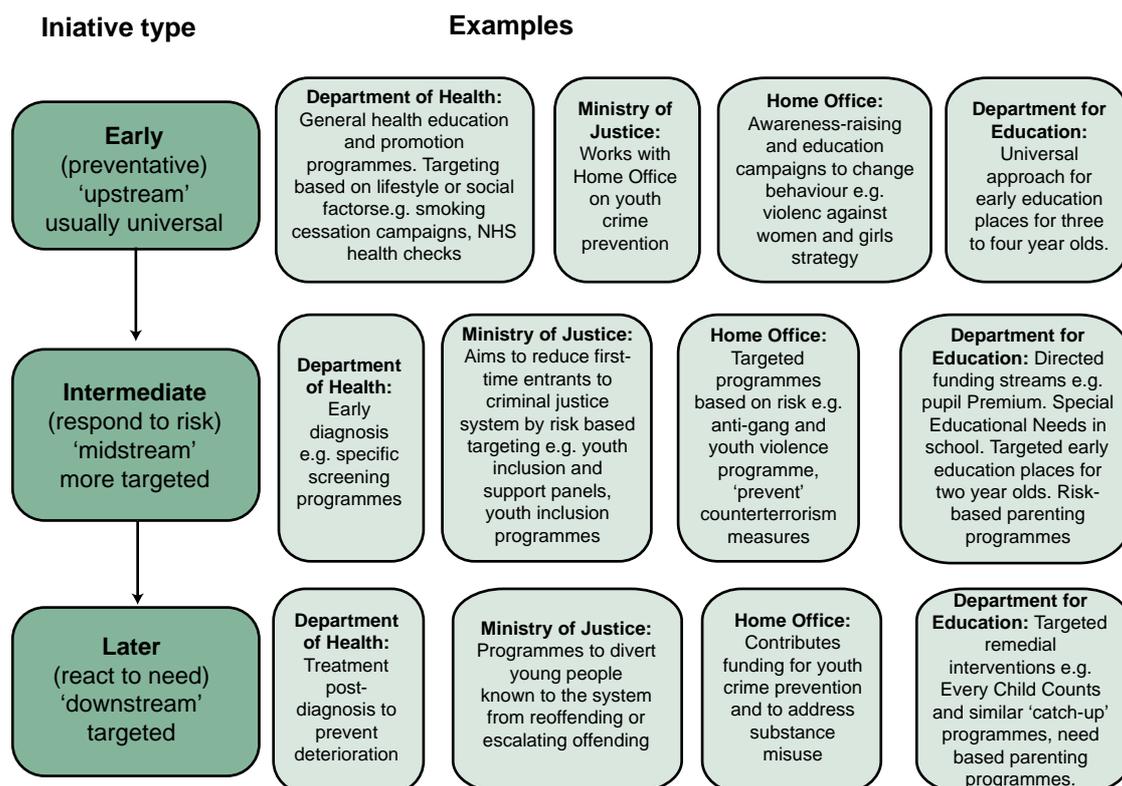
8 Qq 10, 61, 63, 68; C&AG’s Report, para 3.14

The definition of early action

4. There is no agreed, standard definition of early action. Departments use their own definition or do not define early action at all.⁹ The Treasury and the Department for Education told us that early action could cover a huge range of government activity, but the absence of a standard definition makes it difficult to assess how much departments are spending on early action, what that is achieving, and whether the share of spending on prevention is increasing over time.¹⁰ The Department of Health agreed that a shared definition would be helpful, but the Department for Education told us that it had concerns that a consistent definition would exclude some early action activities currently taking place, such as pre-emptive interventions by social workers, and the day to day activities of teachers, who identify students that are starting to fall behind and intervene to help them catch up.¹¹

5. The C&AG's report used a definition of early action that could act as a useful starting point for departments. **Figure 1** sets out examples of early action initiatives grouped according to the definition used by the National Audit Office in its report.¹²

Figure 1: Examples of early action initiatives by department and type



Source: C&AG's report

9 C&AG's Report, para 1.3

10 Qq 44, 52

11 Qq 51-53

12 C&AG's Report, figure 1, page 11

2 Barriers to early action

Focusing on the short term

6. The Founder of Community Links told us that “sustainable public finance, the explicit objective of the Treasury, is dependent on taking [a] longer-term perspective”, but that government does not operate in a way that enables early investment in order to avoid increased costs in the future.¹³ In addition, the C&AG’s report urges the Treasury to ensure that “the Government’s budgetary system supports and incentivises departments to achieve value for money in allocating resources over the medium to long-term”.¹⁴

7. The Treasury cited examples, such as Sure Start, where it has approved investment in early action. However, this Committee has heard about examples, such as the Government’s approach to medical negligence, which leave us concerned that the Treasury does too little to reflect on the long-term implications of expenditure today.¹⁵ Specifically, the Treasury does not currently consistently require departments to present spending proposals which set out the long term impact of expenditure, even though it is in the nature of early action initiatives that benefits may not be realised for many years. The Founder of Community Links proposed that government should routinely apply 10-year tests to every spending decision, and the Treasury agreed to consider this suggestion.¹⁶

Lack of ring-fenced budgets or other incentives

8. The New Economics Foundation told us that early action initiatives in local services, such as youth services, language classes and exercise classes, tend to be the first victims of spending cuts, because there is a tendency to protect spending which responds to the most immediate need.¹⁷ We understand the tension between giving local decision makers the flexibility to deploy resources in accordance with local need, and ring-fencing certain areas of expenditure, but, overall, witnesses showed reluctance to protect early action funding.¹⁸ The Department of Health has ring-fenced public health funding, aimed at preventing illness, that will be granted to local authorities from April 2013, but the Department for Education has no ring fence around its Early Intervention Grant, and is taking money from this budget to use in other areas, including adoption services.¹⁹

9. Where the Treasury does not ring-fence budgets, incentives are needed to drive early action. The C&AG’s report gives the example of the Department of Health’s failure to incentivise GPs to undertake all nine of the diabetes care processes recommended by the National Institute for Health and Clinical Excellence, which resulted in avoidable

13 Qq 3, 8

14 C&AG’s report, recommendation c

15 Qq 28, 30, 40, 58

16 Qq 3, 40, 59;

17 Q 5

18 Qq 26, 49

19 Qq 16, 18-20, 25

expenditure on diabetes-related complications.²⁰ We were told about some examples of incentivising early action. For example the Department for Education told us that the inspection framework around social work includes assessment of whether social workers take action before problems arise, or just react to problems.²¹

Weak evidence of what works

10. Witnesses agreed that there is a need for more robust evidence on the effectiveness of Early Action initiatives. The New Economics Foundation described the need for a greater awareness of the underlying causes of social problems and how they can be avoided.²² The Founder of Community Links explained that while there is insufficient information on what does work, there is plenty of evidence that expensive ‘last resort’ interventions continue to produce unsatisfactory results, as shown by, for example, the number of repeat offenders in our prisons.²³ The Centre for Social Justice suggested that care should be taken about how much evidence is required before action occurs, saying that insisting on randomised control trial evidence could prevent organisations from taking forward effective initiatives and make trials too expensive and difficult to undertake.²⁴

11. There are a number of organisations and initiatives working to strengthen the evidence base and build support for early action. One of the objectives of the Early Intervention Foundation— currently being established by the Department for Education—is to assess what programmes work in order to determine both the best interventions available, and their relative value for money. The Cabinet Office is co-ordinating the establishment of ‘What Works’ centres, modelled in part on the National Institute for Health and Clinical Excellence, which has been gathering evidence on the effectiveness of early action in the health sector for some years.²⁵

12. We heard that departments sometimes fail to gather the best data to inform spending decisions. For example, the Department for Education uses a simple formula - the numbers of pupils in a school receiving free school meals— to assess how it will distribute the pupil premium. However, this excludes other important demographic information associated with levels of deprivation, such as the prevalence of English as a second language, which could result in the pupil premium not always reaching the schools that need it most.²⁶

13. There is often a time-lag between early action being initiated and evidence of benefits becoming available. In response to our report last year on the free entitlement to education for three and four-year-olds, the Department for Education is launching an update of its 1997 longitudinal study on early years education. This follows five-year-olds up to the time

20 Qq 74, 77; C&AG’s Report para 3.20

21 Q 53

22 Q 5

23 Q 3

24 Qq 2, 11

25 Qq 6, 10, 33, 63, 68, 71; C&AG’s Report 3.10-11, 3.14, figure 6

26 Qq 33-39

they join the labour market and illustrates the difficulty of gathering timely evidence to influence spending decisions.²⁷

14. The Treasury told us it asks for the best evidence available from departments to support their requests for funding during the spending review process, and also bases its decisions on each department's track record. However, the Treasury does not produce guidance on what form that evidence should take, or explain how it has used such evidence. In addition, we are concerned that the Treasury relies too heavily on the evidence of departments and carries out too little of its own research to better understand what works across government.²⁸

Poor joint working

15. Joint working across government is crucial if early action initiatives are to be most effective. The Centre for Social Justice, for example, told us that too much focus on discrete programmes will not achieve the goal of people working together across health, education and crime sectors.²⁹ We heard some examples of departments working together towards a common goal. For example, the Department of Health and the Department for Education told us they are bringing together the health and education elements of the assessment of two year olds. This is an important example of two strands of policy and money coming together at the local level. However, the departments did not believe that taking this further by, for example, pooling child health budgets, would work at a national level.³⁰

16. Good examples of collaboration between local authorities were identified in the C&AG's report, which found that some delivery and commissioning bodies were rethinking their approaches.³¹ We heard about "whole community budget" pilots taking place in a small number of local authority areas, which aim to bring local services together—including health and criminal justice services—to work out how they can deliver the most important things locally with decreasing budgets. In several of these pilots, local authorities were prioritising early action activity. The ten Greater Manchester local authorities have decided to invest more in early action in a coordinated way because, according to the Department for Education, in a time of austerity, the authorities see this as the only way that they can manage their finances in the long term with reduced budgets.³²

27 Q 63; Committee of Public Accounts, *The free entitlement to education for three and four year olds*, 86th Report of Session 2010-12, HC 1893, May 2012

28 Qq 47-59

29 Q 1

30 Qq 47-49

31 C&AG's Report, para 3.31

32 Qq 27, 33

Formal Minutes

Monday 13 May 2013

Members present:

Mrs Margaret Hodge, in the Chair

Guto Bebb
Chris Heaton-Harris
Meg Hillier
Mr Stewart Jackson

Fiona Mactaggart
Nick Smith
Justin Tomlinson

Draft Report (*Early Action: landscape review*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 16 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Wednesday 15 May at 2.00 pm]

Witnesses

Wednesday 27 February 2013

Page

Dr Samantha Callan, Chairman in Residence, Centre for Social Injustice,
Anna Coote, New Economics Foundation and **David Robinson**, Founder,
Community Links

Ev 1

List of printed written evidence

- 1 Department for Education
- 2 Early Action Task Force

Ev 18

Ev 20

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2013–14

| | | |
|--------------|--|-------|
| First Report | Ministry of Defence: Equipment Plan 2012-2022 and Major Projects Report 2012 | HC 53 |
|--------------|--|-------|

Oral evidence

Taken before the Committee of Public Accounts on Wednesday 27 February 2013

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Guto Bebb
Jackie Doyle-Price
Chris Heaton-Harris
Meg Hillier

Mr Stewart Jackson
Fiona Mactaggart
Austin Mitchell
Nick Smith
Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General, and **Michael Kell**, Director, National Audit Office, and **Marius Gallaheer**, Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Early action: landscape review

(HC 683)

Examination of Witnesses

Witnesses: **Dr Samantha Callan**, Chairman in Residence, Centre for Social Justice, **Anna Coote**, New Economics Foundation, and **David Robinson**, Founder, Community Links, gave evidence.

Q1 Chair: Thank you very much indeed, the three of you who are here. What we try to do in these early sessions is talk to experts in the field before we get the accounting officers to give evidence to us. It is an opportunity for you to tell us what we should be thinking about and what we might question the accounting officers on. They are sitting behind you in the gallery so they are here to listen as well. Samantha, if I can start with you, and thank you very much for coming. I know you had some difficulty in finding someone who could attend today. It seems to me that there is a cross-all-party political commitment to this being a sensible way to go, particularly at a time of fiscal constraints when money is tight, if you accept the thesis that you invest early and you save later. If you were Prime Minister or the PAC what do you think are the key things that should be done to move from political agreement to effective action?

Dr Callan: Good question. Could I just quickly set my remarks in context? It is worth saying that this has been a key priority of the Centre for Social Justice for at least six years. The major report we wrote, “Breakthrough Britain”, was really trying to take an holistic approach to tackling the causes of social breakdown. We looked at tackling family breakdown, educational failure, serious personal debt, addictions and welfare dependency. That was where we felt that early intervention—prevention being better than the cure—was absolutely essential if we were not just going to be coming up with a few good ideas that would not make the huge difference that we felt was needed.

We followed up the 2007 report with the “Next Generation” report and then the “pink book” written

by Graham Allen and Iain Duncan Smith, in which I was very involved. Finally, I will be drawing a lot of my remarks today from a very short report we wrote after the Allen review came out, called “Making Sense of Early Intervention.” I have a couple of copies of each and they are all available on the web.

Q2 Chair: Just for the record, can you give us the titles? They will then go into our published evidence.

Dr Callan: Absolutely. There is “Early Intervention: Good Parents, Great Kids, Better Citizens,” which I think really got this issue on to the political agenda like nothing else. It was very much the progenitor of the two major Allen reviews, and was written by Graham Allen MP and Iain Duncan Smith. The other shorter piece is “Making Sense of Early Intervention: A framework for professionals.” If we are thinking about how we implement this at a local authority level—to us, that is terribly important; you can have cross-party agreement, but it is what happens on the ground that really matters—I would draw your attention to “Making Sense of Early Intervention.” Do also look at the longer piece.

We would say that the priority focus has to be on the early years. There is so much research, especially in the report “Breakthrough Britain: The Next Generation,” but also in the pink book, on why brains so require nurture, attunement and parental involvement just to develop. The brain is a social organ. I am sure that you have seen the pictures of the very diminished brain and the healthy brain in Graham Allen’s reports.

The Nobel laureate economist James Heckman talks about life skills formation, self-esteem, ability to

communicate and sociability. He doesn't talk about nurture, but others talk about preventing the development of callousness, and children just growing up with some level of well-being that will be the hugely important foundation for the early years. I could talk about that for a long time, but I will not. We cannot allow that to detract from continuing early intervention in the later years. We cannot think in terms of just one set of programmes—one approach at a certain age group. That would miss the huge opportunity to reconfigure how we see intervention.

On the programmatic approach, I have had lots of conversations with Graham and there are plenty of caveats in the Allen reports. It is not about: "Adopt these 19 programmes from the first report or these 25, which have an amazingly robust evidence base, and everything will be all right." The overly programmatic approach will not achieve this multi-systemic reform of the whole system—the idea of people working together across health, education and crime that is so essential.

You take it as read that these agencies have to be very high quality, but the final thing—we can draw this out more, but it is wonderfully covered, if I may say so, in the report I wrote in 2010—is that when we talk about investing in programmes that work, if we get completely hung up on having randomised control trial evidence for every single thing that goes on to try to prevent harm, it will be far too expensive and we will get completely caught up in the tail wagging the dog of evidence. Randomised control trials will not tell you all that you need to know about effectiveness. I will leave it there. Because I am an academic, I felt the need to unpack that far more carefully in the "Making Sense of Early Intervention" report.

Q3 Chair: Thank you. What I have picked out of that is early years, people working together and quality. David, what do you think are the key issues to turn intent into effective action?

David Robinson: We would list six things. First, I am a community worker and I work for Community Links in east London and I lead something called the Early Action Task Force, which brings together leaders from across the sectors thinking about exactly these kinds of issues. We don't think it is always possible to prevent a problem, but when it is possible we think it is almost always preferable and in the longer term it costs less. Building a fence at the top of the cliff is how we talk about it at Community Links, rather than running an ambulance at the bottom. We think that that should be the organising principle throughout our lives. I agree with Samantha. For me, it is not just about the early years, critically important though they are. It is a principle that we can apply throughout our lives.

We would go further than that on the taskforce and say that sustainable public finance, the explicit objective of the Treasury, is dependent on taking that longer-term perspective. That will not be achieved until we introduce some processes for assessing current priorities on the basis of longer-term value, so we think that the Government should take the idea

introduced in the NAO Report around longer-term value and should introduce 10-year spending plans, considering the consequences of every spending decision over a 10-year period. I recognise that that would have to be subject to repeated reviews, elections, changing circumstances and so on, but every time the plans are changed, considering what would be the costs and benefits over a 10-year time span.

Secondly, we should routinely apply 10-year tests to every spending decision, starting—why not?—with the negotiations and the settlement letters in the spending review which is under discussion at the moment. With those processes, we are seeking transition plans, Department by Department, plotting that incremental shift and making a real commitment to making a change over time. That 10-year period would span Governments. We think there is more agreement between parties on many of those issues that are of concern to you than perhaps the parties sometimes own up to. A 10-year perspective may not be an unachievable thing to do, but each time, we should consider the implications over 10 years of every change in the plan.

Then we would like to see, fourthly, that kind of approach applied as a statutory duty to public authorities everywhere: to think about the longer term. The White Paper in Wales published just before Christmas introduced exactly that kind of idea. Why not across the whole of the UK? Five, we think Governments should recognise that spending on early action is an investment. That is the point of this. It is about offsetting future liabilities. It therefore should be treated as such and treated and protected in the same way as capital. Six, there needs to be far stronger sticks and carrots to drive local collaboration which, after all, is where so much of this spending happens: funds, incentives, applications of the polluter pays kind of principle. Community budgeting shows the way on a lot of this, but for heaven's sake, that has been talked about for 15, 16, 17 years and still we are at the stage of pilots. We would like to see much more energy and dynamism on that kind of agenda.

We don't know as much as we should know and could know about what works, as the NAO rightly pointed out. We think that across the sectors we need to work on that, but we have a pretty clear idea about what doesn't work at the moment: last-resort spending, looked-after children in residential accommodation, older people blocking hospital beds, prisons full of repeat offenders—those kinds of massively expensive provision that are none the less still producing unsatisfactory results, warehousing need when what the nation requires is a need-reduction strategy much further upstream. We cannot afford to not act earlier in those kinds of ways.

Q4 Chair: Thank you very much indeed. And, Anna, your perspective?

Anna Coote: I will be as brief as I can. I entirely agree with what David has said. I am a member of the Early Action Task Force as well. I want to stand back a little bit. I base what I am going to say on work we have done at the New Economics Foundation, with

the report that came out recently called “The Wisdom of Prevention” and a series of papers that we commissioned from experts which we have published as “The Prevention Papers”. We are interested particularly in why—it is a bit like being against sin. Everybody is in favour of preventing harm but not a great deal happens and why is this? So understanding the barriers, because if you don’t understand the barriers you are not going to learn how to overcome them and you are not going to embed this idea as a default model for approaching policy making and practice.

Mr Bacon: If you think that everyone is against sin, you haven’t read enough Damon Runyon. That’s all I can say.

Anna Coote: I will take your advice and read more of it. The landscape review identifies some challenges, but not all of them. The importance of really understanding all the barriers cannot be overstated. One sizeable barrier is that, almost everywhere at the moment, services that are aimed at preventing harm tend to be the first victims of spending cuts. That applies to public services that are funded through local authorities and to services that are delivered by locally based community groups, such as youth services, drop-in centres, language classes and exercise classes. They are not statutory. They are not considered core. They tend to be regarded as peripheral, but they are the things that get under the skin of the underlying causes of harm to try to address them. They are the things that go first, so it is important to understand what is going on now, and be very well aware of it. Without those services, we will not be able to prevent an awful lot of harm.

Q5 Chair: Give us an example of that.

Anna Coote: The services that are being cut?

Chair: There were shaking heads behind you from the accounting officers. They did not agree with you.

Anna Coote: They didn’t agree? Well, we have been working closely particularly with community groups in deprived areas of London and Birmingham, and the consistent story that comes through is that they are no longer in a position to provide a lot of services that they used to provide, because they are having their grants cut. I have mentioned language classes, exercise classes and drop-in centres. A number of them may have survived, nevertheless it tends to be those things. When times are hard, there is a tendency to home in on areas of most extreme need and, of course, those areas of extreme need exist because there has been a failure to prevent harm. That focus is quite understandable, but it is going in at the wrong direction because, meanwhile, we are piling up social problems, reduced well-being, costs and waste of public resources for the future.

My first point is that we need much greater awareness of the underlying causes of social problems and how they can be avoided, and then to identify and, if possible, ring-fence funds for services and activities that are likely to be preventive. I am thinking particularly of local services. It is very important—David alluded to it—to develop new ways of valuing and measuring outcomes that are not just about the

immediate short-term financial bottom line, but that capture the longer-term social and environmental benefits of measures. That is not new. It is called social return on investment. A report on investment came out from the Cabinet Office in 2009. It is a well-established technique, but it is not very widely used yet. If we are to prevent harm, we need to understand and measure value in a more profound and long-term way.

I want to stress the fact that the idea of early action to prevent harm should not just be seen in a social context, but needs to be seen across a society environment and the economy. One of the reasons is not only that there are multiple ways in which we can prevent harm beyond, say, early years and encourage health and well-being. I am thinking about preventing environmental damage, for example. The main point is that there are opportunities to prevent harm, to do things at the top of the cliff—as David would say—instead of running the ambulance to the bottom. One measure can have benefits in more than one area. An obvious example is measures that encourage walking and cycling. That is a classic preventative measure. It gets people out. It encourages health. It helps people to lose weight. It also reduces carbon-intensive transport. Another example is retrofitting homes to increase energy efficiency. That helps to reduce carbon emissions. It also helps to cut household bills. It guards against poverty and, at the same time, reduces the risks of illness due to extreme cold in winter. We all know that, but not enough of it goes on. That is my second point.

Thirdly, levels of prevention are set out in the landscape review: upstream, mid-stream and downstream levels of prevention. It should be emphasised that although interventions at all three levels are sometimes necessary, downstream interventions should be a last resort and avoided wherever possible, by taking action further upstream. The more you focus investment and action upstream, at the underlying early causes of harm, the better and the greater the financial savings and the greater the benefits to well-being.

There is a temptation to focus on and think of early action and the prevention of harm as just identifying people who are at risk or vulnerable. People get to be at risk and vulnerable because there has been a failure to prevent that risk and that vulnerability. So while you need targeted measures, you need universal services as well. The two together are the best way of capturing value and reducing costs in the longer term. We have done some work on how we invest in the future of children. We did this with the organisation, Action for Children, and the New Economics Foundation. The report is called “Backing the Future” and it looked at the record of the UK compared with other European countries and saw that those countries with high-quality universal services, particularly child care and parental leave, had far better results for their children than we did. We had much less in the way of those universal services.

It is about valuing targeted measures, but not thinking that getting in there midstream and doing those targeted measures for people who are already at risk

is enough, because universal services will also help to lock in the benefits of those services.

Finally, it seems to us that although everybody knows that harm is bad and it would be good if we could prevent harm if we could, it is not understood sufficiently. The causes are not understood and the means of preventing harm are not understood, so there is, I think, an opportunity to have much more in the way of learning and appraisal materials for Government Departments, local authorities, community organisations, philanthropic organisations and businesses, as well. The NAO has done a great thing with the landscape review, and the work David has done with the early action taskforce, but there is room for more learning here.

Q6 Austin Mitchell: I think I have spotted the problem. It has become something of a Cinderella, partly because it is not ring-fenced and we are in a time of austerity and local government is facing pressure to cut in every available way, and partly because the results are so difficult to quantify, for reasons you have just given. Do we not need some kind of central study organisation which is telling us what best practice is, who is applying it and what the success rate is? Why do we not have an annual prize-giving, where we give a prize to the local authorities that save more souls proportionate to their population than others and give demerit points, or hooters, to those with the biggest cock-ups and those that are inefficient and not using the service? Don't we need to quantify the results?

Dr Callan: I couldn't agree more. That is why it is such a welcome achievement of Graham Allen's to have finally secured the Early Intervention Foundation. I do not know if you are aware of this. It has been a long drawn-out exercise. I have been very involved in the bid for the Early Intervention Foundation and belong to a very large stakeholder group, chaired by Graham Allen.

If I may, I shall take a couple of minutes to talk about what the Early Intervention Foundation is trying to do. Basically, it will assess what programmes work. So that will determine both the best early interventions available and their relative value for money. A lot of things make a difference, but we would much rather people commissioned things that made a big difference than things that made a small difference. This will be launched on Monday, so it is very new. They are looking for 20 areas around the country to be demonstrator areas, and they are talking with commissioners all the time. They have been going for several months in a shadow way so that they would be ready to hit the ground running when they finally got the money and were able to launch.

There has been a lot of pro bono help because we all believe so much in having a body, as you suggest. I was with a police and crime commissioner last Monday, and I came with all my arguments about why early intervention was a good thing, but he said, "I agree. I have signed up already, and I want to implement it." In 2008 the Scottish Government were already saying that they knew it made sense and they wanted to implement it. I ask the Committee to look

at the Finance Committee of the Scottish Parliament, which has looked at the matter. They are a bit further ahead than us, if I may say so, and it is well worth having a look at that.

The second thing that the Early Intervention Foundation would do is to translate their assessment about what practical evidence-based programmes will do and to give really good advice to local commissioners, service providers and potential investors. That is terribly important. This is not all about finding public money to do things with. There are lots of financial instruments, such as social impact bonds, that are just being invented and we are just beginning to learn about.

Finally, we would advocate early intervention as a serious alternative to expensive and ineffective late intervention. Through the organic sharing of good practice—I do not know about local competitions—the staff are being so steeped in what is happening in places such as Inverness and Middlesbrough, and they are saying that in Southend there are similar challenges so we can learn from others. It is such an opportunity. We are hopefully putting an endowment fund in—

Q7 Austin Mitchell: It all needs to be publicised, doesn't it? It all needs to be brought to public attention, because we do not know.

Dr Callan: Right. Again, that is why it is important that there is a body that wakes up every morning saying, "Early intervention makes a difference and we need the whole country to know about it."

Q8 Mr Bacon: Mr Robinson, you said something very interesting in your précis, which was that this was the only route, in your view, to getting sustainable public finances. For anyone who is interested in sustainable public finances, that is crucial, and we plainly do not have sustainable public finances at the moment. Could you expand on that sentence and explain how you see the benefits coming through the system, how long it will take and what sort of public spending savings you might expect?

David Robinson: Yes, and I was remiss in not doing the advert at the beginning for our reports "The Triple Dividend" and "The Deciding Time", where we covered this in much more detail. In brief, we hear about the Brent graph of doom, where the council and other councils will apparently run out of cash for anything other than core services, and we know in local authority services, in health services and elsewhere about trajectories that are unsustainable at the moment.

When I talked about sustainable public finances, I was thinking about the fact that we know of these looming liabilities that are getting worse and worse, and we know that we could offset some of them by an investment now. To give you a specific example, we know how many 13 and 14-year-olds are not up to speed on literacy and numeracy skills at the moment, and we know what will be the cost of them being unable to enter the labour market in three or four years' time. We have got pretty good data on the success rates of literacy catch-up work with that age

group, and any sensible organisation would invest there now because it would recognise that looming liability. Government does not operate like that, however; it does not take account of that looming liability and we do not make that investment at this stage.

When I was talking about sustainable public finances, I was saying that if we took a 10-year view on where we are heading and where we could best spend our money now, it would be not only on acute services but on services that would reduce need further down the track.

Q9 Mr Bacon: The logic of what you are saying is that if you have got only a certain size of cake, you might slice some money from, shall we say, prisons, acute hospitals or adult literacy services for people who have cost a lot more further down the line and invest that money in 14-year-olds.

David Robinson: I am suggesting that you would work differently on the front line. I spent some time with a police service a few weeks ago, and the senior officer was very keen on this agenda. He was sharing with some of his colleagues the story of a family with 20 years of police interventions, with a whole series of domestic violence incidents in that home over three generations. He was pointing out to his colleagues how enormously expensive that was for the police service, let alone for accident and emergency and all the other services involved. He was saying to his colleagues, “Every time we go in, we deal with the crisis. At no point are we dealing with what is going to happen next time.” He said to them, “I am not asking you to work with different people; I am asking you to work differently with the people we are working with now and to take a longer-term perspective—weeks, months, not necessarily years.” I think there is a bit of a myth about early action that we are talking about returns somewhere in the distant future. If we are talking about a Sure Start-type programme and we say that the objective is that the toddler should get into university, we are obviously looking 20 years hence. At Community Links, however, we did a piece of work with the local police on a particularly troubled estate in Newham, where youth work over one year reduced reported crime by 56%. Those are the police figures, not ours. You can see how, immediately, that kind of work is resulting obviously in social benefits, but also in cost savings.

Q10 Mr Bacon: More examples of that type of thing across the piece are essential, because if you are going to maintain and build political support for this, those sorts of early wins are exactly what you need. Are there lots of examples?

David Robinson: On Mr Mitchell’s point, there are more examples than perhaps we imagine. Some are included in the NAO Report. I absolutely admit that we need more, but there is more evidence out there than we think. In addition to the Early Intervention Foundation, which is terrific, a series of “what works” centres are on stream and there is the Education Endowment Foundation. There is a fair amount of institution building in this space. There is more work

to be done, but institutions are now in place that will be generating this evidence. We cannot, however, wait for that evidence before we take this action.

Chair: Did you want to come in on that, Anna?

Anna Coote: Just to add the example that was in the news very recently about diabetes and the projections for diabetes and how much it is going to cost the NHS. This is a very largely avoidable condition. If action is taken earlier to avoid diabetes, we can save massive amounts of money for the NHS, thereby ensuring that it has a viable long-term future, so that it can deal with unavoidable illnesses. Without that, its costs will rise inexorably. You will maybe hear more about this later, but that is a very obvious example.

Chair: We like to think we had a role to play in that with our report on diabetes.

Q11 Fiona Mactaggart: I have one question for each of you. Dr Callan, I thought you were a bit dismissive of randomised control trials. I am that strange creature, an MP who quotes, for example, the Highscope Perry research, which showed a huge benefit 25 years later when nobody expected it from the right kind of early years education. I have a family nurse partnership in my constituency, the work of which has been slightly hampered by the way the RCT works, but I think they are compelling, and I was wondering why you were dismissive of them.

Dr Callan: I am very glad that you have drawn me out a bit on that. I am an academic and would not want to dismiss them, so thank you for the question. What I would draw out from the “Making sense of early intervention” report is very much the limitations of randomised control trials. We wrote this report because—there are plenty of great examples of early intervention in here and I think case studies are compelling—we had people coming to us who said, “The local authority is no longer commissioning us to do work we have shown to be effective because the Allen review came out saying, “There are these 19 programmes that work. Don’t commission anything that does not work. Do these programmes.””

However, Graham himself does not actually say that at all. He says that he particularly recognises the weaknesses of an RCT approach regarding some early years programmes. He continues: “We need to look again at how any methodology makes its assessment so that we do not write off or miss out on outstanding early years programmes, particularly those that address critical ante- and perinatal issues, such as Foetal Alcohol Spectrum Disorder, domestic violence in pregnancy...parental sensitivity and attunement, where we currently have a lack of provision.” What he is saying is that we have got promising programmes. In the EIF they are doing a really good spectrum of programmes with evidence including but not just gold standard RCT. Invest in programmes with that and you can absolutely bank the money¹.

¹ Note by witness: Being able to quantify hard and measurable returns on investment is essential if new financial instruments eg social impact bonds issued by the private sector, are being used to fund the work. Programmes with RCT evidence are better suited to that, but some interventions not amenable to that research methodology have evaluations demonstrating effectiveness and should not be disregarded.

27 February 2013 Centre for Social Justice, New Economics Foundation, Community Links, DfE, HM Treasury and DoH

It is not just the MP talking. Dr David Evans says that effectiveness is not the only thing; appropriateness and feasibility are also important. In other words, will it be right for the population? Will you be able to do it with the resources available? Again, something more in writing there, but thank you for the challenge.

Q12 Fiona Mactaggart: Anna, you referred to the issue of universal versus targeted services. One thing I am concerned about in my constituency, for example, is that Slough council, under a bit of a cosh, is investing only in targeted youth services. It is saying that it is troubled young kids who need statutory provision and so it is targeting that. It might try to stick a bit of voluntary stuff on the side. All the universal youth services have gone, really. I wonder whether there is any evidence of what happens when that happens. I can't believe that Slough is the only place in the country that is doing that. What are the consequences of moving from universal to targeted services?

Anna Coote: I don't think we have the evidence of the consequences yet because we are in the middle of that process at the moment. I think there is evidence that we have tried to bring together in our report, "Backing the Future" that shows that you get a much better result if you have both targeted and universal services. There is the problem of stigma. There is the problem of people running up against the point where they are no longer considered at risk and therefore can't get any help, but they might need the help to stop them getting worse in whatever their condition might be. I have come across people who say, "I am not considered needy enough, therefore I can't have this service." There is that issue.

Let's suppose that targeted services do help people. I think we can all agree that they probably do. If you come out of the end of that and you are faced with a society where you have insufficient or no child care or you haven't got enough parental leave and there are other things around you that make it difficult to survive, the advantages of all that targeting are going to be lost. They will be dissipated because of other factors.

One point I want to make about early intervention, particularly in early years, is that it is not just about finding a social problem and then getting some social

policies to apply to it. You have got to think across the piece. You have got to think about economic policies as well, about employment and things like that.

I don't have the evidence. It would be very good if someone could commission a large survey to see. Perhaps this Committee could do that.

Q13 Fiona Mactaggart: David, my third question is to you about your team. Presumably, you have gone to the Treasury and said, "What are you going to do about this?" What did they say?

David Robinson: I was very encouraged by the response. I have spent 35 years of my working life going to the Treasury with bright ideas and not always getting a very good hearing, but I am encouraged by their interest in taking a longer-term view.

Fiona Mactaggart: Their interest. What are they doing?

Chair: We will ask them.

Q14 Fiona Mactaggart: Okay, I'll leave it there.

David Robinson: Can I have a go at your last question as well, very briefly? I don't think there is evidence around the consequence of focusing on targeting at the expense of universal work. Regarding the evidence I quoted around the 56% reduction in reported crime when you put youth work on to an estate, the opposite is also true. If you take that out, clearly the crime rate goes back up again. I think there are many examples where we can show what the impact is of universal service on reducing the need for the targeted service. Of course, if you just focus on the targeted services, quite quickly that need will increase to a point where that is not sustainable, so it is a false economy.

Anna Coote: Could I please say something about RCTs very quickly? What they do is stifle innovation and risk. If we are going to solve problems we need to do things that haven't been done before. By definition, if it hasn't been subject to a randomised control trial it is a risky innovation, but you have got to do that. I think that is another important point about it.

Chair: We will now move on to the accounting officers. Thank you; that was really helpful.

Examination of Witnesses

Witnesses: **Chris Wormald**, Permanent Secretary, Department for Education, **Julian Kelly**, Director General, Public Services, HM Treasury, and **Una O'Brien**, Permanent Secretary, Department of Health, gave evidence.

Q15 Chair: Una, as we need to talk to you about autism, we are going to try to keep this panel as contained as we can. I often say this at the beginning of panels, but I would be ever so grateful if everybody gives us answers that are as direct and succinct as possible, as we have another session to go on to after this. We do work a little bit in this Committee, and I know you all do, too.

This is really a reflective session, rather than anything else. It seems to me that there is complete consensus

among everybody that if we could just get spending upstream, we would save spending downstream. Everybody agrees with that. Some of us were in the previous Government, and through all those years we have believed that; the current Government think that, too; yet we never ever actually manage to change the profile of where the money goes. I wondered why that was, and—this is really the question I asked the previous witnesses—what you think we need to do to

turn this acceptance of a principle into effective action.

Una O'Brien: In brief, we need to do two things. The first is to change the way that people work, and I think some of the examples that you heard just now were very important. That is changing what people do with the resources that they have. The second thing, which I think is particularly challenging, and I know we have talked about it here before, is to have really good disinvestment models. If we are talking big picture, over the long term, in the discussion around acute services, the question is where your money is held. If it is tied up in one place, but you know that the right thing to do in the long run is to get it into another place, you need a model of how to disinvest in a way that is not disruptive to meeting current need. That second one is particularly challenging.

Chair: In preparing for this, the thought that went through my mind was something that we have never done. Health is a classic for this. One of the early studies we did was looking at equality and life chances. We looked at health inequalities, and we found that, despite a commitment from '97, by the time we got to 2009–10, the situation was worse.

Stephen Barclay: More GPs in healthy areas, fewer in unhealthy areas. That was the sort of metric.

Q16 Chair: What I come to, in the end, is why on earth don't we just ring-fence an increasing amount of the budgets in health and education—it almost becomes a Treasury issue—and say, "You will only be allowed to spend this money if you spend it upstream"?

Una O'Brien: I know that Chris wants to come in on this, but let me just say that, in health, for the first time ever, we have put a ring fence around public health money. We have allocated it to local authorities, and we have increased it in real terms for both 2013–14 and for 2014–15, giving people two-year budgets. In the midst of all the challenges we are facing, we are trying incredibly hard in-house to create the space to put more money into prevention and early intervention as well as upstream work. We have seen some of the work that Public Health England will do with local authorities. When you have the opportunity to invite the excellent chief executive, Duncan Selbie, and Professor Kevin Fenton, who is an extremely impressive director of health and well-being, you will start to see some of the impact that this work can have. It will never feel enough but it is a ring fence and it is an attempt to protect money that, in other eras, has been deployed for other purposes.

Q17 Chair: Are you monitoring it?

Una O'Brien: Absolutely, yes.

Q18 Chair: The first year is this year, isn't it? You will be able to come back to this Committee at the end of 2014 and show us where that investment has gone.

Una O'Brien: I will. I know you had Bob Kerslake the other day. For the public health ring fence, the accounting officer line is from Duncan Selbie through to the Department of Health.

Chris Wormald: I do not want it to sound like I am just trying to butter up the Chair, but I think that you are doing everybody a disservice in the question. If

you look at 15 years of public spending, we have pushed large sums of money into early intervention, particularly into child care—the three and four-year-old entitlements and the two-year-old entitlements this Government have introduced. Successive Governments have expanded and protected the whole of the education budget, which is, in itself, a giant early intervention. We have over 3,000 Sure Start children centres that were not there before—

Q19 Chair: I do not want a list, Chris. My question to you would be the exact opposite, because the early intervention grant, which was a ring-fenced grant, was raided. You have raided the two-year-olds, you have raided for adoption, and you have un-ring-fenced it, so we have moved in absolutely the opposite direction.

Chris Wormald: I do not accept that. The two-year-olds pledge is early intervention—very early intervention—and we do not shy away at all from having made that pledge. Those programmes have been very successful. The general point I was trying to make is that considerably more has happened over a long period in this territory than we have all given ourselves credit for.

Q20 Chair: Having been responsible for part of that, I welcome that, but you have taken off the ring fence, and it is not new money for either the two-year-olds or adoption, which we all agree is a worthwhile and important thing to do. You have raided again to do that.

Chris Wormald: I was going to come back to ring-fencing. As I say, we are not shying away at all from the fact that we thought that both adoption and two-year-olds were national priorities, and we decided to invest in them. It is not a secret to anyone that money is quite tight and there isn't money. That is an example of where we have taken cash and put it towards these priorities. In terms of ring-fencing, there is an interesting debate to be had about whether we want ring fences or not. When I used to be responsible for local government budgets in a previous job, most local authorities said that ring fences prevented exactly the kind of interdisciplinary work that is at the absolute heart of early intervention.

Q21 Chair: Will you monitor the reduced sum to ensure that, whatever the justification, it is not used for street sweeping, but is actually used for preventing teenage pregnancies, for example?

Chris Wormald: We are giving local authorities discretion over how money—

Q22 Chair: Are you monitoring it?

Chris Wormald: We certainly monitor what is spent. We do that through section 251 returns. We believe that there should be local discretion in these areas, and that local government has to make its own spending decisions.

Q23 Chair: So if there is less money spent preventing teenage pregnancies because it is being spent on street sweeping, are you going to do something about it?

Chris Wormald: We do not intervene on the basis of how much is spent, as you know. There is a lot of

argument about what national Government should prescribe versus what we should allow locally.

Q24 Chair: Are you going to do anything about it if it goes down?

Chris Wormald: We do not intervene in the levels of spending. We believe that this is rightly a matter for local councillors and local electors. What we do, as I am sure you know, is inspect children's services at local authority level, and we intervene when we do not believe that they are appropriate. The big question here is whether you believe that this sort of action is best driven by specific national interventions, like ring fences and those sorts of things, or whether—as we have heard from some of the examples given by the panel—a lot of the best early intervention work happens locally by local professionals.

Q25 Chair: Let me just challenge you for a minute. Going back to the health inequalities, the interesting thing that we saw under the previous Government was that if you did not ring-fence, the money did not get spent and health inequalities grew. This Government are trying a very welcome new initiative of ring-fencing. We will see what happens; as Una has said, she will monitor it and come back. What you are doing is moving in the opposite direction, and it seems odd to me. This will bring me to the Treasury in the end. If the evidence suggests that if you do not ring fence, you will not get, what on earth are you doing moving in the opposite direction in education? We all know the arguments about localism, and we know that there are sometimes tensions between policy objectives—this is one where there is a bit of tension—but there seems to be sufficient evidence around the place to suggest that if you want money upstream, you have got to specify that it goes there.

Chris Wormald: I am not sure that there is evidence of that. The approach that we have taken, as you have pointed out in your question, is to ring-fence in some areas. We have made very specific interventions to introduce the two-year-old entitlement; we have ring-fenced the money and put that in the dedicated schools grant. As you said, we are doing likewise with adoptions. We have picked out some of the things that we think are particular national priorities and ring-fenced in those areas, but in a lot of other areas we think that decisions are best taken locally. Is there an argument about whether we have got that balance right? Well, you are shaking your head, so clearly you would not agree, but that is the position that the Government have taken on these things.

Q26 Chair: What is the Treasury's view on this? Should we ring-fence, or should we not ring-fence?

Julian Kelly: I think the Treasury's view is that if you are going to ring-fence, you need to be very careful where you do it. In a time when we are reducing the budgets for many services, you want to give the key managers responsible the flexibility to manage the resources properly and balance the priorities that they see on the ground. In local government, over many years—in fact, even before the current Government—there had been a move to reduce the number of ring fences that we were giving to local—

Q27 Chair: Let me interrupt you. We heard from the witnesses before, who are much more in tune with what is happening on the ground, that the services that are most vulnerable when you do that in a period of financial constraint are these early action and early intervention services that, common sense tells us, will save you money later. Somebody has got to think logically, and I am very frustrated about this area, after many years of trying to get progress.

Julian Kelly: In terms of something that is genuinely reflective of this discussion, one of the areas that has been quite interesting of late is some of the work that has been done around the whole community action pilots in four or five local authority areas. They are bringing services together—local health services, local authority services and criminal justice services—to work out how they can deliver what they think are the most important things locally at a time when budgets are going down.

Interestingly, at the moment, in several of those, they are saying that they are prioritising what may be classed in this discussion as early-action activity—working together with the most troubled families, for example—and they are not saying to us, “Please can you ring-fence more of the spend?” They are coming back and saying, “Have you got the balance right between what you determine at central Government level and what you determine at local authority level?” They are pushing us on who gets a say about how particular sorts of money are spent: for example, in the balance of training provided through FE colleges and the role that local authorities, employers or others may have in helping to shape priorities to ensure people get the right skills.

Q28 Chair: Let me ask you a yes or no question: do you think that early action makes financial common sense?

Julian Kelly: I think that there is evidence that demonstrates that there are certain programmes that make financial sense. To really know, you'd need to track these things over a long period of time. Let me just give the example of Headstart, on which we started to model the Sure Start programme. What that said was if you intervene early, it makes a difference when people reach school. But actually, if it is not kept going when they are in school, that then degrades. I am not an expert, but as I understand it, the latest evidence is that even having done that, as people get into their 20s, you can still see quite a degradation of the effect. It is not just that you can intervene early, you have got to intervene early and you have to find ways of keeping going, which is why I do not think it is necessarily—

Q29 Fiona Mactaggart: HighScope Perry research suggests that the kids in that programme were less likely to go to jail and more likely to go to university than other kids, for example. While you might say, “Oh, we don't know that it carries on working”, I think the fact that the number of young people in our criminal justice system is now so much lower than it used to be suggests there is a connection. The former inspector of prisons thinks so too.

Julian Kelly: I did not say that it does not work. What is said was that much of the evidence suggests that you have to intervene early, and you have to find ways of keeping it going.

Q30 Chair: If you accept that it is sensible to try to get the expenditure upstream, or whatever the technical term is, what financial incentives are you putting in place to achieve that? You are the Treasury, you are the finance Department. How is that influencing your approach to the up-and-coming CSR?

Julian Kelly: We have ring-fenced certain spend in the past. Public health would probably be one of the biggest examples at the time of SR10. We previously did it when Sure Start was getting off the ground under the previous Government. At times we have used ring fences, in particular when trying to get something off the ground and get it going, until it gets momentum.

Q31 Chair: So will we see more of that?

Julian Kelly: There might be the question of whether there are other things we should be ring-fencing, which Ministers are going to have to work through. We will ask Departments how we can continue to make savings over the short to medium term. No doubt we will ask people to come forward with their best evidence on what works, which will include this kind of thing. We will look at how to take even the lessons learned most recently—for example from Whole Place community budgets—and apply them nationally, and at what the best mechanisms are. Ring-fencing might be part of that, but I do not think it is the whole story.

Q32 Chair: Will it be a theme in the next CSR?

Julian Kelly: Our Ministers will definitely be thinking about how we can continue to incentivise services to work together locally, in order to maximise the benefit of their combined resources. I think our Ministers would definitely be very interested in that.

Chris Wormald: I want to argue that it was a theme of the last spending review. The evidence on Sure Start is exactly as you have described. As with all early education, it can have extremely big impacts, but those then die away if the interventions are not maintained. That was one of the key arguments for this Government when introducing the pupil premium, which in a time of austerity is a huge new investment.

Q33 Chair: So are you monitoring the impact of that, Chris?

Chris Wormald: Yes, we are. Ofsted does studies of the pupil premium, and every school has to explain how it is using the money. We are trying not to set prescriptive rules about how it is used.

Chair: But you will monitor the impact?

Chris Wormald: We are monitoring the impact. The whole idea of the pupil premium was to ensure that you got that all through, from people who hopefully were improving our early years policy, so that it is picked up in school and then taken forward. We have been asked to be reflective, so I will seek to do so. These are some of the classic public management

dilemmas. I think Mr Bacon pointed to some of them earlier, such as where you actually take the money from to do this. We can all agree that early intervention is a good thing, and build that into our programmes, and we all know that the way to prevent NEETs occurring post-16 is achievement pre-16. You could conclude from that that you should take all the money and invest it in the very early years. That still leaves you with the question of what you do with the people who are NEETs right now. That is the public policy dilemma. It is not about whether early intervention is good or bad. We all argue that the earlier you intervene, the better. The question is what you do with the stock of people in whom you have not intervened early. That is where you get into the very tough budget decisions, and those decisions can only be a question of balance. I don't think anyone is arguing that you should cease investing in 16-year-olds because the long-term, 10-year benefits are better if you invest in five-year-olds. None of that gets away from the evidence quoted in the Report that shows that the best interventions are early. This debate is not about whether early intervention is a good thing. We all agree that it is. It is about the nuanced decisions on where in people's lives is it best to invest right now. The other thing I want to come back on is the local authority angle. I spent quite a bit of time earlier this week in Manchester. The 10 Manchester authorities, as a direct result of austerity, have got together and decided to invest more in this sort of area for exactly the reasons that have been set out in this Committee. That is how they see themselves getting sustainable public finances later. Local authorities have to take lots of different decisions in this area, and that approach is not universal. Some local authorities, such as the 10 Manchester ones, are doing some very interesting thinking about how to get sustainable budgets by doing those sorts of things.

There is still a huge way to go. We set up the Early Intervention Foundation, which we have mentioned, and the education endowment fund to create good practice around this issue. There is more going on in this area, more political commitment and more things happening than we sometimes give ourselves credit for.

Q34 Mr Jackson: I was not planning to raise the issue of the pupil premium, but it would be remiss of me not to come back on your comments on it. I am glad you are measuring the outputs and whether objectives have been met, but I feel that it is a blunt instrument. My understanding is that you do not look at demographic data by super output areas, for instance, and you do not look at social deprivation per se. You look at free school meals across a local authority area—[*Interruption.*] Well, you can correct me.

I do not think you look at English as an additional language as a main or significant element of the pupil premium. It might be appropriate, if you are designing a tool in terms of midstream or early intervention, to make it as nuanced as possible to achieve what you want to achieve. I am not convinced. I must declare an interest because, as you will have seen in the *Daily Mail* last week, 35% of my primary school pupils do

not speak English as a first language, and in two schools it is 100%. My view is that the pupil premium needs to be reviewed on a regular basis. I will let you ponder that.

I will put two further questions to all of you, but to Mr Kelly from the Treasury in particular. How much scope do you see for the extension of social impact bonds across all public services to tackle such issues as teenage pregnancy, health-related issues within the criminal justice system and truancy? Is there a real commitment from the Treasury to build on that? I give credit to the former Labour Government, who brought in the system at Peterborough prison, which will hopefully be extended across the whole prison estate. Do you all see that as a useful tool in the context of early intervention?

My second question is on troubled families. Where does the Treasury see the troubled families project, which is under the remit of DCLG? Is it midstream or early intervention? How do you measure its efficacy, and what methodology are you using to make sure that the taxpayer gets value for money from the troubled families initiative?

Chris Wormald: Shall I do the pupil premium first?

Mr Jackson: I know you are champing at the bit to prove me wrong on the pupil premium.

Chris Wormald: No, you're nearly right. We do have a huge data challenge, but how do you measure deprivation in an individual school? The super-output areas do not help us, because people do not necessarily go to the school that is their area. The only reliable data we have on school-level deprivation is the free schools meals way. It is quite a primitive measure, but it is the one we've got, and we wanted to keep the formula simple. We do not do it at local authority level, we do it at school level, so it is very, very simple. We count the number of people who have had free school meals in the last six years in every school, and we multiply that by the amount of the people premium.

Q35 Stephen Barclay: Why are the data available to you so poor?

Chris Wormald: Well, because we do not income-test pupils who go into individual schools.

Q36 Meg Hillier: My head teachers in Hackney can tell me straight off about free school meals, and English as a second language. They can just tell you that. It is not difficult to collect it.

Chris Wormald: We collect all those. What we do not have is things like the super-output data on wider measures of deprivation.

Q37 Meg Hillier: Can you explain what you mean by super-output data?

Chris Wormald: That measures, basically, the deprivation of a postcode. People in a postcode do not equal the people who go to school in that area.

Meg Hillier: A head teacher in Hackney, and I am sure in Peterborough and elsewhere, could say, "This is the number of pupils on free school meals. This is their postcode."

Fiona Mactaggart: They do it real-time.

Chris Wormald: We wanted an extremely simple way of distributing money, so we just went for the free school meals.

Q38 Stephen Barclay: I do not want to jump in on Stewart's point, and I know that he raised two others, but I cannot understand why your IT systems are so poor that they are not interoperable and you cannot collate and gather the very basic data that members of the Committee are flagging up, which any major commercial enterprise would be able to gather. My concern is that you have the Department of Health, local government and various different bodies, and the Treasury has not incentivised the IT to connect.

Can I come back to the question? You said in your reply to Mr Jackson that you have a very blunt data tool on which you base this. Why is it so poor?

Chris Wormald: The counter-factual of what is, would we want to take pupils going into school and do an income test on them? We would not. As a matter of normal business, we work out who is entitled to a free school meal, which roughly is—

Q39 Mr Jackson: "Roughly" is the key. Can I just jump in there? You are not trying to avoid the question, but I am not sure that you quite get my point. The difficulties we have—those of us in local authorities where you have English as an additional language—is that, first, culturally the parents do not always want to apply for free school meals. They might be very poor, but they do not want to apply. Secondly, the key issue in terms of resource allocation is not English as an additional language, it is the churn. It is people coming in and out of schools because they are moving, compounding the issue of their not speaking English. That is a resource allocation issue. Using a blunt instrument is probably not helping the school to add value to those children and their families. Sorry that is a long explanation.

Chris Wormald: I should perhaps write to you separately, because you have asked a series of quite technical questions that we could discuss at great length.

We wanted a simple formula, and whenever we have done complicated formulas we have created perverse incentives. The key with the pupil premium is that we are trying to get a measure of how deprived the school is; we are not allocating money to individual pupils. The head teacher gets a cheque that covers the whole of their free school meals, and it is then up to that head teacher to decide how to spend it. They do not have to track individual money to individual pupils. Most head teachers spend the money on general provision from which everybody benefits or everyone who is deprived benefits, regardless of whether somebody has specifically signed up to a free school meal.

Chair: I am going to move us on to two other questions.

Chris Wormald: Social impact bonds have huge potential. We are at the very early stages of development and there is not huge equity market in it at the moment. It has the potential to solve quite a lot of the problems because it gets you past the perennial problem that lots of people around this table will have

27 February 2013 Department for Education, HM Treasury and Department of Health

faced: that you have to spend money in year one for a saving that occurs in year five, which does not fit well with the Government's budgeting for a perfectly sensible reason.

Q40 Chair: Does the Treasury allow it nowadays? Do you allow that sort of spend year one, win year five? It never used to be the case with us. It was always really difficult to argue.

Julian Kelly: Within the budgets they have been set, clearly—

Chair: But you do not like it, unless you have changed dramatically over the past few years.

Chris Wormald: We have changed—sorry, I seem to be hogging the answers. The payment by results schemes do that, for worklessness or whatever; you have to point to a specific saving. The idea of a social impact bond is that it is not Government money that is invested. That is the key bit. For reasons everyone in the Committee understands, we set firm annual budgets and we do not count savings in future. In other hearings you would lambast us for doing that, and probably rightly. The idea of a social impact bond is to create a market in which you get past that problem by people being able to invest, and then they receive the money.

Una O'Brien: On social impact bonds, across Government we are all very interested in them because they are an innovative way of breaking through this dilemma that I mentioned in my first answer about how you can do something and invest up front when you cannot take the money out of the existing funds because people's needs have to be met. I do not know whether it came through fully in your excellent and helpful landscape Report, but the Cabinet Office is putting some serious effort into this. We have set up the centre for social impact bonds, which has some excellent advice and a toolkit on its website. We have made available a £20 million social outcomes fund—it is not a lot, but it is something—so that people who are applying for a social impact bond can get some top-up money on that. That goes across all the public services, so I know some clinical commissioning groups—

Q41 Chair: £20 million?

Una O'Brien: Well, look, it's a start. Most of the money, as Chris has said, has got to come from other sources, not public sector sources. We are trying to break into this impossible place, and I think it's a start. The third thing is that the Cabinet Office centre is going to be providing expert advice and support, and also evaluation. It's a start and it is comprehensive, and I think we are going to really want to explore it. In Health, I know that we are looking at some in the social care area.

Mr Jackson: Troubled families.

Q42 Chair: Where is troubled families—really interesting question—on that spectrum? How do you define it?

Julian Kelly: It is a mixture of early intervention and late intervention in the sense that you are dealing with adults and their children to intervene. We have put extra money into that area. It will be a really

interesting question, and one we will be looking at in the coming spending round, as to how we build on the lessons that we are learning, although it is still reasonably early days. One of the asks that is coming back from the pilots I was talking about before is how we are making sure, in the way we set out from the Treasury side the very macro funding streams, that we are not putting barriers in the way of local services being able to come together and work with each other.

Q43 Chair: I am going to go to Fiona, Meg and Austin, but I just wanted to ask: who is in charge of ensuring early action? Are you, Julian? Who is in charge across government? You funded the early whatever it is—Graham Allen's outfit, as I call it. Are you in charge?

Una O'Brien: We are contributing.

Q44 Chair: Who is in charge? Who do we go to for developing early action policies?

Julian Kelly: I will try to answer. I do not think there is a person under this definition who you would say is in charge, because it covers potentially such a huge range of Government activity. Take the £39 billion we spend on schools, or whatever the figure is—

Q45 Chair: Would it not be sensible to have at least somebody co-ordinating—somebody driving across Government?

Una O'Brien: My own view is that I am not sure that that would necessarily help, because it is a fundamental dimension of what the Department of Health does, so I am not sure that the idea that somebody else would try to co-ordinate me from some central Department would necessarily help.

Q46 Chair: Let me just say to you why I think that is wrong. A lot of the early action is cross-departmental as well. That is something that the previous Labour Government tried really hard to do, not successfully, and this Government are equally committed to it. Unless you get it driven through CSR, through financial incentives and through somebody making sure people work together, we will be here in five or 10 years' time.

Una O'Brien: Of course, I think we must work together on the spending review and particularly on areas where there is an interface, but there are some really interesting things going on in the context of civil service reform. Chris might want to comment on this, because he is the lead on the policy profession. One of the things that we are doing is looking comprehensively at how to improve policy making across all Government Departments, which inevitably includes how we work at these interfaces.

Q47 Chair: Why don't you two pool your child health budgets?

Una O'Brien: Because my child health budget is mainstreamed into things such as payments to GPs; it is not a separate budget.

Q48 Chair: But if you pooled it and said, "We are going to do this as an early action," you might get something.

Chris Wormald: This is an old argument about whether you should break up Government spending by subject or client group. There has been a debate on that for quite some time and people take their views. The approach we have taken here is to have early action done within individual Departments, and we are talking about quite a lot of different types of activity. You, for example, expect to hold me to account for what we spend on early years intervention, and you don't expect me to say that that is really the responsibility of someone else in some other Department who is responsible for early action. I think that that is a reasonable thing for this Committee to do.

We try to come together particularly around the good practice bit, as Una was saying. We are the lead Department for the Early Intervention Foundation. We pulled in contributions from a number of other Departments, and the idea is to have an organisation that looks across the piece and asks what good practice in early intervention looks like.

Q49 Chair: I hear you, but I will just leave you with the simple thought that if you pooled the budget, whether they were working in education or health, people would have to work together because they would be working out of the same budget. That would be the best way.

Chris Wormald: A moment ago you were arguing that we should ring-fence more for these various things. We cannot do everything simultaneously.

Una O'Brien: I do not think that that would work at a national level; we need the flexibility at local level. I just wanted to give further encouragement to thinking about how we get people to change the way that they work within existing resources. I went along to see in action some work that is going on between my Department and Chris's, where we are bringing together the health and education elements of the assessment of children at two. I went to a children's centre in Hackney and sat in on one of these assessments. The health visitor was there with the early years worker, and they were using one set of documentation. Hackney is one of the pilot sites for this, and it is a really important example of two strands of policy and money coming together at the local level and working in an integrated way for the child and the family, and actually getting a much better outcome. I spoke to the parents afterwards and they said, "This is fantastic. This is what we need. We don't have to go to two locations and have two separate conversations."

As a result, we fast-track children into speech and language therapy, meeting their needs so that there is a greater chance of them turning up to school able, ready and willing to learn. Our intention is for that to be rolled out throughout the country when we have completed the pilots. I think we have five pilot sites in five accompanying local authorities working on it at the moment. That is where coming together can make a difference—in changing how we work within existing resources.

Q50 Fiona Mactaggart: I was tempted to ask you—I am not going to because we haven't got time—what

your definition of early action is. One of the striking things about the Report is that there is not an agreed definition. Following up on the Chair's point: if we had a lead across Government, I believe that we would have an agreed definition. Is there any progress towards an agreed definition of what early action is?

Una O'Brien: I think your Report will prompt it. There needs to be a wider debate, because certainly we in health would go more upstream than the definition offered in the Report. The most important early action that we could take in health is to stop people from smoking.

Q51 Fiona Mactaggart: No, actually, the very first important early action in health is to get people to understand what the risks to their health are. The problem is that the people who are most unhealthy—who smoke, who take less exercise—do not actually know that that is what is damaging their health.

Una O'Brien: So do we call that early action? That opens up a whole debate about the role of public health in early action. That is just one example where I think that the definition is perhaps somewhat restrained in its framing. But I still think that it is a very good start and I certainly think that it would help to have a shared definition.

Chris Wormald: Well, within limits. I did not agree with that chunk of the NAO finding. As Amyas knows, we exchanged letters. To get down to the definition, when I showed this Report to the excellent head teacher who sits on the DFE board, she said, "Most of our job is early intervention. Everything I do, everything my senior staff do and everything my teachers do is early intervention. What we do is scan the pupils in our school, look for those who have fallen behind and intervene to try to get them to catch up." Any definition we drew up of budgets, etc., would not include that activity, and yet it is vital. She describes it and it is early intervention. Personally, I think that the best way to come at this is that early intervention or early action is a way of thinking that needs to permeate Government—

Q52 Fiona Mactaggart: The problem with that response, Mr Wormald, is how we can monitor and assess what you are achieving, because that is the job of this Committee, to see where the taxpayer's pound is being spent and if it is being spent effectively. If you say, "Everything we do is early intervention," then we cannot monitor—

Chris Wormald: No, I do understand the challenge. We do of course have specific things like our early years intervention that you do monitor. But, to turn that question around, would you want to say to that head teacher, "Because we cannot define it and we cannot measure the budget, what you are doing is not early intervention," when it clearly is? I can see the challenge, but I am not sure that creating a definable box where we say, "Everything in this box is early intervention and everything else isn't," would be entirely helpful.

Q53 Fiona Mactaggart: It seems to me that this is all part of the problem, because there is a process about shifting the way we work. We can tell from your

responses that you are all quite interested in getting the process right. I accept that, and I think that is comforting, but we are not doing enough. What we need to do is to understand what we can put in place to get the processes more focused on ways of intervening early. It was very interesting that the initial response of you, Mr Wormald, and of Ms O'Brien was that the difficulty in our work is disinvesting—shifting from existing investment to new investment. What Mr Kelly focused on was the need to share pool budgets; he did not think about disinvesting.

It seems to me that the challenge here is that we do not have a process, we do not have a legislative duty, say, which means that you have to think about the consequences of your spending in 10 years' time. If there were some lurking requirement in how you structured what you did, so that you could account ahead—we all accept that that is hard—but there is nothing. Actually, what there is is an election in 2015. We happen to know what the date is this time, and your Ministers will be saying, "When it comes to that election, I want to have shiny, bright, nice achievements to go and tell the electorate." You know that and I know that, and it is somehow your job to make a way of tunnelling through that. No one has come to that saying, "Here is a good idea of how to do that."

Chris Wormald: Let me give you a good example. I agree with your analysis completely. It is obviously for politicians to decide the time frame that we work to, and I will not get into that. On our reforms to social work, social work is hugely important early intervention and is also a hugely important reactive service.

The Munro review of social work is attempting to shift the balance of what social workers do towards early action. We have built it into the inspection framework: do social workers take action before problems arise, or just reactively? The early action we want to promote is locked in the professionalism of an individual who does both those things. Were we to split the budget up—here is the set of social workers who do early intervention, and here the set who do reactive things—that is not what all our expert advice suggests will get the best outcome. That means that we cannot put early action into an auditable box.

That does not mean that there is not action that we can take, like changing our inspection framework, our "Working Together" guidance or the way we train social workers so that they look for early action, that will move in the direction you want. I am not disagreeing with your analysis, but I am not sure whether the pursuit of rigid definitions in this area is the way to get the answer you want. I know you disagree with me.

Q54 Fiona Mactaggart: What about the Welsh Government's duty to make spending sustainable?

Chris Wormald: That is a decision they have taken. They have not had any results from it.

Fiona Mactaggart: I am just asking you whether you think they have.

Chris Wormald: My social work example is quite a clear example of where we are trying to incentivise the system to take early action. We are doing it not by

defining ring-fencing budgets, but by trying to change the professional practice of the people who do it. I think that is quite a valid approach.

Q55 Chair: It is not an either/or?

Chris Wormald: That is a fair point.

Q56 Fiona Mactaggart: I do not want to get into a cul de sac about social workers, but what I see in my constituency is a row going on between schools and social workers. The social workers are so pressed that they are doing only the extreme ends of social work, and the schools are saying, "Why can't we refer children into social work solutions, because they are saying to us that these children are not at a high enough threshold of extreme need for social workers to deal with them." That is the reality on the ground. I am glad to hear that you are trying to go in the other direction, but the reality on the ground in my constituency, and I do not think that it is unusual, is absolutely in the opposite direction.

Chris Wormald: Yes, and there is undoubtedly more we can do about getting professionals to join up at a local level. Let me take another example. On special educational needs, as lots of people around this table will know, one of the great challenges has been the lack of data sharing between the health service and the education service. That is exactly why we are legislating on that, and that will be a huge step forward. I went to see a school that was doing our Achievement for All programme focused on special needs, which is all about how to get local professionals to join up around the child and get the links with the parents right, rather than dealing with it as a series of things. As everybody around this table knows, there is a long way to go on that, but for me that is where the biggest gains are to be made. They are not in defining individual national programmes; they are about what we can do to promote exactly the kinds of practice—

Q57 Chair: You have got to have incentives in the system. Training is a part of it, but you need incentives.

Chris Wormald: Training, inspection and all these things are incentives. There was clearly a debate about what the right set of incentives is, and whether or not they are financial. We have focused on professional incentives, and that is the position we have taken. I can fully see that there are different parts of that debate. One of the good things about the National Audit Office Report is that it does actually provoke that debate, but I do not think that there is a simple answer. It is not as if we can say, "Let's define a set of actions and allocate a set of money to it." As you said, we are really talking about how local professionals do their job when they are faced with that child.

Chair: Amyas wanted to come in. Then I am going to Meg and Austin.

Amyas Morse: I do not want to tire Chris out.

Chris Wormald: I am fine. Carry on.

Amyas Morse: I can tell that, but I am still going to ask something of Julian Kelly, if I may. Going from the general ever-circling debate into something a bit

more specific, I am interested in how results are actually demonstrable—not auditable, but demonstrable in any objective way. I guess you must be as well, Julian, because when we come round to it, there will have to be proper spending propositions on the table that you will assess based on quality of evidence available as to 1) what the benefit side of it might be and 2) what the cost side of it might be. There will have to be some attempt at producing information around that.

I want to explore this: would it not be fair to those who are putting their propositions forward, some of which will not be supported and some of which will, if the Treasury gave some indication beforehand of the sort of evidence that it would find convincing or compelling, rather than just waiting until the day comes and then people doing their best to produce whatever evidence they have got? Isn't there some earlier guidance that you could provide that might allow people to realise the sort of evidence that you would find compelling?

Julian Kelly: That is a hard question to answer succinctly, because for different types of spending and different types of services you would probably end up with different types of evidence. None the less, as we do this spending round, my informed judgment would be that our Ministers will very possibly set out the things that they are going to be really bothered about. Economic growth will be one of those. Therefore, thinking where we are intervening and spending money to develop skills and help people into jobs, in a very tight world we will really want to look at the VFM of the particular amounts of money and how good is the evidence that we have got.

There is evidence out there and some of it is better than others. We will look at it and therefore want to take a judgment and that will end up being, almost naturally, a bit of a cross-departmental activity. Where people are coming forward with investment propositions, they will want to ask, "What is the saving and when does it arrive?" and "How good is your evidence?"—be that capital investment, or someone might argue that they want to keep going with the Troubled Families programme, for example. I don't think we will necessarily prescribe that we want the evidence in exactly this form but we will be saying, inasmuch as you are coming to us, particularly where you are either asking us to continue with a specific programme or in certain areas, "Please give us the best evidence that you have"—much as we have done on capital and I think will continue to try and do.

Amyas Morse: Then your advice would be to start putting that evidence together methodically earlier on rather than just at the moment, presumably.

Julian Kelly: How do you mean?

Amyas Morse: In other words, if people are going to come to you with evidence and say, "We would like you to support our spending proposals," the more deeply that is founded in a track record of some kind, presumably the more convincing it will be.

Julian Kelly: Undoubtedly if that is founded in some sort of track record, the better the evaluation evidence that is there. Skills spending might be a classic one where we do quite a lot across quite a number of

different Departments. We spend several billion pounds and so you really do want to think, "On the best evidence we have, what seems to be working?" You still want to, if you can, allow some money for some stuff which is untried. Because you want to test and you want to innovate and therefore it is the classic research and development type stuff. But my judgment right now is that will be part of the balance of the decision making.

Q58 Chair: Let me just put this to you. We have spent a lot of time on this Committee on the whole-of-Government accounts, which we think is a really useful document. What comes out of that is that there isn't any thinking. It is one of our criticisms of the Treasury that there is not enough reflection on the long-term implications of expenditure today. If we take dramatic things like medical negligence, just to look at Una's area, no thought has been given to that. This agenda fits into that approach that we are encouraging from this Committee. If you did a 10-year plan, if you looked at a 10-year implication of expenditure today, you might be managing the public finances downwards in a more effective way.

Julian Kelly: The Office for Budget Responsibility produces a rolling financial forecast that goes out to five years. If you start to go a long way beyond then, the margins of uncertainty you are dealing with are constantly growing, but even over five years it senses by now a pretty clear trend as to what the fiscal—

Q59 Chair: Why can't you do this on social policy?

Mr Bacon: It is less about the OBR—

Julian Kelly: Sorry, what I was going to say is that that shows in the medium and then you can extrapolate without too much imagination into the long term what the challenges are on the public resources. As we think about 2015–16, in the conversations I have already had with Treasury Ministers, they are thinking not just about settling some budgets in 2015–16, but about what they are doing and what it is setting up for the medium and into the longer term.

Chair: But if you made it a requisite on Departments, "If you are going to put a proposal to us, we want you to say what the 10-year impact of this would be," that would be really innovative stuff. It might start getting people thinking in terms of early action initiatives, wouldn't it?

Julian Kelly: I will take away the idea.

Chair: Thank you.

Mr Bacon: That is very reassuring, although also, in a way, not—because why weren't you doing it 10, 15 or 20 years ago? My sense is that the Treasury is not as engaged with all of this as it could be, and that as the ultimate custodians of public money, and the main interlocutors with this Committee—you have an officer who comes every week and sits at our table—

Chair: And who avoids answering questions.

Mr Bacon: I think that is very unfair. Mr Gallaher always answers the questions that are thrown at him, though they are often thrown at him at the last minute and sideways—and great fun it is, too.

The Treasury are the ultimate custodians of public money. Fair enough, there are accounting officers in

27 February 2013 Department for Education, HM Treasury and Department of Health

each Department and we all know it is a siloed, federalised system, but it seems to me that for many, many years, the Treasury—I have sat on this Committee since 2001, and I have seen a lot of money being wasted, and I mean really wasted: scandalously so. If you want to know where £161 million went on the C-NOMIS computer system for the Ministry of Justice in the early years, they cannot tell you—they simply do not know where it went. On many occasions I have seen money wasted, and I have wondered many, many times, where was the Treasury? Why weren't they all across this earlier?

One might say the same about the financial crisis and the collapse of Northern Rock, but that is a separate issue that we won't go into today, as we have done that on other occasions, and mentioning it was, I know, a cheap and low blow. But it seems to me that if you had been having these conversations with the Departments years ago, and saying, "Show us what you are going to do, that our expenditure on prisons will be lower because we will have fewer prisoners in five, 10, 15 or 20 years," it is possible that we would not have prisons that are bursting at the seams. We all welcome things like Sure Start, but the same is true in areas such as education and health.

I think you are sniffing the air. You can see that this is good stuff and you are beginning to do a bit more of it than you did, but are you sufficiently engaged? What research is the Treasury driving, piloting, demanding? Is it looking for answers, or is it just leaving it to Departments to get on with?

Julian Kelly: Most of the research capacity is in Departments, but if you look at—

Q60 Mr Bacon: But you give them the money. They only get the money because you give it to them.

Julian Kelly: The Treasury has supported this, in successive Governments. I will only talk about the past 20 years, and perhaps I don't know enough about the history of it, but Ministers have put investment—substantial amounts of money—into things like Sure Start, which you mentioned, and into things like the probation service, the drugs strategy that we just spoke about and public health, which is forecast to grow—Una will correct me—by about 5% a year. If that is not a long-term investment at a time when otherwise resource is under a lot of pressure, then, even in this period, we are increasing funding in early years—

Q61 Chair: You're not. You're nicking it from one budget and putting it into another. But never mind.

Julian Kelly: I could go through a range of Departments where it is true, but you asked us not to give lists. It is true even at a time when, overall, we are reducing resources in other areas. I am not claiming that we have got it perfectly right; we have these "what works?" institutes that are only just getting up and running, and they are the places where we can really begin to bring together, over short, medium and long periods of time, the improving evidence that will help us continue to refine and target investment. I do not think we have been wholly hands-off.

Q62 Chair: There is loads of evidence showing that prison doesn't work, and there is loads of evidence showing that bed blocking is a bad thing. So there is loads of evidence showing that the current stuff is bad.

Una O'Brien: We are in a reflective session, as you said at the beginning, Madam Chair. One of the really good things to come out from the previous witnesses, the reports on Graham Allen's work and this NAO Report is that, actually, this is a bigger debate than the role of the accounting officer or the role of the Treasury—albeit Julian has taken some of the challenge that you have offered—because this is fundamentally about the relationship between politicians and the civil service. I think it would be interesting to keep this debate alive—particularly in this next period of time, as all the political parties are thinking about their manifestos and their offer to the public after the election—because it is a partnership; some of the most significant long-term decisions that I have seen made have resulted from political leadership working with civil service capability to make it happen. I think that there is a broader public policy debate which includes academics, the very able work done by David, the previous witness, and also the political perspective on this. If we work together and have a shared perspective of what we are trying to achieve, we have a bigger chance of success.

Q63 Meg Hillier: I am interested in pursuing some of this further. I think there was a danger—probably not only under the previous Government—that once something was set up, it got its own momentum; I remember when my children's nursery became a Sure Start centre, suddenly loads of desks appeared for the Sure Start staff and I thought it was perhaps beginning to embed in a way that might not be helpful, although I thought it did a very good job on the whole.

How ruthless are you prepared to be—Julian, you talked about this—in focusing on pulling out the rug if it is not working and not delivering? It would be the Treasury and a Department that would have to do that, but there is a danger that when we set these things running, they get their own life and then there are lobbies and campaigns by MPs and others not to stop them. But if they are not delivering—as we heard, at the end of last year, that classroom support assistants are not delivering and the CSIs may be in the Government's sights because they are not delivering what they set out to do—those are tough decisions, but are you prepared, in this reflective discussion, to make a decision?

Julian Kelly: Straightforwardly, the decision is not mine because ultimately it is my political bosses who have to make the decisions. We are presenting the best evidence that we can find and pool together about what we think works—what we think is good VFM, and indeed we are talking to Chris's Department about what we think about school efficiency and the various aspects of VFM. I wait to see how we run through in the spending round and what decisions my political bosses make.

Chris Wormald: I will put together your question and the Chair's comments. There are two evidential problems: as the Chair said, there is very clear evidence that various things that are done now are not

effective. There is much less evidence on what is the best early intervention to achieve them. When you look at Graham Allen's excellent work, one of the key findings was that, actually, the number of programmes that meet the highest evidential threshold is quite small. That is why, across Government—this goes to your point about evidence—we are putting quite a lot of emphasis on these new “what works?” centres—there are two in this area and NICE is another equivalent—so that we can build that evidence base. But we do have an evidential problem, which is the time lag involved. We, for example, are just launching our replacement—our updating—of the 1997 Effective Provision of Pre-school Education study on early years, which I think was a recommendation of the Committee this time last year, because that is a longitudinal study of what happens to five-year-olds who have particular interventions right the way through to when they join the labour market. But it is quite a long time before you get to that evidence and we will not be able to make spending decisions now on the basis of it. We do have an evidential challenge, which I think is fair enough.

Q64 Meg Hillier: Interjecting on what Una O'Brien was saying about the need for a bit of consensus—well, more than a bit—there is a danger, isn't there? We have seen Sure Start reduced in many areas. How can you have a longitudinal study if every five years there is a change of policy? I simply make that comment because I am aware of the time.

Chris Wormald: That is not one that we can solve for you.

Q65 Meg Hillier: And I know you are not a politician, but I make that observation. Julian Kelly, the NAO, in recommendation B, recommends quantifying the benefits of early action and the potential for cost reduction. That is really the nub of it; if you take that on board—I do not know whether you are planning to do that, or if you have any reaction to give us to that recommendation—we are a long way towards getting there. If I were a Minister coming into a Government in 2015, I would want to have that information in order to think about planning from day one, and also, to a degree, to pick up on what the previous Government have done on long-term value.

Julian Kelly: In our conversations with Ministers, we talk about plans and budgets, and we have conversations about what evidence we have, where we have discussed with Departments the need for significant blocks of spend, and what we think the evidence says. A typical question, if we say the evidence is lacking, is whether that is because we do not have the evidence yet; sometimes we say it is because there was just not enough time, so we do not have it yet, and sometimes we think, “You can point to a series of research reports, and this is what they say.” When we look ahead to the summer of 2015, I do not doubt that we will spend a lot of time over the next two years getting our heads down and saying, “How do we further improve the evidence we have in the Treasury, working with Departments, finance and the analysts to further improve the information we

have?” I am pretty sure the choices will become even tougher.

Q66 Meg Hillier: Yes, so the simple answer is that you are working on recommendation B.

Julian Kelly: I hope that we will be working on it continuously. I am sorry if this sounds trite, but it never quite ends.

Q67 Meg Hillier: The danger is that we have lots of new initiatives, and we have to keep re-evaluating them, as well as the ones we are already evaluating, because so many Government funds give money to innovation; all of you are guilty of that, I dare say. That is true, is it not? A number of local projects know that they will not get money. They may be doing a great job—with the local boxing club, with teenagers, or with under-fives—but they do not get the money because they are not innovative; they have been doing the same good old thing for 20 years, and it is working. Every politician is a bit guilty of that. I take the rap for our profession.

Julian Kelly: I come back to what I said about Graham Allen's work. The process of stepping back, looking at all the interventions to see which ones are really serious—

Q68 Meg Hillier: So is Graham Allen's work really informing the process?

Julian Kelly: Oh yes. It is why we are setting up the EIF, the EF and the What Works centres. The idea is that, just as NICE has done in health, it will be a sort of repository of knowledge and evidence that any politician from any party can draw on.

Q69 Meg Hillier: If I am right, some of his work in Nottingham is looking at Sure Start, which I have always thought should be not just for under-fives, but also for those aged 11 and all the way through. His version of Sure Start at five is a PSHE-type curriculum, and it involves the SEAL programme, so that people learn how to behave in certain situations from a very young age—how to deal with conflict and so on. That is something the Department for Education could deliver quite straightforwardly.

Una O'Brien: In fact, Public Health England has already identified good practice in the area of emotional well-being and resilience, to help schools to commission that work well. One of the early objectives is to bring the evidence together on precisely that.

Q70 Meg Hillier: So you are helping Chris's Department.

Una O'Brien: Absolutely.

Q71 Meg Hillier: Will you make sure it is in the curriculum, because that is where the joined-up bit comes in?

Chris Wormald: It could be a bit late to start a conversation about the national curriculum. The Early Intervention Foundation is led by the DFE, which is setting it up, and drawing on resources across Government. The idea is that it does not ask itself questions about Departments; it asks itself questions

27 February 2013 Department for Education, HM Treasury and Department of Health

about what works, regardless. It is an attempt to create the sort of evidence base you are describing.

Chair: I want to try to draw this to a close. Austin and Jackie, perhaps you will conclude it.

Q72 Austin Mitchell: You say that, but my question will be vast. I have been sitting here getting more depressed at the long delay in my ability to ask questions. You are all obfuscating. You are skating round the issue and saying, “We are doing our best, but we are not doing what we could do and should do.” You are giving excuses. In a sense, this is like the budget for international development aid. Bleeding hearts and do-gooders like me think, “This must be good and beneficial; it must save money in the long run, it must redeem people, and it must prevent huge expenditure at a later stage on coping with the problems, whether through the police, the courts, or the broken and dysfunctional families.” There will be enormous expenditure later on, which could be saved with early intervention. That is the clear position you should be preaching. On the other hand, there is the lumpen attitude that we are wasting money, chucking it down a black hole, and giving it to unworthy people who just lie about getting drunk, procreating and having other interesting pastimes. There is no strong public head of steam behind it because it is not evaluated. We do not know, partly because it is not ring-fenced. If you ring-fenced it and called it the redemption budget, you could show consequences and benefits at the end of the process, but the three Departments cannot be sure—none of you can be sure—what these are. The Treasury does not seem to want to know; it just wants to pass over the money and let other people get on with it. The result is that the money is raided for this, and economised on that, and local authorities are all strapped for cash. We get no positive budget with positive assessments and positive results that we can evaluate and prioritise.

In the Report, the summary recommendations for the Treasury say that it should “require departments’ budgetary submissions to state what level of service and value will be delivered and how performance will be measured on early action projects”. They say that the Treasury must develop “an approach to prioritising spending on the basis of value” and “work with departments to forecast accurately the monetised and non-monetised benefits of their early action work”.

The Report says, of all three Departments, “We have identified four areas where more can be done: evidence on what works can be gathered more consistently and robustly, and better used; more can be done to identify cashable savings and other benefits; and barriers to organisations joining up, and capability requirements, can be better addressed.”

That is the Report. That is what we need to forward this issue and arouse the public concern that should be there. Let me ask the Treasury what they are doing on those two recommendations, and the rest of you what you are doing on the basic recommendation about gathering and publishing information.

Chair: Mr Kelly?

Julian Kelly: In the advice we give to Ministers—that was true in the spending review 2010, will be true in

the spending review 2015–16, and has been true in past spending reviews—about where we think they should focus and prioritise, we give our view based on the best evidence we have available on the effectiveness.

Q73 Austin Mitchell: So you are giving them less money, but telling them to prioritise it. “You get on with it”—that’s the gist of it.

Julian Kelly: When the Government set budgets there are some decisions that are at quite a broad and high level. In fact, public health might be one of those, as we ring-fenced spend in CSR ’10. I cannot quite remember when the ring fence came in. There are some broad decisions as to how the resource will be prioritised. Within those, we are largely saying to Departments and local authorities that these are very challenging circumstances.

Q74 Austin Mitchell: You are not doing your job, then. You are not prioritising; you are not defending a budget, which is crucial.

Julian Kelly: No, we are not micro-managing exactly how everything is done, but within broad parameters, we are asking services to deliver the objectives that the Government—not just the Treasury—have set within the resources given. We give our best advice to Ministers based on the evidence that we have as to what we think works, what is good VFM and where services are efficient.

Chair: The Committee probably feels that if you do not like the ring-fencing financial incentive, dream up another one, but look for an incentive—the 10-year plan—and make it change. That is really the issue.

Q75 Austin Mitchell: What about the other two? What are you doing to measure consistently the benefits and problems in the area?

Una O’Brien: Put simply, the changes that are going to be implemented from April put the Department of Health in a different set of relationships with the way that money is spent. In the past, the headquarters of the NHS were embedded within the Department, with a very close relationship. Historically you can see there is not the level of test and challenge as to what the money delivers over the long run. Now, from April, the fact that there is a much more explicit relationship between the Department and the Commissioning Board on what the money is spent on, and the fact that we have a Mandate and a set of outcomes, means that we are at the beginning of a new era where we can actually see how that money is spent more explicitly. We can also have a proper debate with Ministers in the Department of Health as to the relative deployment of money between the different areas of spend, whether it is NHS, public health or social care. It also enables us to be much more challenging on the NHS, in terms of its role in prevention and early intervention. At a system-design level, we are in a stronger position for the future.

Specifically on programmes, I know that they do not cover everything, but I do think that they work, and they have bridged Governments. Family nurse partnerships are a really fine example of an investment to do something new and different—something

counter-cultural—which is to give dedicated personal support to one individual parent and one child over two years. That is revealing some very positive results. We are going to take the findings from family nurse partnerships and expand that, as well as embedding that learning in the strengthened work for some health visitors. There is a relationship between really testing the evidence on an individual programme and how that gets translated into a mainstream service. That is what is our ambition is for the stronger health visiting model.

Q76 Chair: Chris, very succinctly, because we are running out of time.

Chris Wormald: On the first one, my Department is slightly unique in this, in that we are not trying to reduce the long-term demand for our service; we are trying to increase the number of people who stay in education. Our demand is the number of pupils in the country, so we believe in early intervention, but that is not in an attempt to save money in the education budget. It is for social good.

On the second, I think I have said most of what we are doing to evaluate our various programmes around the pupil premium, early years, our new longitudinal study and the early intervention fund, so I do not think that I have anything to add.

Q77 Jackie Doyle-Price: The key to all this is carrots and sticks to incentivise this sort of behaviour. The Report actually highlights the fact that cost-effective interventions on stopping smoking and reducing blood pressure are out there. We know what is successful. I just want some clarity, Una, on what the carrots and sticks presently are that you can actually use to encourage local health authorities to adopt what you know is successful and what will save the Department money.

Una O'Brien: There are some, but they are not enough, and we want to do more. Without getting into lots of the detail, this is absolutely a space where Public Health England can, with a strengthened capacity, provide strategic support, evidence and advice to local authorities. We are moving 4,500 public health staff from PCTs into local authorities. Starting from April, we will have a director of public health in pretty much every local authority. Public Health England is there to provide some backdrop and support to them. Actually, when it comes to smoking, I think we do know a lot about how to discourage it. It is fundamentally stopping people from taking it up in the first place.

Q78 Jackie Doyle-Price: But we saw the same thing with diabetes. We know where the outliers are, but how do we push them on?

Una O'Brien: One of the ambitions that we have is to produce much more specific, locality-by-locality comparative data, so that local authorities themselves can see how they are doing against local authorities that have a similar socio-economic base. That is going to be a strong incentive for improvement, because we also want to make it rather like how crime maps are available to members of the public, who can have a look at them. It puts the democratic pressure more on the local councillors when you can actually see how your local authority is doing compared with others. Comparative performance information is a strong incentive to change.

Chair: Thank you. I think this is the beginning of a conversation, and we look forward to some indications, especially from the Treasury, that this work is being taken seriously across government.

Written evidence from the Department for Education

QUESTION 34–39 (MR JACKSON, MEG HILLIER, FIONA MACTAGGART AND STEPHEN BARCLAY): TECHNICAL EXPLANATION OF THE PUPIL PREMIUM

1. PUPIL PREMIUM OVERVIEW

The Pupil Premium was introduced in April 2011 and targets extra funding at disadvantaged pupils so that schools can support the academic achievement and close the attainment gaps between them and their peers.

The Pupil Premium is in addition to the main school funding that is delivered through the Dedicated Schools Grant, and it is paid to local authorities, Academies and Free Schools by means of a separate, specific grant.

Local authorities are required to pass the funding on to the mainstream schools they maintain. For pupils in non-mainstream provision, the local authority can choose to allocate funding to the establishment or use it to make central provision for the pupils. The Education Funding Agency allocates Pupil Premium funding to Academies and Free Schools.

The Pupil Premium is allocated in respect of pupils in classes from Reception to Year 11 who are known to be eligible for Free School Meals (FSM). In 2012–13 eligibility was extended to include pupils who have been eligible for FSM at any point in the last six years. It is also paid to looked after children who have been looked after in public care continuously for more than six months. Evidence shows that these groups of children have lower levels of educational attainment when compared to their non-disadvantaged peers, across the range of abilities, and persistently so through their school careers.

A Service Premium has also been introduced for children whose parents are known to be currently serving in the armed forces. In 2012–13, eligibility was widened to include those children whose parents have died in service and who are in receipt of pensions under the Armed Forces Compensation Scheme (AFCS) and the

War Pensions Scheme (WPS). It also protects eligibility for those eligible for the Service Premium in 2011–12 who would otherwise cease to be eligible in 2012–13. Funding for Service children enables schools to provide the additional, mainly pastoral, support these children may require: evidence does not suggest that this group of children under-perform educationally.

It is for schools to decide how to use the Pupil Premium funding as they are best placed to understand the needs of their pupils. Schools must report on how they spend the Premium and the impact it has. In addition, the attainment of pupils eligible for the Pupil Premium is reported in school performance tables and HM Chief Inspector has announced a closer focus by Ofsted on the progress and attainment of pupils who attract the Pupil Premium as part of their new inspection framework.

2. PUPIL PREMIUM FUNDING

The overall Pupil Premium was worth £625 million in 2011–12 and £1.25 billion in 2012–13; it will be £1.875 billion in 2013–14 and £2.5 billion in 2014–15.

The Pupil Premium for disadvantaged children has risen from £488 in 2011–12 to £623 per pupil in 2012–13. It will be £900 per pupil in 2013–14. The Service Child Premium has risen from £200 in 2011–12 to £250 in 2012–13, and it will be £300 per pupil in 2013–14.

3. WHY HAS FSM BEEN USED AS A MEASURE OF DEPRIVATION?

The Department's data collection system can identify school and pupil postcodes but there will be a number of pupils for whom postcode data is missing eg pupils at risk or in witness protection. Known eligibility for free school meals is the only consistent pupil-level indicator of deprivation nationally available. Parents, schools and local authorities are familiar with it and are clear what it means. It is simple, easily collected and updated annually. This enables clear understanding of how much is being allocated and for whom.

Other area based measures assume that a child reflects the general characteristics of the area where the child lives. This means that a non-disadvantaged child could be classified as disadvantaged if he or she lives in a largely deprived area and be allocated funding, while disadvantaged pupils living in poor enclaves in wealthier areas would miss out.

The link between free school meal eligibility and underachievement is very strong—at every Key Stage the national level of educational attainment for pupils who are eligible for FSM is lower than their non-FSM peers. While a strong link also exists between the other deprivation indicators and underachievement, the ability to identify individual pupils is very important if schools are to target the funding effectively. The link between the Income Deprivation Affecting Children Index (IDACI) and underachievement is less strong than that between FSM and underachievement.

The Government extended coverage of the Pupil Premium in 2012–13 to those known to have been eligible for FSM at any time in the previous six years. This was done because children who have been eligible for FSM at any point in the past generally have poorer academic results than those who have never been eligible for FSM. In February 2012, the Department provided information to schools on the FSM histories of pupils, through the Key to Success website, to enable them to identify pupils at their school who were previously eligible for FSM. Extending the Premium will also, in part, help address the issue of under-reporting of FSM by ensuring that pupils who have previously been registered once as eligible for FSM will remain eligible for Pupil Premium for six years without any further claim for FSM being required.

4. WHY WE DO NOT USE ENGLISH AS AN ADDITIONAL LANGUAGE (EAL) FOR THE PUPIL PREMIUM

Children entering school for whom English is not their first language may need additional language support to help them progress. Attainment data by EAL for 2010–11 shows that the attainment gap at Key Stage 4 (KS4) is lower than at KS2, which suggests that the need reduces over time. In contrast, the gap between FSM and non-FSM pupils persists at all stages of education. Not only does the gap persist to KS4 and beyond for FSM pupils, it is actually larger at KS4 than at KS2 and it also tends to be larger at KS5. This makes FSM eligibility a better indicator of disadvantage for the Pupil Premium.

Separately, the new school funding arrangements (which take effect from April 2013) enable local authorities to allocate additional funding through their local funding formulae to pupils with EAL for the first 3 years after they enter the school system. This reflects our view that pupils should learn English soon after they start school and that this should be fully supported by teachers.

5. A MEASURE FOR DEPRIVATION WITHIN THE DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant has always included a weighting for deprivation, although this has become increasingly opaque as a result of the complexity and historically-calculated nature of the school funding system. Our plans to move to a national funding formula will ensure there is greater clarity and transparency over how much is allocated to deprived areas and to deprived pupils. In the meantime, the reforms we are making from April 2013 require all local authorities to target funding to deprived pupils using FSM data and/or IDACI data.

6. EVALUATION OF PUPIL PREMIUM

The Department has commissioned a consortium led by the social research agency TNS BMRB, to conduct an independent evaluation of the Pupil Premium and to look at the initial impact it is having on schools and how they are spending it. We expect them to report this spring.

The Department also commissioned Ofsted to undertake a study on effective Pupil Premium use by schools. Ofsted began this work with an initial survey of 262 schools, the results of which were published in an interim report on 20 September 2012. This report did not provide detailed qualitative information on schools' use of the Premium.

Key findings included a misconception amongst respondents that the Premium is not “additional” money for schools, as well as examples of schools spending the funding in ways that Ofsted does not consider to be effective. The report made a number of recommendations to schools, local authorities and Government on the use of the Pupil Premium.

Ofsted published their full report on 11 February 2013. They reported some pockets of very good practice, but that too many schools are not spending the Pupil Premium on effective interventions and are unable to demonstrate that the funding is having a real impact on the target group. The report focused on case studies of schools that are getting it right—schools that were able to tell inspectors how funding is being spent and can demonstrate its impact. The Department welcomed Ofsted's view on how implementation of the Pupil Premium could be improved.

The Pupil Premium Awards 2013 will celebrate schools that can demonstrate objectively that they have used the Pupil Premium to achieve a measurable advance in the attainment of their disadvantaged schools. The Awards, originally announced by the Deputy prime Minister in 2012, were formally launched by the Department on 1 March 2013, and are being delivered in partnership with the Times Educational Supplement. The closing date for entries is 17 April and the national final will be held in London on 26 June.

We will continue to monitor implementation of this key policy but we are not at present inclined to ring-fence the Pupil Premium. We will base any decisions on future policy on clear evidence in developing a strong accountability framework which already includes:

- a requirement on schools to report on how they spent their Pupil Premium and the impact it had;
- new measures in the Performance Tables to show the attainment of pupils who attract the Premium so their results can be easily compared to the results of their peers;
- a stronger focus by Ofsted on the attainment of pupils who attract the Pupil Premium and how it is used to narrow the attainment; and
- a requirement on schools judged by Ofsted to be neither good nor outstanding, and that are not closing the gap between their disadvantaged pupils and their peers to draw up an action plan on how they will spend their Pupil Premium.

Further information about the Pupil Premium can be accessed through the website at <http://www.education.gov.uk/schools/pupilsupport/premium>.

March 2013

Written evidence from the Early Action Task Force

The evidence I heard reinforced my view that radical change in how Government is operating is required. Government witnesses pointed to some useful examples of specific initiatives that promote early action but these do not add up to an effective *strategy* to invest now in reducing the future liabilities of government or in building future social assets.

A higher proportion of the £377 billion currently devoted to social issues should be spent on early action if that is to be achieved. It is unrealistic to expect change on the scale required to be funded largely by Social Impact Bonds or, more broadly, by social investment welcome though these are. One report by the Boston Consulting Group, *The First Billion*, recently predicted potential growth of up to £1 billion by 2016. It's important but it is no magic bullet.

Ten year plans offer a way forward and could begin with the next Spending Review, which should consider the 10 year implications of its decisions on spending for 2015–16. As the officials noted, decisions are already sometimes made with implications beyond the electoral horizon but this should become the norm, not the exception. The Treasury representative referred to the Office of Budget Responsibility's five-year projections for the economy and public finances but, oddly, did not refer to the Fiscal Sustainability Report which sets out each year the longer term projections for different categories of spending and revenue. It's time to build on this by making the approach fully comprehensive and using it to *inform* planning decisions in the Spending Review, not just to show their effect once they are taken, as in the OBR report.

The Government cannot spend more on early action until it knows what is being spent now and in many areas it doesn't. As an example, Chris Wormald assured you that his department would still be monitoring

expenditure on early intervention using Section 251 returns, when the ring fence from the Early Intervention Grant was removed. But, as paragraph 3.29 of the NAO report specifically says, “Data are available in section 251 statements for spending on broad items such as early education, but there is no requirement to report specifically on how the Early Intervention Grant has been spent.”

Community Budgets were rightly cited as one model of cooperation across institutional boundaries, with a pooled early action budget created by “investment agreements”—but this type of approach should be adopted nationally as well as locally and be far more widespread. For example, the Government’s own social justice strategy, led by the cross departmental Social Justice Committee, has early action as a core principle, yet it lacks the financial information and tools to put it into practice. Your Government witnesses only seemed to see this way of working as appropriate to local delivery, even though early action goals straddle government departments.

Your question about who was in charge of driving early action in Government revealed a vacuum. The Treasury maintained that, because early action covered such a range of activity, no-one could be. The same might be said of value for money, efficiency and sustainable public finances, where the Treasury clearly accepts its central, co-ordinating role and reports to Parliament on it. Early action naturally falls full square within its responsibilities, as a means to these ends. In addition, *every* Accounting Officer should regard it as part of their job to promote early action for the same reason, which is why we are proposing a statutory duty for every public body to apply a 10 Year Test for every spending decision they make. The Welsh government are developing a similar idea now.

The Task Force also recommends that an Early Action Unit should be established in the Cabinet Office because of its responsibility for promoting cross-departmental working. It could drive and monitor progress and build capacity.

Finally, the Government needs to invest far more on evaluation; simply marshaling *existing* evidence, the key focus of the new What Works Centres including the Early Intervention Foundation, is not enough. The Early Intervention Foundation was mentioned several times yet its funding is only £3.5 million to maintain its activities over the longer term as well as to cover its running costs over the next two years. Comparisons are often made with the functions of NICE but these expectations are completely unrealistic. NICE has a budget of £60 million.

As I said in my earlier evidence, an effective strategy for pursuing early action would include a combination of new measures, including defining early action and increasing the proportion of total spending on it; ten year planning in the Spending Review; a ten year test; treating early action as an investment; and more cooperation and co-ordination across institutional boundaries through pooled budgets and similar initiatives.

David Robinson
Chair

6 March 2013
