Department for Education

A review of the Section 251 returns (Children's Services)

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London Borough of Barnet

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Government Social Research

Contents

List of abbreviations

ADCS	Association of Directors of Children’s Services
AEF	Aggregate External Finance
CAF	Common Assessment Framework
CIPFA	Chartered Institute of Public Finance and Accountancy
DBV	Delivering Better Value
DfE	Department for Education
DLUHC	Department for Levelling Up, Housing and Communities
DoLS	Deprivation of Liberty Safeguards
DSG	dedicated schools grant
EHC	Education, Health and Care
EI	early intervention
ESFA	Education and Skills Funding Agency
HNB	high needs block
IASS	independent advice and support services
LGA	Local Government Association
NAO	National Audit Office
NMISS	non-maintained and independent school settings
Ofsted	Office for Standards in Education, Children’s Services and Skills
RA	Revenue Accounts
RO	Revenue Outturn
s251	the return associated with Section 251 of the Apprenticeships, Skills, Children and Learning Act (2009)
SEN	special educational needs
SEND	special educational needs and disabilities

SENDIASS	Special Educational Needs and Disabilities Information Advice and Support Service
SeRCOP	Service Reporting Code of Practice
SWOT	strengths, weaknesses, opportunities and threats
Table A	the education section of the s251
Table A1	the children's services section of the s251
UASC	Unaccompanied Asylum-Seeking Children

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Preface

When public finances are constrained, it is important that we know where money is being spent and whether it is being spent well. Section 251 of the Apprenticeships, Skills, Children and Learning Act (2009) considers our spending on vital areas of public services: services to children and young people. The Section 251 return (referred to in this report as the s251) sets out our investment, as a country and as local authorities, in keeping our children safe, educated and cared for by the state through the work carried out in every upper-tier local authority in England. This information is important – it is used to make decisions that affect children's lives and their life chances. The problem is that the s251 is flawed and does not give an accurate analysis of spending on children's services and education. It does not enable effective comparisons at a local, regional or national level. It does not help us find out what truly is cost-effective.

A number of authors have identified substantial problems (e.g. Freeman & Gill, 2014; Holmes, 2021; Rome, 2017) relating to accuracy, comparability and usefulness, yet their recommendations have not been implemented. I hope this report and its pragmatic recommendations will change this. Our report is different because of the innovative approach taken by the Department for Education in commissioning this work from local authorities. As the lead authority, the London Borough of Barnet has worked with partner authorities in Dorset, Manchester and 11 other authorities across the country, together with academics from the Rees Centre, colleagues from the Chartered Institute of Public Finance and Accountancy and a range of other partners to develop pragmatic responses to the present challenges of the s251. Whether aiming to clarify the s251's purpose, consider best practice, think about how to achieve effective system ownership, or account effectively and consistently for back-office costs, we have worked creatively to find solutions. Our partnership with Social Finance has enabled us to investigate and test our proposals across a host of different authorities to see whether our recommendations work practically.

Our recommendations provide an opportunity to refresh the s251 as a reporting tool which more accurately reflects spending for central government but also enables local authorities to compare their costs and identify new and emerging trends or pressures in the children's social care system. This will enable us to tackle them collectively – in partnership – and more accurately through more effective commissioning. This needs to sit amid further reforms of outdated children-in-need and placement codes that do not wholly fit the work undertaken in children's services across the country today, such as around contextual safeguarding, migrant children or Deprivation of Liberty Safeguards.

I would like to thank colleagues who have participated in this project, with special mention of Jonny Woodthorpe, Professor Leon Feinstein and Dr Ellie Suh, who have supported the project so diligently.

Chris Munday

Executive Director Children & Families, London Borough of Barnet

Authorship

All project partners have contributed to the report in different ways.

The Department for Education's Data Digital and Solutions Fund funded the London Borough of Barnet to lead a project to review the s251 and develop proposals for how it could be improved. The project partners are:

- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Commissioning Alliance
- Dorset Council
- London Innovation and Improvement Alliance (LIIA)
- Manchester City Council
- Rees Centre, Department of Education, University of Oxford
- Revolution Consulting
- Social Finance
- School of Social Policy, University of Birmingham
- Treow
- Eleven wider local authority partners: Birmingham City Council, the London Borough of Brent, the London Borough of Camden, Essex County Council, Leicester City Council, Newcastle City Council, Southampton City Council, the London Borough of Southwark, Surrey County Council, the London Borough of Wandsworth and the London Borough of Westminster.

The report was written by this broad collaboration between many individuals and organisations who made wide ranging and important contributions. Formal report authors are:

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Vita Bax, Madeleine Buil, and Heather Browning-Lee provided essential and excellent project management support. Hazel Bird did a great job as copy editor.

We are grateful for the rich, informed, and detailed comments we received on the draft report from Professor Eileen Munro (London School of Economics and Political Science) and Professor Harriet Ward (University of Oxford). Many government and local authority officers and external experts shared their views and knowledge in a series of workshops throughout the project, and without them the work would not have arrived at its final proposals.

Ultimately editorial and other decisions have to be made and the lead authors are responsible for any errors or omissions.

Section 1: Background research

Introduction

The central aim of this project is to formulate achievable recommendations that improve the quality and value of the children's services spending data provided by the returns submitted under Section 251 of the Apprenticeship, Skills, Children and Learning Act (2009).

Before the beginning of each financial year, local authorities are required, under Section 251, to prepare education and children and young people's services budget and outturn returns for that year and report them to the Secretary of State for Education. These returns make up the Section 251 return (referred to as the s251 in this report). The budget return contains information about local authorities' planned expenditure for education and children's social care, while the outturn return contains information about local authorities' actual expenditure for education and children's social care. The outturn return is separated into a table for expenditure relating to schools and local authority education departments, called Table A, and a table for expenditure relating to children and young people's services, called Table A1.

There have been several long-standing concerns about the s251 data, which have been heavily criticised for their low quality and low value. In particular, due to inaccuracies and inconsistencies between local authorities, they fail to enable strategic decision-making by local authorities.

Despite various recommendations on potential improvements (Freeman & Gill, 2014; Holmes, 2021; Rome, 2017), few changes and updates have been made to the design of the return or the process surrounding it.

The project started with background research to understand the current aims, uses and value of the these returns. We refer to this research as the 'Discovery Phase' in this report. The Discovery Phase had three aims: firstly, to document the current usage of the s251 data by its users and producers (whom we define as 'key stakeholders') and assess the value it generates; secondly, to analyse the root causes of the data quality concerns by surveying the existing misgivings and assessing the current return process; and, lastly, to incorporate suggestions from the key stakeholders into the recommendations so as to provide the highest possible value to those stakeholders..

We sought to answer the following questions:

1. Who are the key stakeholders, and what changes do they think should be made?
2. Are the s251 data used by those identified stakeholders, and how?

3. What are the nature and extent of the data quality issues concerning the s251, and what are the root causes?
4. How are the returns completed currently, and what are the implications of this for data quality?
5. How and in what ways could the s251 data be made more useful, and what aspects of strategic decision-making could it potentially enhance?

In doing so, we employed various methods:

a. a literature review of recent publications about the s251 and its data
b. a survey of views and suggestions on s251
c. interviews with key producers and users of the s251, including senior leaders in finance and practice at three partnering local authorities (Dorset Council, the London Borough of Barnet and Manchester City Council) and at the Department for Education (DfE) and the Department for Levelling Up, Housing and Communities (DLUHC); we also interviewed several local authority colleagues in children's services separately to understand which aspects of strategic decision-making the s251 could support.

The findings from the Discovery Phase are described in detail in the 'Findings' section in the following pages. They confirmed that there are serious issues with data quality and showed limited usage of the data across various stakeholder groups. Reporting overhead costs is one of the biggest challenges, and this also hinders the value of benchmarking analysis. The view that the s251 data is of low value compared to the high burden of collecting it was shared across the three partnering local authorities. Central to the discussions on informativeness was the need for 'unit cost' information. The current return design lacks the good data structure that would allow the financial data to be linked to other sources (such as the SSDA903, which is a statutory data return concerned with Children Looked After) to derive unit cost information, and unit cost information is not available through other means.

The following section, 'Methodology', documents the three research components of the Discovery Phase. Next, the 'Findings' section discusses the findings and any limitations thematically, offering section-specific conclusions. Section 1 of the report then ends with a 'Discussion' and 'Conclusion' for the Discovery Phase as a whole.

Methodology

Literature review

The literature review was undertaken to inform existing debates on the quality and usefulness of the data the s251 generates.

Given the resources available, this review focused on the literature that made use of the s251 data or examined their quality directly; it did not include a wider body of literature addressing additional issues. We identified debates within the past decade (2014–2023) and relevant grey literature on the s251, including studies relating to the s251 return process and any study that made substantial use of the s251 data. The search was conducted using an academic literature search engine complemented by Google searches. Studies that made use of the s251 data or evaluated aspects of the data were considered for the analysis. There were 19 publications considered, which consisted of six DfE publications, seven grey literature publications, four academic publications and two National Audit Office (NAO) publications. For the full list of studies considered, refer to Appendix A to Section 1.

Survey of views and suggestions on the s251

We conducted a survey of views and suggestions on the s251 to validate the findings in the literature review and to obtain more information about how local authorities use the s251 data. Specifically, we asked whether the data are used to inform policy development, funding allocations and strategic decision-making; to conduct benchmarking analyses (to understand spending within and between local authorities); and to conduct trend analyses (to understand spending across years for the local authority). A copy of this survey is provided in Appendix B to Section 1. It was designed to incorporate a wide range of views and experiences to complement the studies conducted within the scope of this project. The survey of views on the s251 helped us to understand how it is currently used by local authorities, and where it is and is not working as a tool for local authorities to understand and make decisions on spending in children's services.

The survey was sent out to all 153 upper-tier local authorities in England to complete. This provided an opportunity for all local authorities across England to engage with the project and ensured that we collected a wide range of concerns, comments and experiences relating to the s251.

Based on the findings of the literature review, we sought to test:

- whether the s251 represents spending in children's services accurately
- whether local authorities use the s251 to benchmark and look at trends in spending, especially to draw comparisons with statistical and geographical neighbour local authorities, or whether they prefer to use their own data, especially when they have the option to do so jointly with their regional neighbours
- whether the s251 is widely used by local authorities to support funding decisions, policy development or strategic decision-making.

The survey was designed in collaboration between the London Innovation and Improvement Alliance, which is an organisation that works closely with London local authorities and academics at the Rees Centre, University of Oxford. The survey was sent out using Microsoft Forms. To ensure we reached as many English local authorities as possible, we distributed it through the Association of Directors of Children's Services (ADCS) bulletin and various Local Government Association (LGA) networks. The survey contained questions designed to test the assumptions just listed. It incorporated open-ended questions to allow local authorities to provide information on uses of the data that had not been mentioned previously in the survey and to give them the opportunity cite other sources of information on spending in children's services. The survey was open for four weeks.

We received 20 responses from local authorities in seven regions of England (out of nine). A majority of the local authorities' responses (70%) were provided by finance managers. Although seven out of nine English regions were represented, the response rate was not sufficiently high to assume this group of respondents represents (in a statistical sense) all English local authorities. The responses collectively nonetheless provided information that could be used to test the findings in the literature review.

Interviews with key stakeholders

This part of the Discovery Phase concerned understanding where the s251 adds the most value from stakeholders' perspectives. We first considered whom the return data should ultimately benefit and who was involved in producing, processing and publishing the data. We identified four groups: central government bodies, local authorities and related groups, research and policy analysis communities, and the general public (see Table 1).

Among these, we focused on the key stakeholders whose work directly involves the production and publication of the s251 data: DfE, DLUHC, individual local authorities and ADCS.

Table 1: Stakeholder mapping for the s251

Type of stakeholder	Organisations/groups
Central government bodies	Department for Education – *key stakeholder* Department for Levelling Up, Housing and Communities – *key stakeholder* HM Treasury National Audit Office Office for Standards in Education, Children's Services and Skills

	Office for Budget Responsibility Office for National Statistics
Local authorities and related groups	Individual local authorities in England with a children's services division (153 local authorities) – *key stakeholder* Association of Directors of Children's Services – *key stakeholder* Local Government Association London Innovation and Improvement Alliance Other regional associations of local authorities
Research and policy analysis communities (non-governmental)	Academic community Non-academic research communities
General public	Children and families whom the services aim to support Media organisations and outlets Wider public

Although active public interest in the s251 is low, there is in principle a wide range of organisations, groups and individuals for whom information on costs and spending on children's services is relevant.

For this report we focused on local authorities, DfE, DLUHC and ADCS as primary users and producers of the s251 data. We followed the protocol of a qualitative academic study, where data were collected through interviews. Once relevant officers had been identified within the predefined key stakeholder groups, they were invited to take part in an interview (30–60 minutes). The interview questions were organised to explore the interviewees' perceptions of the accuracy and limitations of the current data, the mechanisms for capturing financial data from local authorities, and how the s251 process could be improved.

The interviews were carried out in two phases: with central government officers (n = 7) and with local authority officers (n = 10). Each one was with a separate individual. The local authority officials comprised a director of children's services, four finance officers and five officers responsible for s251 submission.

Findings

This section provides an initial analysis of the current aims and existing debates on the s251. It discusses the tension between its current purpose as a reporting tool and its anticipated role as a framework that enables data insight. It then provides evidence for the limited use and usefulness of the s251 data, followed by a detailed account of concerns about the quality of the data, including operational challenges that affect data quality. Finally, it examines how local authorities perceive the strategic value of the s251.

Current and expected aims of the s251

The current aims of the s251

According to DfE, the stated aims of the s251 are threefold: public accountability, fiscal reporting from local to central governments, and benchmarking across Local Authorities (DfE, 2019).

The s251, first and foremost, provides information on the amount of public money spent at the national level to deliver services to children and families in children's services, and is intended to serve as a **public accountability** mechanism. When the data are aggregated at the highest level, it shows the total amount spent by children's services in England in any given year. For instance, in 2022/23, the total expenditure by English local authorities on children's services was £13.3 billion – an increase of 11.8 compared to 2021/22 (DfE, 2024). There is a clear upward trend in spending on children's services, as shown in Table 2. Ensuring such information is available is important as it makes transparent the planned and actual usage of the public resources allocated to deliver the required services.

The s251 is also a **fiscal reporting tool** to a central government body – in this case, DfE – and in this sense it is a public accountability mechanism for central and local governments. Local governments (i.e. the 153 upper-tier local authorities) report to the central government about their spending because the central government allocates funding to them, and they have the statutory duty to deliver services to the population in their local areas. All 153 upper-tier local authorities in England with children's services complete the s251 return process.

Table 2: Total expenditure by local authorities on children's services, financial years 2015/16 to 2022/23, as shown in local authority and school expenditure statistics

Financial year	Expenditure by local authorities on children's services (£ billion)
2015/16	£9.1
2016/17	£9.2
2017/18	£9.5
2018/19	£9.9

2019/20	£10.6
2020/21	£11.1
2021/22	£11.9
2022/23	£13.3

Source: DfE (2024)

From the perspective of central government, having 153 upper-tier local authorities to account for raises the need for **benchmarking**. Local authorities are often compared to their 'statistical neighbours', which means other local authorities that are deemed to be similar in terms of both the population they serve and their economic and social characteristics.

Benchmarking is also important from the local authorities' perspective. The s251 data provide the main way for local authorities to compare the financial aspects of their operation, such as over- or underspending relative to neighbouring local authorities or other local authorities of a similar size. It is reasonable to expect that statistical neighbours will have similar levels of spending and see similar trends. The s251 data also have the potential to provide insightful information about the market that local authorities currently operate in, especially if the accuracy and granularity of unit cost information can be improved.

Expected roles of the s251

The expected roles of the s251 extend beyond its main function as a reporting tool. The usefulness of the s251 data is often challenged – for example, one study found that fewer than half of English local authorities[8] find it useful in their strategic decision-making (Holmes, 2021).

Local authorities often regard the s251 as a source for obtaining more insight into their financial performance within the complex environment in which they operate. At the national level, there is widely felt funding pressure which cannot be resolved by individual local authorities due to the restrictions they have on revenue generation and their limited purchasing power in the market. The demand for services has increased for a large majority of local authorities (DfE, 2024), and so has the complexity of the issues they are required to address.

However, carrying out the sufficiency strategy with limited supply in a mixed economy with a strong private sector presence is likely to involve a high-cost structure. For instance, the national average price for an external residential placement has been

[8] 151 local authorities in England at the time of the study.

estimated to be £5,215 per week (Rome, 2023), or over £250,000 per year. A recent study by Stanford et al. (2019) highlighted that providing specialised support for a small proportion of children could account for a large proportion of funding.

A critical function of the s251 currently in the field is to provide comparative financial information for each local authority, not just in aggregation across local authorities to provide a national total. In the current commissioning market, having information to enable regional benchmarking of relative positions goes some way to addressing information imbalances and is therefore essential for the provision of care.

Limited uses and usefulness of the s251 data

This section presents a brief review of both current and potential future uses of the s251 data, before moving on to discuss the existing debates concerning the quality and usefulness of the data.

Documented uses of the s251 data

The primary use of the s251 data is to understand the yearly high-level spending information relating to children's services at the national level as well as for each individual English local authority. This information can be aggregated over multiple years (i.e. trend analysis). In this way, it offers potential insights into how the level of spending changes in the field both at the national level and at the individual local authority level. Government bodies often use this information to communicate overall spending in the form of official statistics, as seen in Table 2, and as a means of scrutinising the structure of public services (e.g. NAO, 2016, 2019a). The Office for National Statistics (2023) produces a public service productivity estimate report in which the s251 data are used to provide estimated figures for 'children's social care'. Similar analyses have been performed as part of research intended to inform the field; such research may be commissioned by DfE (Aldaba & Early Intervention Foundation, 2016; Holmes, 2021; Rome, 2017) or another public body, such as the LGA (Newton Europe, 2018). Several studies have been also conducted independently by the third sector (e.g. Action for Children, National Children's Bureau & The Children's Society, 2017) or academics (Bywaters, Bunting et al., 2016; Bywaters et al., 2018; Webb, 2022). There are also studies that have looked into spending in specific areas of children's services, such as safeguarding (Bywaters, Brady et al., 2016; R. Hood et al., 2016) or that have reorganised the existing spending categories (Kelly et al., 2018; Webb & Bywaters, 2018).

The 'unit cost' calculation is frequently mentioned in discussions of the s251 data. A detailed discussion is provided later on in the section 'Unit cost: Definition and measurement', but here the focus remains on the calculation of unit cost as an indicative measure of spending, such as a cost per head. For example, overall per-head cost calculations can be used to understand general trends (increases or decreases) (Kelly et al., 2018), evaluate value for money in a specific service area, such as special educational needs and disabilities (SEND), and compare the costs of prevalent placement types, such as residential and foster care (Freeman & Gill, 2014).

The s251 data are also regularly combined with other data to provide new insights. For instance, the Local Authority Interactive Tool contains information derived from the s251 (DfE, 2014). The Personal Social Services Research Unit at the University of Kent uses the s251's unit cost and spending data in its widely used calculator, which is updated annually (Jones & Burns, 2021).

The abovementioned studies mostly refer to actual returns, rather than returns that contain budget information. Furthermore, findings from Rome (2017) suggest that the s251 data are not sufficiently accurate to forecast actual spending, as shown by comparisons with the outturns later reported for the same financial year. Holmes (2021) found that strategic use of the s251 data is also limited, as less than one-third of the local authorities surveyed in that study confirmed such use cases.

There are several issues associated with the s251 data that limit their usefulness. The following two sub-sections consider these limitations.

Current uses of the s251 data

Most of our interviewees shared the view that the s251 in its current form tends to be more useful for government officials than the local authorities, and we obtained more examples of uses by the former group than the latter. The uses mentioned in the interviews included analysing the impact of a local authority's service, providing data insights into needs and spending in a local area, supporting strategic decision-making at the government departmental level, and benchmarking across English local authorities. However, DfE and local authorities were generally unaware of each other's uses of the data.

The local authority participants in the study (interviewees, survey respondents and project partners) emphasised that, in completing the s251, they mainly focused on **fulfilling their statutory obligation** to government. We did obtain one example of a local authority using the s251 data – specifically, to explore the financial impact of a new service. However, we gathered that the s251 data had limited use for local authorities, as they employed other internal reporting specifically developed to support local authority decision-making and planning.

The local authorities, which prepare the s251 regularly, did not have a good understanding of how the data were used by DfE or any other central government body at the national level. This highlights a substantial gap in communication and transparency.

Examples of uses highlighted by the government department participants were analysing the data to inform strategic decision-making and to **provide briefings to senior policy-makers and ministers** as well as to answer parliamentary enquiries. DfE conducts an analysis of **needs and spending in local authorities**. It analyses the financial data from s251 with other contextual and performance data to inform the local authority funding model used by DLUHC. Similarly, DfE carries out analyses to estimate the unit costs of providing relevant services in children's social care, combining data from the s251, the Children in Need census and the SSDA903.

Four government interviewees mentioned that they used **benchmarking**, a form of comparative analysis, in relation to the s251 data. For instance, it was used to analyse the cost of a particular area (e.g. Children Looked After) and to understand the relative spending in preventative services (such as Early Help programmes) versus statutory intervention. Despite the data quality issues, the four interviewees perceived these analyses as useful and as an area where the s251 data could add further value.

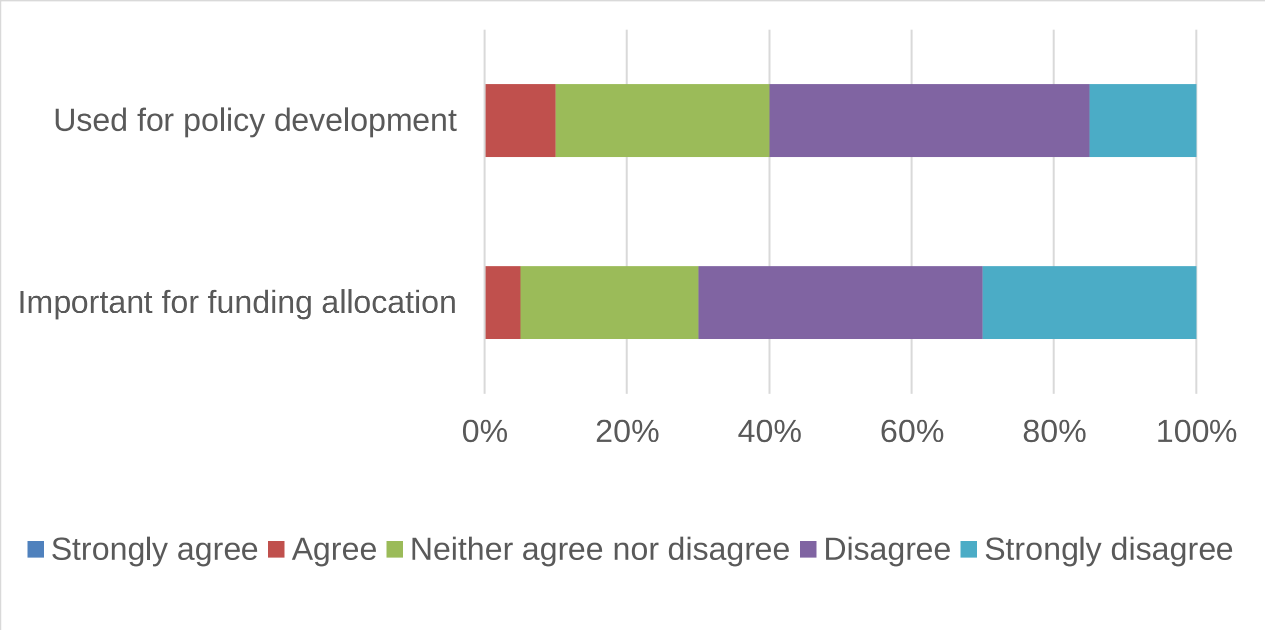
Local authorities perceived that benchmarking could be useful; however, they shared **concerns about data quality**. They questioned whether the s251 data allow meaningful analyses that could support decision-making in the local authority-specific context. However, they expressed interest in conducting benchmarking comparisons with geographical neighbours that might be working with a similar set of service providers (e.g. for Children Looked After placements or school or education services).

Both the local authority officials and the government officials interviewed highlighted that financial information that is disconnected from any other performance or indicator data is of limited value for decision-making. In general, the participants suggested a need for more connection between child-level placement data, school-level data and financial data. It was felt that this would allow more meaningful unit cost analyses. Issues of data quality, accuracy and comparability also need to be considered and addressed.

Limited usage: Results from the survey

A large majority of the survey respondents stated that the current s251 data were not used for any strategic decision-making in their local authority (see Figure 1), although more than half responded positively to a question on whether the s251 data could be useful for such decision-making (see also Figure 3 below). We also found that 60% of respondents disagreed or strongly disagreed that the s251 was used in their local authority for local policy development, with only 10% agreeing that it was used. Around 70% of local authorities that took part in the survey reported not using the s251 data to determine funding allocations within their children's services. This aligns with the responses to another question in the survey, in which 70% of respondents indicated that the s251 was not used to make any strategic decisions concerning financial aspects of their local authority's children's services operations. These responses suggest that the s251 is not useful as a support to local authorities' decision-making in its current form, both in terms of policy and funding. This points to an opportunity to improve the return to support local authorities more effectively in understanding their spending.

Figure 1: Responses regarding whether local authorities used the s251 data for strategic decision-making (20 English local authorities)



Data quality concerns

Ongoing discussions in the literature show that the limited strategic use of the s251 data essentially results from concerns around the quality and usefulness of the information. In this section, concerns about the s251 are categorised into three themes: the **quality and usefulness of the information** that the s251 data generates (e.g. concerning reliability, comparability and value); the **inefficient return completion process**, which is particularly relevant to local authorities and ultimately also affects data quality; and quality concerns **limiting the analytical value** of the s251 data.

Quality and usefulness of the s251 data

Several concerns have been raised in the literature regarding the quality and usefulness of the s251 data. These concerns can be categorised broadly into three points: reliability, comparability and value-added.

The first aspect to consider is the **reliability** of the data provided. The high-level, aggregate figures are widely used for studying trends, as this report has already mentioned. However, more detailed figures for specific service areas (i.e. subcategories of children's services) are often considered to be less reliable for understanding trends. For example, a study by Aldaba and the Early Intervention Foundation (2016) highlights issues with the reliability of finances around Children in Need and Children Looked After, which is particularly notable given that those two service areas are estimated to account for approximately two-thirds of the total spending in children's services (Bywaters, Bunting et al., 2016).

Another known issue is the **comparability** of the s251 data across local authorities. Despite benchmarking being one of the key stated aims of the reporting structure, several studies have expressed concerns about whether the figures reported in the s251 are comparable across local authorities. One of the key elements here is reporting of overhead costs (e.g. Freeman and Gill, 2014; Holmes, 2021; Rome, 2017). Freeman and Gill (2014) argue that each local authority is unique in the environment in which it operates, having different external factors affecting its operational priorities and resource allocation ('external factors'). They also highlight that having a different organisational structure and/or accounting practices could lead to differing ways of managing resources ('internal factors'). It would be meaningful to study the variability caused by these factors as they also influence the meaning of the s251 data in each area.

In relation to overheads specifically, there is not much information on what *causes* differences in data. One factor is inconsistent overhead reporting, which may impact observed variability across local authorities, as well as across the years within a single local authority. The 'human factor' is also likely to increase variability, due to subjective interpretations or manual processes. Additionally, 'noise' – defined by Freeman and Gill (2014) as 'variations that are neither extrinsic nor intrinsic but appear arbitrary depending on how the returns are completed' (p. 4) – makes it hard to study variability in actual spending, and thereby diminishes the value of the s251 data for benchmarking. A similar point has been raised in an NAO (2016) report. The issue of overheads is returned to in more detail in the 'Discussion' section.

The information the s251 generates has limited **value-added** for those who complete it. Holmes (2021) highlighted the limited uses of the s251 data for strategic decision-making among local authorities. Key information that local authorities find useful, such as unit costs, is provided to a very limited extent or not at all in the s251, offering little value for local authorities that must complete the return (Rome, 2017). In addition, return timing and frequency also affect the utilisation of the data, as returns are often prepared too late or do not contain the right type of information to be of use to local authorities (Rome, 2017). The s251 data has also been utilised to examine the extent of profit-making in children's services, looking at the total expenditure for the private and voluntary sectors (Rome, 2020). However, this kind of use of the s251 data has been limited, with some finding that the data are not sufficiently detailed to allow for meaningful analysis (Institute of Public Care, 2015). In summary, the s251 data are not especially useful for local authorities in their current state, which often results in the return being reduced to a box-ticking exercise.

Inefficient return completion process

Several studies have pointed to sizeable room for improvement in the processes around how the s251 is completed. The return completion process, in this context, includes the design of the return template, the level of detail required, the type and timing of the return, and the need to complete the return manually.

Currently, the return data are collected through a programme called COLLECT (ESFA, 2023a), which has a pro forma **template** into which local authorities are expected to input figures for thematically organised service area categories. This categorisation of services serves the purpose of providing transparency as to how much public money has been spent on a wide range of different services for children and families. Having a standardised format in principle helps central government to gain an overall picture of public service delivery at the national level, communicate this to the public, and compare how local authorities support children and families in different areas of services and programmes. However, as discussed, local authorities organise their service delivery differently depending on the needs and strategic priorities in their local areas. Therefore, local authorities are required to reorganise their financial data to fit the standardised format of the return, which is burdensome and can result in error. As Bywaters and colleagues (2018) put it, ‘there is considerable doubt about whether local authorities categorise spending in uniform ways’ (p. 57).

Reorganisation inevitably requires subjective interpretation of which lower elements (cost centres) should be assigned to which s251 categories, which adds to the unexplained variability in the data. Newton Europe (2018), in a study on safeguarding and Children Looked After, noted that the s251 data were not reliable and opted for the Revenue Outturn data (collected by DLUHC) instead.

Relatedly, the **level of detail** also has an impact on efficiency. The more detailed the categorisation in the s251, the more reorganisation is required, not only making the return more onerous (Rome, 2017) but also creating more room for subjective interpretation, leading to further unexplained variability.

The **type and timing of the return** have also been deemed problematic. Currently, there are two types of return – budget and actual – each of which must be completed annually. Rome (2017) points out that as the budget and outturn data are published six and nine months after the financial year ends, respectively, the information they provide are not sufficiently timely. In the same report, Rome found that in terms of predicting spending levels, the budget return was less accurate than the previous year’s actual spending figures. He recommended using two half-yearly actual returns instead of pairing the budget return with the actual returns annually.

The weak predictive power of the budget return could be an indication of certain underlying issues:

- The budget process may not be meaningful: the predictive model may not be useful, either because the methodology has not been developed well or because there are external factors that have a stronger influence on the availability or the allocation of the resources.
- Local authorities may find the budget useful but be unable to develop a sound financial management approach that enables them to use it due to resource constraints (e.g. time) or limited capability to analyse the data.

The last issue discussed in relation to the operational aspect of the return completion was inefficiency arising from the need to **complete the return manually**. There are several reasons why manual input may be required. Firstly, the COLLECT system is essentially a submission automation and validation tool rather than a data-extraction tool and requires local authorities to enter the data item by item to complete the submission. Secondly, using the standardised format requires reorganisation of information, so local authorities must extract their data and then determine how it should be reorganised to fit the format (by, for instance, developing a tool to map their cost centre structure onto the service categories in the s251). Thirdly, certain types of costs such as overheads need to be apportioned across different service categories according to various estimation and allocation methods used by local authorities. Consequently, the more the return is completed manually, the greater room there is for human error, which in turn increases the 'noise' in the s251 data.

Quality concerns limiting the analytical value of the s251 data

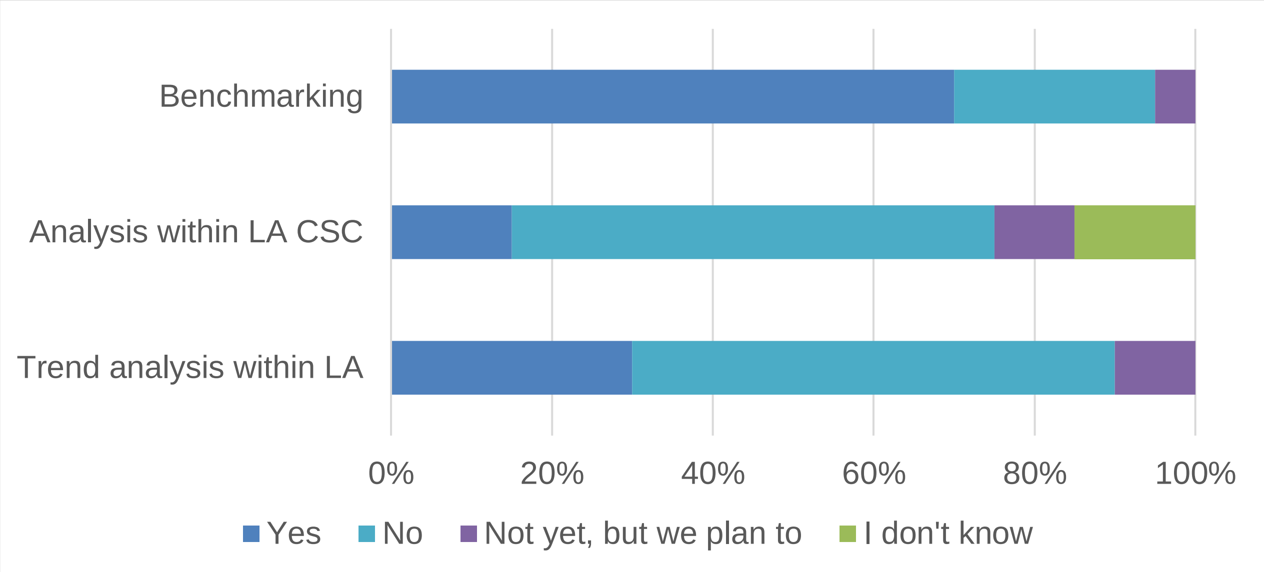
Use versus opinions on usefulness

Local authorities were asked whether they used, or planned to use, the s251 data to a) conduct benchmarking in relation to other local authorities, b) understand the costs of service provision and delivery within children's services and c) understand their own spending trends. Additionally, they were asked how important they felt the s251 data were in each of these areas of analysis.

Figure 2 shows that the data were mainly used for benchmarking purposes. Seven out of ten local authorities said they used the s251 data for benchmarking purposes while three local authorities did not. Six out of ten local authorities reported not using the data in any spending analysis specific to their children's services operations or to understand spending trends over time, although one in ten reported intending to do so in the future.

Figure 2: Responses regarding whether local authorities (LAs) used the s251 data for benchmarking (across local authorities), analysing the operations of their

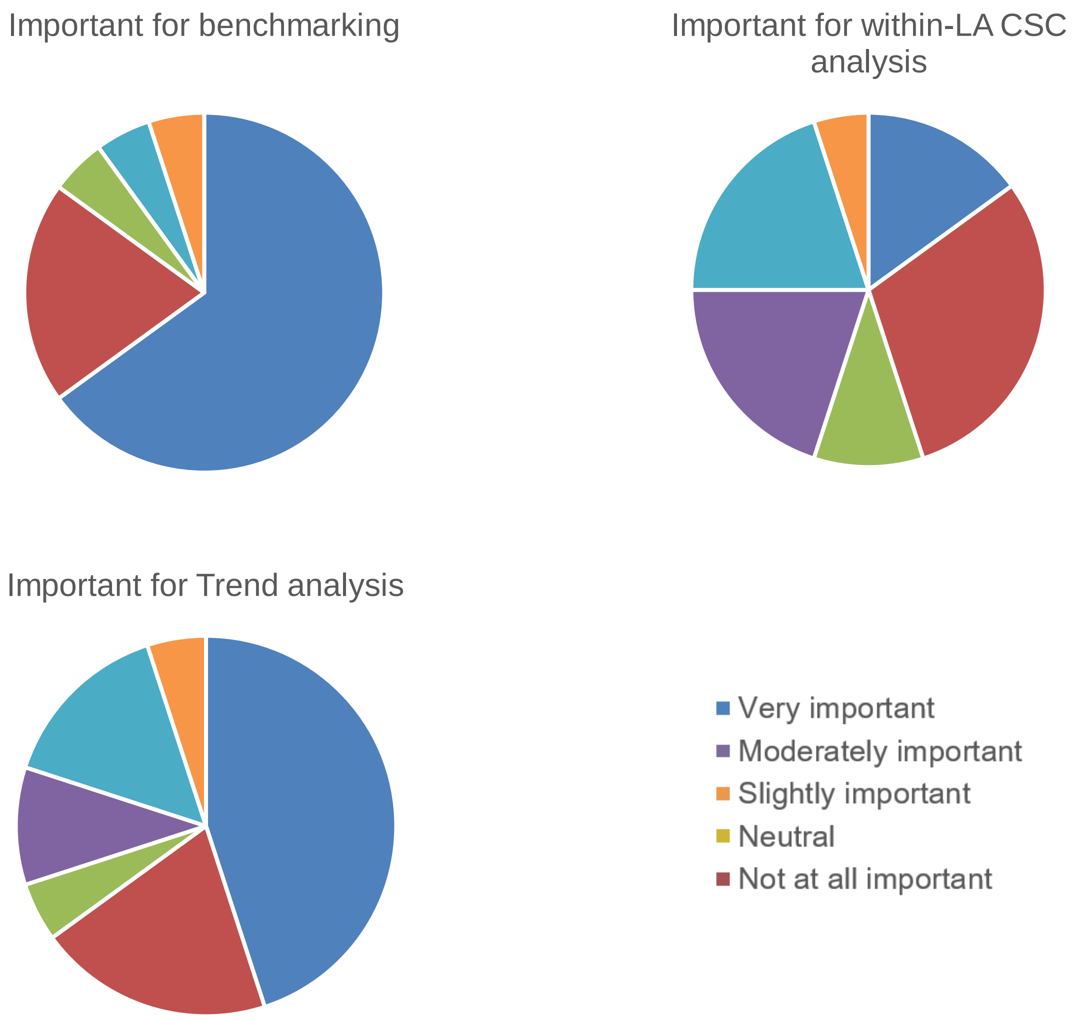
children's services (local authority-specific) and trend analysis (local authority-specific) (20 English local authorities)



More than eight out of ten local authorities reported that it was important for the s251 data to enable benchmarking analysis (see Figure 3). One local authority said the data was 'used for benchmarking to provide assurance regarding value for money'.

In terms of analysis of the operations of children's services and analysis of trends, more than half of local authorities believed it as important for the s251 to have analytical value (see Figure 3). The gap between expectations (see Figure 3) and actual use (see Figures 1 and 2) indicates that some local authorities are dissatisfied by the current functionality of the s251, which points to the need for improvement. This was exemplified in a comment made by one respondent, who said that 'there is an opportunity in this work to use the s251 to compare expenditure and plan – an opportunity we have not used in the past'.

Figure 3: Views on the importance of the s251 in enabling analyses: benchmarking, local authority-specific analysis of spending on children's services and local authority-specific trend analysis (20 English local authorities)



Respondents also outlined alternative tools or methods used to look at trends in spending over time within their own local authority. Local authorities pointed to internal reporting, with two respondents mentioning ledger information as the natural tool to use when looking at expenditure over multiple years. One respondent highlighted that the s251 does not reflect the budget structures within their local authority and so could never be as useful as a bespoke measure for internal reporting. The same respondent also noted that similar data is captured in the Revenue Outturn (RO) and Revenue Accounts (RA) returns, with the implication being that these returns would be more useful or convenient for the purpose of tracking expenditure within a local authority over time.

Further comments allowed us to contextualise the responses provided by the local authorities. Benchmarking was the primary form of analysis carried out using the s251 data in this respondent group, and 8 out of 14 local authorities that provided additional comments mentioned concerns about consistency and comparability in the data. They shared that the return was ‘not completed consistently’ and so ‘caution’ was needed when using the data for comparisons. After stating that consistency was a significant concern, one respondent explained that specific lines would be easier to compare – for instance, ‘Education Psychology’ rather than more generic categorisations such as ‘Support for Inclusion’. We interpreted this comment to refer to how much room for interpretation the names might leave between local authorities: how each local authority uses a category will depend on its service model (e.g. ‘Education Psychology’ will be more or less relevant and identifiable to different local authorities). Differing interpretations will lead to different methods of organising the financial information, and hence affect the data’s comparability.

Local authorities also mentioned the need for unit cost information, which we viewed as confirming the finding from the literature review that unit cost information would make the s251 data more useful. More specifically, one respondent suggested that ‘activity data needs to be linked to financial information to make this task [i.e. completing the s251] worthwhile and meaningful’. Furthermore, we found a reference to overhead costs in the context of a region in which local authorities were working together to ensure consistent overhead cost allocation. This example suggests it may be possible to develop a bottom-up model to improve validation, as it was stated that ‘regional finance leads groups’ were working to reduce the impact of ‘recharge apportioning’ (i.e. overheads) on the s251 data.

Accuracy

Only five respondents to the survey (25%) responded on whether they thought the s251 accurately represented spending in children’s services within their local authority. Of these, four (80%) stated that it was accurate or fairly accurate. Despite the low response rate to the question, the proportion of the respondents who found the data accurate is surprising and noteworthy. In general, the view of the survey respondents and interviewees was not to throw out the s251 but to improve it, in terms of its accuracy, use and value.

Views of key users and producers

Both the government department participants and those in local authority roles perceived **issues with the quality of the s251 data**, and therefore did not undertake the range of analyses that the s251 might theoretically support. Given the focus on benchmarking analysis, it is unsurprising that the main concerns from both participant groups largely related to the consistency of reporting approaches between local authorities and within local authorities over time. They further provided examples of different local authorities interpreting service categories in the s251 differently and completing the returns differently.

While the government participants believed that it was more useful to have the s251 data than otherwise, there were concerns about its ability to reconcile public spending figures with the figures in other return series, namely the RA and the RO. Issues with having different spending reports in children’s services versus other departments were widely known, yet precise areas of concern were not identified other than a particular cost type being problematic (such as overheads) or differences in the design of the reports (despite the separate 'memoranda' items in s251).

Local authority participants shared that the return processes varied widely across local authorities. In some local authorities the s251 **completion process** is done collaboratively – for instance, with a small team of finance leads responsible for different sections, or senior finance officers reviewing the submissions prepared by colleagues in their team. In other local authorities, finance officers complete the s251 in isolation, without any follow-up with colleagues on the service side (who may be more knowledgeable about the finances of day-to-day operation than the central finance team). Validation processes and checks-and-balances routines also varied substantially, which suggested the level of confidence in the data would vary. Among the local authorities, regardless of completion approach, there was a shared view that the s251 added little value and that completing it only served to meet a reporting requirement.

Local authorities also shared that reorganising their financial information to complete the s251 report required manual input, as there was no automated procedure that could pull the necessary information together in the required format. Most local authorities described a mixed approach of exporting finance reports from their management information systems and manipulating them in Excel, or a fully manual approach using Excel and formulae to assist in the categorisation process. As the local authority financial systems were set up to reflect the structures of their services (e.g. via a cost centre or general ledger structure), the costs in each service needed to be attributed to the cost and service categories specified in the s251. Some local authorities developed a 'mapping' approach between their accounting structure and the s251; however, there was still room for inconsistency, for two reasons. Firstly, decisions are liable to be revised each year to improve the data or due to changes in staff. Secondly, genuine changes in the service structure or strategic changes in operations may result in a different cost structure.

Another major theme that emerged in discussions of the data quality was the treatment of **overheads**. Most of the participants stated that it was unclear how local authorities defined the overheads that need to be included in the s251 and allocated across different service and cost areas. This point was also raised by Freeman and Gill (2014). Most stated that the inconsistent overhead reporting across local authorities was one of the major challenges of the s251 requiring further guidance.

DfE provides guidance documents that are updated each year to support consistency in the approach local authorities take to submitting their returns. However, both government and local authority staff reflected on how the principles set out in the guidance are not sufficient to resolve the issue of inconsistent treatment of overheads. On the one hand, there are benefits to keeping the current model of guidance documents as it allows local authorities to approach their cost reporting in a way they consider to be fair and valid given their local operations. On the other hand, others gave the opinion that providing more information – that is, making the guidance documents more prescriptive or giving examples – could be helpful. This is because the guidance on how to report some of the costs is ambiguous.

How local authorities define 'strategic value'

According to the directors of children's services that we interviewed, the strategic value of the s251 is that it collates data from multiple local authorities and so enables a degree of collective decision-making across local authorities and thereby effectively improves market stewardship. This decision-making more often concerns cost than spending. However, as the information about costs and spending is intertwined in finance systems and differentially linked to child- and institution-level data, the issues must be taken together.

Market stewardship is the way in which local authorities are able to plan, access services and negotiate price. Improving market stewardship could involve having a reasonable range of alternative providers, having information that enables informed price negotiation or cost monitoring, investing in new provision that meets the sufficiency duty, and achieving concrete goals that are known to improve children's outcomes (e.g. keeping sibling groups together and keeping children in the family network). The quotes below show that collective spending analysis was viewed as important as it can provide insight into market dynamics and enable a collective response across multiple local authorities concerning sufficiency:

> What is a good scale for the analysis of children's services? At a local level, the numbers and the influence to change the market are too small. At the national level, regional context and practice may vary too much and obscure patterns. The region is the necessary scale, taking both local context and market influence to bear. – *Director of Children's Services*

> If we're going to act together [as a region] then we need a common view. – *Commissioner*

The s251 was also viewed as a potential way to provide a range of reasonable (implied unit) prices that could be compared across multiple local authorities. The desire for such a facility was mostly related to difficulties negotiating prices for placements with few alternatives (e.g. having one offer on a placement and therefore having to agree to a high price) or managing relationships with providers who were described as 'transactional'. Naturally there was a substantial interest in ensuring that a reasonable price was paid, and in this respect data from other local authorities on similar provisions were deemed helpful:

> We need to see whether commissioning frameworks are delivering the value they are designed for. Frequently, baseline costs will be agreed but then additional costs will make their way in as additional packages. Detailed cost analyses will enable us to highlight where this is the case. – *Commissioner*

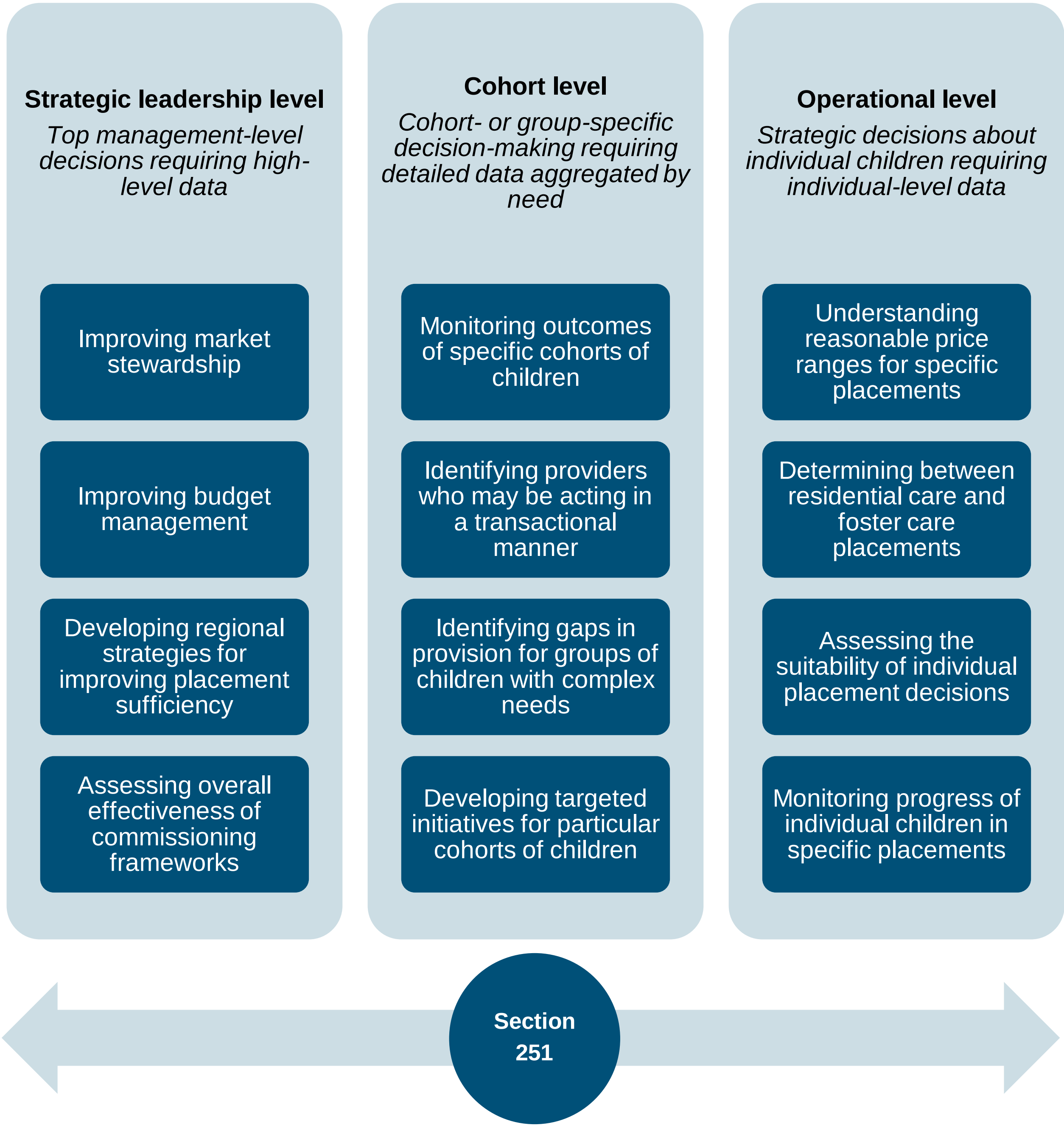
In the discussions of strategic decision-making, other data needs, which are unlikely to be met by the s251, were also mentioned. For instance, several interviewees shared concerns about requiring more granular data at the individual child or provider level to enable strategic decision-making around commissioning:

> Most of the increasing costs in residential care that we've seen over the past five to ten years can be attributed to a small but growing number of older children with complex needs who are hard to place in standard care homes. Being able to provide a business case for the provision of specialist foster care for these children across the region would alleviate a range of pressing issues. – *Lead in Regional Commissioning Project*

> On placement strategy, we've looked at the top ten most expensive placements and have a good handle on meeting their needs. But there is a massive cohort below on around £3,000 per week placements receiving two-to-one support who do not have the same attention. We need analysis that will enable us to evaluate whether these children have the right support. – *Finance Manager supporting Children and Family Services*

This area of the study revealed a range of expectations among interviewees about how to use the s251 data (see Figure 4).

Figure 4: Levels of strategic use cases expected from the s251 data



Note: Based on interviews with senior local authority officials including one director of children's services.

Discussion

Several questions remain unanswered in relation to the collection and use of the s251 data.

Improving the balance between reporting and data insight

A key issue arising is the question of the primary role of the s251. Should it be a public accountability **reporting mechanism** that focuses on providing a high-level spending summary, or should it work more as a **data insight framework** that generates useful information for local authorities concerning their financial performance?

Central government has important responsibilities as far as public funding and services are concerned, and these responsibilities require a reporting mechanism that is accurate and transparent. However, as a pure reporting tool, the s251 both misses opportunities and adds to problems elsewhere. Children's services currently operate with limited funding in a mixed economy where the private sector has a strong presence. The demand for support and services has increased without a corresponding increase in supply, creating high cost pressures for local authorities.

Some may question which level of government – central or local – should be responsible for increasing data capabilities and obtaining the financial and performance information required to ensure quality and value for money in service provision. The NAO (2016) states that DfE 'has a role in supporting local accountability by improving transparency' but that 'without accurate, complete and comparable data about, for example, the cost of help and protection services, it cannot provide information to support benchmarking or assess value for money' (p. 45). Devising a data insights system for a specific arm of public service for a single local authority would likely be an expensive and time-consuming exercise. Furthermore, if the primary aim of such a development were associated with children's services operating in a mixed economy, a single local authority's data insights tool would only be able to capture a small section of the sector and would provide a limited view of market dynamics.

Unit cost: Definition and measurement

For financial reporting to provide value for local authorities, data insights on good unit cost are required (Holmes, 2021). Factors such as unit cost provide useful information to enable local authorities to evaluate their operations in the market, particularly in relation to their sufficiency strategy. The need for unit costs, therefore, arises more strongly in services areas that are more specialised and targeted, such as Children in Need and Children Looked After, although the general notion may be relevant to other parts of children's services.

Beecham (2000) defines unit costs as 'the value of resources (input) used to produce a service, divided by the level of activity (output) it generates'. This notion is consistent with that used in the accounting and economics disciplines. In a children's social care context, this would translate to quantifying the various costs relevant to delivering a series of services divided by a unit of measurement for the type of services. This seemingly simple concept has two very important characteristics: standardisation of output (services or goods) and componentiality of input (costs). Each service that is included in the total output measure (i.e. the chosen denominator) must be standardisable in that the types of services included in the output calculation should be intrinsically similar – or, at least, should be similar enough to apply a single unit cost.

The notion of componentiality refers to the fact that a range of different types of activities are included in the input (i.e. cost) calculation. Inclusion of certain costs depends on the context of what the unit cost refers to. It requires making a judgement about which costs to include in the unit costing exercise, which often ties back to the discussion of inclusion of overhead costs in the s251. For instance, if two unit costs are compared within a similar scope of services in a local authority, overhead costs of the local authority's central function may not need to be included in the calculation. However, if the comparison concerns two organisations (for instance in-house versus external provisions of the same kind), the overhead costs of both organisations become relevant components of the input cost calculation. Therefore, an omission of overhead on one side would result in a misleading conclusion.

In addition, the use of unit cost should be carefully considered through the lens of how the unit cost is presented and interpreted. Suh and Holmes (2022) state that current uses of the term 'unit cost' in children's social care do not always reflect the definition of unit cost used in accounting and finance; uses in children's social care tend to relate more to the definition of 'unit price' paid by local authorities and tend to consist of summary figures such as 'cost per head' or 'cost per child'. The componentiality of unit costs demonstrates how unit cost differs from unit price conceptually in that there are other costs in addition to the price paid that are included in a unit costing in most circumstances.

In terms of existing evidence in this area, Aldaba and the Early Intervention Foundation (2016) take the 'cost per head' approach in their study but warn against potential misuse. In a similar vein, the validity of 'cost per head' has been challenged by several studies as the scope and definition of these 'costs' are often missing (Freeman & Gill, 2014; Holmes, 2021; Rome, 2017).

For these reasons, there are concerns about using the s251 data to calculate unit costs. The term 'cost per child' is seen as unhelpful in terms of both ethics and accuracy.

In addition, the use of unit cost as such implies that services provided to children are comparable across the children who receive them, which in turn ultimately fails to acknowledge the widely recognised differences in the nature and intensity of children's needs.

In order for our recommendations for change to the s251 to make it more useful for local authorities to be effective, we must define ‘unit cost’ and specify a form it might take in the s251. This comes down to two fundamental points: what is the ‘unit’ in the unit cost measurement, and what is the scope of ‘cost’ in the unit cost calculation?

Overheads: definition, estimation and reporting

Generally, overhead costs in the field of public administration consist of spending incurred in functions within local authorities that are not directly related to services or programmes but that support the running of the organisation indirectly, such as accounting and human resources (Park & Matkin, 2021). They are often viewed as something that must be ‘controlled’ (C. Hood & Dixon, 2016). Accordingly, it is perceived that efficient organisation management in public administration equates to incurring the lowest possible overhead costs and allocating scarce public resources to the programmes supporting the core mission of the organisation (C. Hood & Dixon, 2016).

Overhead costs in the s251 reporting can be problematic for several reasons. If we employ the definition of overhead costs offered by Park and Matkin (2021), the differences in organisational structures can cause a comparability issue in how overhead costs are reported. Organisational structures vary by local authority, which results in different local authorities employing different operational definitions of ‘overhead’. For instance, some large local authorities have a finance team within their children’s services division, whereas others have finance partners who provide support when required but mostly work across multiple service areas within the local authority. This difference in structure has different implications in terms of how overhead costs are reported. In relation to measurement, overhead costs are often aggregated (e.g. central functions, including finance, human resources and IT) and allocated across several operational units using a specific allocation rule. Several studies have highlighted the various allocation methods employed by local authorities in children’s services (Holmes, 2021; Rome, 2017; Selwyn et al., 2009) as well as across service areas within a local authority (Holmes, 2021). Rome (2017) states that achieving a consistent way of allocating overheads would contribute the most to having meaningful data to compare across local authorities.

If the measurement and reporting of overhead costs is so problematic, it may be worth considering whether it can be excluded from reporting altogether. Indeed, Rome (2017) argues that including overhead costs in the s251 negatively affects the quality of the data rather than adding any meaningful information. The intention behind this suggestion is to maintain the transparency of the core costs of delivering services without the confusing element of overhead costs, as the former will be of primary interest to local authorities using the information for benchmarking. However, this approach may become problematic in relation to the s251 in its role of public accountability. If the primary role of the s251 is to produce a true account of the cost of providing public services, the omission of the overhead costs would skew the real figure. This aspect of overhead costs is seldom discussed in the grey literature.

Theoretically, if overhead costs are assessed, measured and reported faithfully according to a set definition (specified in a reporting framework or similar), differences in organisational structures and varied ways of allocating costs are not a source of concern. A single service unit in any local authority cannot function without a wider organisational structure that supports its daily operation. Therefore, these ‘running costs’ should be included to facilitate a true, clear picture of the cost of providing public services. Also, organisations do not need to apply the same allocation rule to make their costs comparable. If two organisations utilise different allocation methods, each of which is a fair representation of the functions of its organisation’s support divisions and each of which includes costs that are defined as ‘overhead’, then the total costs should be comparable, as they will reflect the reality correctly for each organisation. Justifiable allocation of different proportions of overhead is in itself not an issue: these differences are likely to stem from the fact that the allocation rule(s) are often arbitrary rather than analytical, and based on measures that capture the use of resources (such as time).

In reality, the concepts and measurement of overheads are difficult to define and apply in a clear-cut manner (Park & Matkin, 2021). This leads to varied interpretations of guidelines on overhead costs that in turn form part of the ‘noise’ in the data, which ultimately undermines the value of the s251.

An alternative approach to the inclusion or exclusion of overhead costs in the s251 is the model employed by the Chartered Institute of Public Finance and Accountancy benchmarking clubs. According to Rome (2017), these separate overhead costs from other costs that are directly relevant to providing services; the survey respondents in Rome’s study were largely supportive of this method. This approach presents several advantages. The first is that it provides the essence of costs that are useful for benchmarking without additional elements that in practical terms add ‘noise’ (Rome, 2017). This assumes that the primary aim of benchmarking from the local authority perspective relates to direct costs (e.g. placement fees). Secondly, no information loss takes place when overhead costs are omitted entirely. Finally, separate overhead reporting in itself may provide further information.

It is, however, worthwhile to note that overhead reporting in this way has the potential to invite several other undesirable outcomes. One of the most important drawbacks of the benchmarking club approach is the inability to draw a direct cost comparison between in-house provision and externally sourced placement within a local authority. This is because all costs are billed in one invoice, including overhead costs. Therefore, comparing the cost (i.e. unit price) of external provision with a unit cost of in-house provision excluding overhead costs would produce a hugely flawed result. However, this comparison is made within a local authority, not necessarily across local authorities. Given that the s251 data add most value to comparisons across local authorities, the value in improved data quality enabling benchmarking is considered to be more meaningful than the possibility of a detailed cost analysis within local authorities. Another negative consequence would be potential criticism of local authorities that allocate a higher proportion of overheads, as their operation may be viewed as 'inefficient' or 'bureaucratic', which in turn may motivate under-reporting of such costs (C. Hood & Dixon, 2016).

Conclusion

The background research raised several important points for the project and the wider stakeholders of the s251 to consider. The central aim of the s251 remains to be a reporting tool for public accountability and monitoring; however, the s251 presents several potential avenues of improvement that could provide insightful information to local authorities to help them monitor financial aspects of their public service delivery. As services are organised and delivered by local authorities, failing to recognise this dual purpose of reporting and data insight would be a substantial missed opportunity.

The findings highlight significant concerns around data quality, owing to the s251 report design not meeting the informational needs of key stakeholders, an inefficient submission process and the resource constraints that local authorities currently experience. There are several areas that have been identified for potential improvement:

- enabling more meaningful unit cost calculation
- clarifying overhead reporting and treatment in such a way as to improve comparability
- considering whether service categories could be reorganised based on the needs of children and families
- reviewing operational aspects from both the reporting structure perspective (e.g. types and timing of the returns) and from a data quality perspective (e.g. reviewing the COLLECT system, validation processes, and guideline documents).

The survey of views of local authorities on the s251 was undertaken to test the findings of the literature review and obtain a wider range of concerns and suggestions relating to the s251 data. The responses to the survey suggest that the return could be redesigned to produce more useful data and improve the consistency of data across local authorities. A majority of responding individual local authorities considered their return data to be accurate. The use of the s251 data was found to be rather limited, consistent with the findings of Holmes (2021). However, this part of the study shed light on where the strategic emphasis may be placed, as the findings showed that the s251 would add more value by enabling reliable high-level comparisons across local authorities over time rather than providing analytical capabilities in children's social care within a local authority.

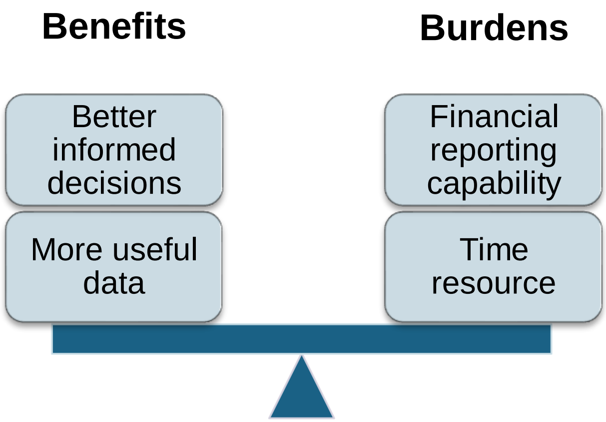
Appetite for reforming the s251

Both central and local government participants were broadly in support of improving the quality of the s251 data, but a few interviewees in central government also expressed concerns around data continuity. Data continuity could be lost if changes were made in such a way that the older and newer formats of data could not be organised in one coherent manner. Given the use of the s251 data for trend analysis at various levels (both nationally and by local authorities), this concern is an important aspect to consider.

One civil servant, however, stated that the format of the data return needed to evolve over time as the need for data evolved, and that past changes had been incorporated successfully. Across the participants, the prospect of improving the reporting for the future was seen to provide greater value than not making any improvements in favour of normative data continuity. However, the loss of data continuity was treated as one of the key considerations in reviews of recommendations that would result in a change in the structure.

The local authority respondents were clear in the interviews that the desired benefits of any s251 reform should not be outweighed by the burden it might introduce for local authorities to implement. The interviewees conceptualised the benefits and burdens as shown in Figure 5. One critical factor to consider was resource constraints, especially the time required to implement any changes to the s251. For instance, there were several interviewees, both at local authority level and in government departments, who suggested an increase in the granularity of the data in selected areas (such as Children Looked After). On the one hand, requesting more data would be likely to make the submission process take more time, depending on the functionality of the local authorities' current financial reporting system. On the other hand, it could lead to the benefit of the data being more useful for benchmarking and better able to inform decision-making at the national and local government levels.

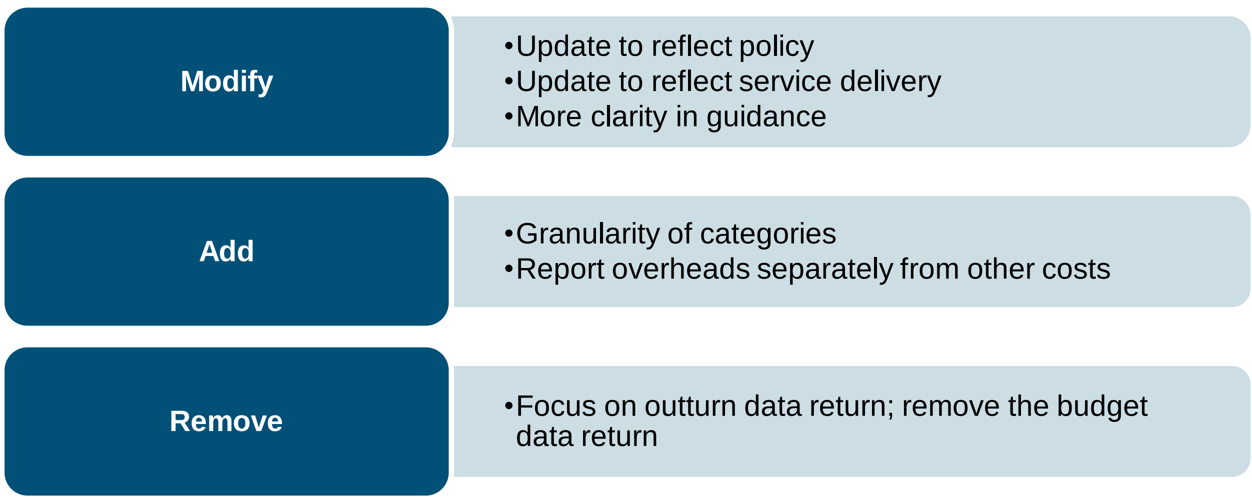
Figure 5: Principles for reform of the s251



Approaches to improving the s251: Early options

To frame the reform options, discussions were held across the project team and with interviewees and the participating local authorities on potential approaches to improving the s251, based on starting proposals for reform from participants. Six approaches to reform emerged, and these can be further categorised into three approaches: modify the existing structure or requirements, add additional data requirements, or remove the current requirements (see Figure 6).

Figure 6: Approach to reform



Many participants in interviews and workshops were of the opinion that the s251 could benefit from increasing the granularity of the finance data in selected areas. It was argued that local authorities' finance teams already had detailed cost information (e.g. from their cost centre structures at the level of teams or service areas) and could provide the data in a more granular format. However, it is important to point out that 'translating' some of the existing categories into more granular categories might be more useful for benchmarking. Interviewees commonly mentioned a need for increased transparency over reporting and treatment of overheads. They mentioned three possible ways of doing this: a) reporting overhead per each service category (i.e. adding a column for overhead costs in the current s251 format), b) reporting overheads as overall spending (i.e. adding a row for total overhead costs), and c) removing overheads cost in the s251 (i.e. s251 would contain service-related costs without any overhead costs).

Developing the problem statement and principles for recommendations

Based on this background research, we make the following summary restatement of the problem at hand. The existing structure and use of the s251 generates low value for local authorities and central government because of the following problems:

1. The burden of collation, submission and validation is substantive.
2. There is strong evidence the data are inaccurate.
3. The data are perceived to be inaccurate.
4. The data are not useful for strategic insight and financial management, in large part because they:
    a. are not sufficiently coherent with child-level data
    b. do not enable robust comparison
    c. do not facilitate accurate aggregation by important themes, such as early intervention
    d. are inflexible to changing needs, and clearly out of date in places.

The central problem is that as Section 251 of the Apprenticeships, Skills, Children and Learning Act (2009) makes clear, the collection is done for central government's purposes. As Rome (2017) says: 'Users describe the functions of s251 as accountability and monitoring, policy development, and to inform parliament and the public' (p. 6).

These are important functions and, in the financial circumstances in which local authorities find themselves, we do not think the time is right to jettison financial reporting. The remit of this project was rightly to identify solutions and recommendations that would bring this use of statutory powers for financial reporting by local authorities up to date, with a better balance between differing requirements.

There is a clear tension between the two aims of the s251. The literature review highlighted that the central aim of the s251 remains to be a reporting tool for public accountability and monitoring. However, the s251 presents several avenues for improvement that could provide insightful information to local authorities that monitor financial aspects of public service delivery.

For this dual-purpose reporting to be meaningful, it is essential to recognise local authorities as key stakeholders in this process and to test ways to reform the s251 while allowing overall continuity of reporting.

There were substantial concerns around data quality, especially concerning **inaccuracies**, although the results of the survey of views on the s251 showed that individual local authorities viewed their data to be at least fairly accurate. We concluded that the data quality concerns are still relevant to the s251 as a whole and vary by local authority, owing to the design of the s251 report (which does not meet the information needs of key stakeholders), the inefficient submission process and the resource constraints that local authorities experience.

The concerns about data quality might also limit the extent to which the s251 data are utilised. Benchmarking was a frequently mentioned use of the s251 data. However, **the data were not used for strategic decision-making**. The data were viewed as not being useful for internal analytical needs, as they provide **insufficient links to child-level data**. The survey of views on the s251 also found that a majority of the responding local authorities were not using the data to review spending within their children's services or to examine trends over time, although one or two local authorities stated they intended to make use of the s251 data in the future. Local authorities' own internal monitoring systems may be more suited to making decisions concerning day-to-day operations; however, it is worth considering whether benchmarking analysis could be undertaken in a more detailed way, potentially allowing more in-depth comparison of trends or spending analysis across multiple local authorities.

The s251 data also **fail to provide robust comparisons** across local authorities. There was a high level of desire to have accurate and reliable benchmarking data that would provide insightful information. We believe that it is critical to recognise this need, especially in the current environment, in which local authorities are operating under acute financial pressure.

It is also highly problematic that the s251 fails to provide an accurate picture of important areas of policy for children and families, such as **early intervention**. We also noted the lack of a mechanism that would support dialogue and that the return design was considered outdated, **not responding to changing needs or policies**. Certain aspects of the return are **clearly out of date**.

To address these problems, we developed a set of principles to follow (summarised in Box 1) in developing solutions and recommendations. First and foremost, the recommendations need to ensure that the s251 is a meaningful **public accountability reporting mechanism**. Next, local authorities' need for accurate, reliable and timely data must be considered. As such, the improved version of the return should provide **better analytical value to local authorities** as data producers, which will ultimately help to improve the lives and experiences of children and families and contribute to public accountability concerning their needs.

Furthermore, we believe that for a public data collection to ensure public accountability, the data must be **accurate** and provide **continuity of measurement over time at the national level**. To be useful for the local authorities, the s251 should be able to provide child-level information and links to other datasets so as to facilitate **robust comparison** and inform strategic decision-making across local authorities through **more accurate unit costs**.

We also refer to the requirements of the *Independent Review of Children's Social Care* of defining 'more meaningful metrics' to 'drive transparency and learning in the system' (MacAlister, 2022, p. 199). To this extent, our recommendations must **enable links to other data sources**, including child-level data (such as the SSDA903); enable **continued learning** between key stakeholders; and be **responsive to the changing policy landscape**.

Principles for developing recommendations

The solutions and recommendations should:

1. ensure the s251 meets its primary requirement as a public accountability reporting mechanism
2. enhance the value to local authorities relative to the resource burden.

To deliver public accountability, there is a requirement for:

3. more accurate data
4. continuity of measurement over time at the national level.

To deliver increased value, there is then a requirement for:

5. the data to be comparable between local authorities
6. better unit cost data.

To meet the requirements of the *Independent Review of Children's Social Care* of defining 'more meaningful metrics' to 'drive transparency and learning in the system' (MacAlister, 2022, p. 199), our recommendations must:

7. cohere with other reporting and datasets, include child-level data
8. support continued learning to improve financial literacy and understanding of needs and impact
9. be consistent with the changing policy landscape.

Based on these principles, we identified specific areas of concern and undertook a series of expert-led studies with the 11 participating local authority partners to inform the development of solutions. Two strands of recommendation were formed: immediate and actionable reform (Section 2) and wider system change over the long term (Section 3). The list of recommendations is provided in the overview to this report, and the detailed study findings and discussions supporting the recommendations can be found in the following sections.

Appendix A to Section 1: Major publications included in this study

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Appendix B to Section 1: Survey of views on the s251 sent out to local authorities

Data and Digital Solutions Fund: Redeveloping the Section 251 Call for Evidence

[Please fill in the survey here]

Section 1: Demographics

LA:

Job role:

- *Director of Children's Services*
- *Assistant/deputy director of Children's Services*
- *Finance Manager*
- *Finance officer*
- *Data and Performance Manager*
- *Data and performance officer*
- *Other:____________*

Section 2: Uses of s251

1. The s251 data is used strategically in your LA for local policy development.

   Strongly Disagree – Disagree – Neither agree nor disagree – Agree – Strongly Agree

2. The s251 return is important in determining how funding is allocated to different areas of your Children's Services.

   Strongly Disagree – Disagree – Neither agree nor disagree – Agree – Strongly Agree

3. To what extent do you think s251 return influences funding allocated to LAs by the Department for Levelling Up, Housing and Communities (DLUHC)?

   No influence, Little influence, moderate influence, significant influence, very strong influence

   a. Does the influence of Q3 impact the way you complete the return in your LA?

   Strongly Disagree – Disagree – Neither agree nor disagree – Agree – Strongly Agree

4. In your view, how accurately does the s251 return represent spending in Children's Services in your LA?

   Inaccurate, Fairly Inaccurate, Not Sure, Fairly Accurate, Accurate

5. Is s251 data used to make any strategic decisions concerning financial aspects of your local authority's Children's Services operations?

   Yes,
   No,
   I don't know

   a. How useful is s251 for that strategic decision making?
   Not useful at all, only slightly useful, moderately useful, very useful, extremely useful

6. Have you used the s251 for understanding trends in expenditure over multiple years within your own LA?

   Yes,
   Not yet, but I plan to,
   No,
   I don't recall.

   a. How important is it for your local authority that the s251 provides information that enables you to explore expenditure over multiple financial years?

      Unimportant, slightly important, not sure, moderately important, very important

   b. Please add any explanatory comments you wish to make:

7. Have you used the s251 for comparing expenditure across different services areas within Children's services in your LA?

   Yes,
   Not yet, but I plan to,
   No,
   I don't recall.

   a. How important is it for your local authority that s251 provides information that enables you to explore expenditure between different areas of children's services?
   Unimportant, slightly important, not sure, moderately important, very important

   b. Please add any explanatory comments you wish to make:

8. Have you used the s251 for any comparison of expenditure **with other LAs**?
   Yes,
   Not yet, but I plan to,
   No,
   I don't recall.

   a. How important is it that the s251 provides information to be able to do these comparisons?
   Unimportant, slightly important, not sure, moderately important, very important

b. Please add any explanatory comments you wish to make:

9. Please provide more information or documentation if you would like to share other uses of the s251 data within your local authority. You can also email any documentation to: vita.bax@londoncouncils.gov.uk
   Please ensure that there is no live data in the files you share, and NO individual identifying data.

10. Would you be happy to be contacted directly regarding this project exploring the uses of s251? If yes, please complete the information below.
    a. Name:
    b. Email address:
    c. Work phone number:

Alternative contact, e.g. Personal assistant

a. Name:
b. Email address:
c. Work phone number:

11. **Did you collaborate with others in your LA to submit this survey?** If so, please tell us who else has contributed to your response.

Section 2: Actionable and immediate reform

Introduction

During the background research for this project (see Section 1), we found that the data needs in Children's Services were very much shaped by the cost pressure local authorities experience. Being the only source that provides public spending on children's services by service types, the s251 was widely expected to produce accurate, reliable data across local authorities for benchmarking and information-sharing purposes. However, the role of the return has primarily been limited to a central reporting mechanism, with its data largely viewed as uninformative for local authorities due to serious data quality issues.

Central to the data quality issues were the lack of granularity, accuracy and consistency. This part of the project focused on these issues specifically and considered how the s251 could be improved to provide higher-quality data and enhance informativeness. To this end, we examined various aspects of the return – its design (service and cost categorisation), types and timing, and the accompanying guidance documentation – as well as practices involving submission, including validation procedures. We make recommendations on five key areas: Children Looked After, overhead costs, the budget return, validation processes and the guidance documentation.

This section of the report presents a set of readily implementable recommendations that are directly aimed at improving the data quality and usefulness of the children's services section of the s251 data. Our recommendations to this end are:

- Develop more detailed service categorisations of Children Looked After to enhance informativeness and better enable strategic decision-making.
- Separate overhead reporting to improve consistency and aid more accurate and reliable benchmarking and information-sharing.
- Replace the budget return with a mid-year outturn return to improve the accuracy, timeliness and usefulness of the information.

The proposed template, which incorporates these recommendations, can be found in Appendix A to Section 2.

We also believe that the system and the culture of data practices need to be strengthened and supported by a clear learning feedback loop between the key stakeholders. To this end, we recommend that the dynamic nature of the s251 be recognised to so as to make the return data more relevant, high quality and informative. To achieve this, DfE can:

- Establish a formal strategic group with senior DfE representation and the involvement of ADCS and external experts to meet annually to assess the progress of the reforms and consider the nature and timing of further reforms.
- Establish an operational group co-chaired by DfE and a local authority representative, with the active support of ADCS and finance professionals, to provide an annual report timed to precede completion the return. The annual report should include local authority-led recommendations on improvements to the guidance provided on the submission process, the submission process itself and the validation of submissions.
- Develop more sophisticated and streamlined validation checks within the DfE COLLECT system that evolve with the needs of stakeholders.
- Develop the s251 guidance into an interactive checklist which:
    a. provides clear prompts to local authority finance teams to ensure returns are completed in full
    b. allows easier recording of points of contact in local authorities
    c. includes the facility to add contextual information (e.g. to explain variations) to streamline the validation process.

In this section of the report, we describe the work that underpinned our recommendations relating to the children's services section of the s251 in the five key areas and explain our thinking in relation to the principles set out in the project (discussed in the overview to this report).

Categorisation of Children Looked After spending

Context

The quality and usefulness of the data that the s251 generates was highlighted as an area of concern in our literature review and primary research (see Section 1). This section sets out proposals for how the categorisation of Children Looked After spending within the s251 can be improved (contained in section 3.1 of the s251). These proposals are made with reference to our overarching solution requirements (presented in the conclusion to Section 1), which provide the context and rationale for why these specific proposals are being advocated.

The section provides an overview of the approach that we took, the key proposals that were developed and our conclusions following testing with local authorities.

Approach and method

To develop our proposals, we wanted to understand in detail from local authority stakeholders how they felt the categorisation of Children Looked After spending within the s251 could be improved. We undertook semi-structured interviews with eight local authority representatives from across our partner local authorities. The sample of officers was chosen due to their subject matter expertise in commissioning, finance and children's social care. The sample included directors of children's services, senior finance managers, accountants and lead commissioners.

The interviews were framed by the research undertaken during our background research. Our objective was to understand in detail the Children Looked After section of the s251. Specific attention was given to the following areas:

- How is guidance currently followed in completing the Children Looked After section of the s251?
- What challenges are faced currently in completing this section of the s251?
- What changes could be made to improve the usefulness of the section?
- What challenges to feasibility would be created by these proposed changes?

Informed by these interviews, as well as learning from our background research, we developed an updated s251 template and produced corresponding guidance notes. We sought feedback on these proposals from local authority contributors as well as wider stakeholders who were invited to scrutinise the proposals at a Solutions Workshop. The attendees at this workshop included representatives from DLUHC, DfE, the Ministry of Justice and the LGA.

The proposed template and accompanying guidance were then tested by three local authority finance teams (London Borough of Barnet, Dorset Council and Manchester City Council), who were tasked with completing the new return using data from their 2022/3 return (i.e. data that had already been submitted under the existing template earlier in the year). These local authorities gave detailed feedback on the time taken to complete the return, the consistency with previous submissions, any ambiguities in the template's definitions and guidance, and the feasibility of the proposal.

Proposed changes

Several changes are recommended to the structure and content of the Children Looked After section of the return. This section groups the recommendations by theme and with reference to the solution requirements that the changes will help to deliver.

See Appendix A to Section 2 for the revised outturn template, which contains the proposed changes.

Increased granularity of accommodation lines

Several changes recommended by the interviewees were driven by a desire to increase the usefulness of the return by providing local authorities with more granular information that would enable more meaningful comparative analysis.

A unanimously favoured recommendation was to provide more detail on the placement types described by each line of the return. The lines in the current return were deemed to be insufficiently granular to provide useful points of comparison between different local authorities, strongly limiting the value of the return for benchmarking purposes. Addressing these concerns, our recommendation is to increase the granularity (i.e. the number of lines describing accommodation spending).

The existing s251 has six lines which describe accommodation costs relating to children in care. These are as follows:

- 'Residential care' (line 3.1.1)
- 'Fostering services (excluding fees and allowances for LA foster carers)' (line 3.1.2a)
- 'Fostering services (fees and allowances for LA foster carers)' (3.1.2b)
- 'Other children looked after services' (3.1.5)
- 'Short breaks (respite) for looked after disabled children' (3.1.6)
- 'Children placed with family and friends' (3.1.7)

Our recommendation is that the six lines are increased to ten, grouped into three broad sections:

- 'Residential care' (line 3.1.1) split out into:
    - 'Children's homes'
    - 'Secure children's homes (secure welfare placements)'
    - 'Supported accommodation'
    - 'Youth detention accommodation'
- 'Fostering services' (incorporating lines 3.1.2a, 3.1.2b and 3.1.7):
    - 'Fostering with other foster carer(s) (excluding fees and allowances for in-house foster carers)'
    - 'Fees and allowances for in-house foster carers'
    - 'Fostering with family or friend(s)'
- 'Other children looked after services' (incorporating lines 3.1.5 and 3.1.6):

- ‘Family assessment centres’
- ‘Short breaks (respite) for children looked after’
- ‘Other placements’
- ‘Advocacy’

Expanding this section will enable users of the data to distinguish between distinct types of accommodation. This includes children in secure welfare placements, which local authority commissioners and directors of children’s services cited as a key form of accommodation where they wanted to have data on spending. One director of children’s services noted that this level of granularity would over time help their organisation to understand and articulate cost pressures in social care – such as the knock-on impact that changes in health provision have on local authority secure welfare spending.

The proposed change will also provide insight into spending on supported accommodation. This is significant given that nationally there are an increasing number of children living in this type of accommodation, with estimates predicting numbers will continue to grow (see County Councils Network, London Innovation and Improvement Alliance & Newton, 2023). There is also increased scrutiny of this provision type following the introduction of regulation in 2023 and a requirement for all providers to register with the Office for Standards in Education, Children’s Services and Skills (Ofsted). This separation also removes the ambiguity discussed by interviewees about whether expenditure on supported accommodation should be considered ‘Residential care’ (as was the case for two of the participating finance teams) or ‘Leaving care support services’ (line 3.1.9) spending (as was the case for the third finance team). This change should therefore increase the usefulness and accuracy of the data and ensure consistent measurement between local authorities.

Limited concerns were raised in our research over the existing divisions within fostering services. As a result, it is simply recommended that the three lines currently describing fostering activity (i.e. 3.1.2a, 3.1.2b and 3.1.7) are brought together into a ‘Fostering services’ subsection of the report, with only minor changes made to the category descriptions to improve clarity.

Some finance teams were concerned about the feasibility of separating the costs of social work to support foster carers (i.e. supervising social workers) and the costs of social work for fostered children. For some local authorities, these functions are all performed by a dedicated fostering social work team and it is difficult to disentangle the costs of these activities; therefore, all activities are currently reported in the first fostering services line (3.1.2a), which results in overestimation of the cost of this function and underestimation of that of social work (3.3.1) in comparison to other local authorities. Ensuring supervising social worker costs are captured in the fostering line also improves comparability with externally commissioned fostering services.

These recommendations should also address a key area of concern raised in our research, which was the catch-all ‘Other children looked after services’ line (3.1.5) in the current s251. In the existing return, this single line can account for expenditure across a wide range of services, including medical care, family assessment centres, independent living placements, residential employment and youth detention accommodation. This provides low value as a point of comparison between local authorities given how much activity it describes. Our recommendations help to address this by separating the category out into ‘Youth detention accommodation’ and ‘Family assessment centres’.

For family assessment centre costs, which often fluctuate substantially, there was an appetite among senior officers to undertake benchmarking between local authorities and over time to deepen their understanding of this spending. Some were of the opinion that this area may not warrant separate reporting; however, we believe that there would be benefits to having this information available over time to facilitate benchmarking.

Our recommendations would improve the accuracy and consistency of the spending categories by reducing the level of spending assigned to ‘Other children looked after services’, and we expect that the information would be more insightful and useful in decision-making. It would also improve public accountability as more granular spending data provides a greater level of transparency. Two broad types of placement, however, would continue to be in the ‘Other children looked after services’ category:

- Placements that either represent very limited activity and expenditure for local authorities (i.e. residential employment, and NHS and other establishments providing medical or nursing care) and placements that may represent significant activity but never significant expenditure (i.e. children placed with parent(s)). All interviewees agreed that it was unnecessary to report separately on expenditure relating to these placement types.
- Unregulated placements. With the move to regulation of supported accommodation for 16- to 17-year-olds from October 2023, the labelling of placements as ‘independent living’ is no longer valid for the SSDA903. This means that all supported accommodation placements for under-16s and unregulated supported accommodation placements for 16- to 17-year-olds must now simply be assigned to ‘Other children looked after services’. With the removal of (now) regulated supported accommodation, secure and youth detention accommodation, and family assessment centres from the catch-all ‘Other children looked after services’ line, the only significant source of expenditure for local authorities in this line under the newly proposed structure would likely be unregulated placements.

The separation of unregulated placements (which are now illegal) into this ‘Other’ category could support transparency of data and wider public accountability. It may also support more meaningful benchmarking between local authorities and over time. It does have the potential to cause embarrassment or other repercussions for local authorities that report significant expenditure against this line. Whether this is problematic for introducing proposed changes requires further consideration.

Coherence with other statutory returns

There was a strong desire among the leadership and commissioning interviewees to align the accommodation types in the s251 with the placement codes used in the SSDA903 return. This would ensure a common understanding between different local authorities as to which placements should be included in which lines and enable more direct comparison between the reports. In the updated guidance document for the proposed template, placement codes are referenced against all accommodation types to create this alignment.

This desire to align with the SSDA903, which is consistent with our solution requirements, influenced our decision to increase the granularity of the placement types by choosing the SSDA903 placement type categories. It must be noted that, despite efforts to keep those accommodation types described by a single SSDA903 placement code together, some of the activities described by the codes have been split across multiple lines in the proposed recommendation, as outlined in the following two subsections.

Secure children's homes

In the current s251 guidance, spending on secure Children's Homes is not referenced directly, making it unclear whether expenditure associated with children in Secure Children's Homes should be included in 'Residential care' (line 3.1.1) or 'Other children looked after services' (line 3.1.5). As well as advocating for improved guidance on where this activity should be included, interviewees stressed the importance of separating expenditure and activity relating to the secure Children's Homes placements code (referred to as code 'K1' in the SSDA903) into two groups:

- children who are subject to a court-ordered secure remand for whom the placement is the responsibility of the Youth Custody Service (often referred to as 'secure remand')
- children who are subject to a secure accommodation order under Section 25 of the Children Act (1989) for whom the placement is the responsibility of the local authority (often referred to as 'secure welfare').

The latter group are the subject of intense scrutiny by commissioning teams and social workers as among their number are often found children with the most complex needs in the care of the local authority. As such, interviewees were strongly in favour of reporting on activity and expenditure related to these children separately from other children, including those who are subject to secure remand orders. This led to the proposal to have a separate line in the new 'Residential care' section (see Table 3) specifically for ‘secure children’s homes (secure welfare placements)’, while grouping children in secure remand placements with children in other types of youth detention accommodation in a separate line in the ‘Residential care’ section. In practice, both lines will include activity and expenditure relating to placements included in the residential care K1 code in the SSDA903.

Children placed for adoption

Another example of where the SSDA903 accommodation types do not match those in the s251 is children placed for adoption. In both the current and the proposed s251 template, a distinction is made between children placed with family and friends and children placed with other foster carers. Children who have been placed for adoption are allocated codes A3, A4, A5 or A6 in the SSDA903, depending on the nature of the adoption order and whether the prospective adopters are the current foster carers. Such children could be with family and friends or placed with other foster carers. This means that activity and expenditure relating to placement codes A3, A4, A5 and A6 will continue to be divided across two lines of the s251.

Table 3: Current and proposed accommodation lines in the s251

Current s251 accommodation lines	Proposed accommodation lines
Residential care Fostering services (excluding fees and allowances for LA foster carers) Fostering services (fees and allowances for LA foster carers) Other children looked after services Short breaks (respite) for looked after disabled children Children placed with family and friends	Residential care: • Children’s homes • Secure children’s homes (secure welfare placements) • Supported accommodation • Youth detention accommodation Fostering services: • Fostering with other foster carer(s) (excluding fees and allowances for in-house foster carers) • Fees and allowances for in-house foster carers • Fostering with family or friend(s) Other children looked after services: • Family assessment centres • Short breaks (respite) for looked after children • Other placements • Advocacy

Consistency of measurement

There was some concern about the guidance's requirement to exclude the costs of education for children in settings where education is provided. Two of the three finance teams consulted said that when residential settings that provide education were commissioned externally by the local authority, the costs of education were not supplied as separate charges by the providers. Consequently, the costs of education are often being reported within the 'Residential care' line of the return, contrary to the guidance. Any contributions from the Dedicated Schools Grant are also being recorded in the 'Government grants' column for this line. It appears that the alternative for many local authorities would be to simply subtract the total contribution from the Dedicated Schools Grant from the costs of residential homes and report both this expenditure and funding within the Education section of the return.

As neither practice is a particularly useful way of measuring the cost of education for Children Looked After or the adequacy of grant funding, we recommend that the education costs of residential settings are kept with the other costs of that accommodation, in keeping with the contracting of this provision and accounting practices within local authorities.

For local authorities this should be a more straightforward way of capturing spending, which may lead to a marginal reduction in their resource burden. More importantly, it will ensure greater standardisation between local authorities and support continuity of measurement, which enables more meaningful comparative analysis between local authorities.

Children subject to Deprivation of Liberty Safeguards

The Deprivation of Liberty Safeguards (DoLS) is a legal procedure to ensure that people who cannot consent to their care arrangements in a care home or hospital are protected if those arrangements deprive them of their liberty. It enables local authorities to accommodate children in settings that are not otherwise authorised to do so (i.e. not secure Children's Homes). The number of children subject to DoLS is relatively low: between July 2022 and March 2023 there were only 1,051 in total (Roe, 2023). However, the number is increasing and now far exceeds the number of secure accommodation applications. Our research has highlighted that there is a significant need in local authorities to better understand this cohort of children and the associated spending. Our recommendation is to provide this insight by separately reporting on activity and expenditure relating to children subject to DoLS within the s251, splitting the information out into three types of accommodation:

- children's homes
- supported accommodation

- other placements.

We considered reporting all DoLS-related costs in a single line. However, children subject to DoLS may have placements that are not in children's homes, and a single line of reporting for DoLS would be inconsistent with our earlier recommendation of introducing granularity in information, in particular concerning placements of Children Looked After.

The separation of DoLS expenditure, however, was the most contentious proposal in this report. There were concerns around feasibility, risks to children's privacy (by reporting a small number of children) and obsolescence, which the following subsections discuss in detail.

Feasibility

Finance colleagued we interviewed shared the opinion that local authorities may find the separation of DoLS costs challenging, although the extent to which they do may vary by local authority. Separate reporting for DoLS would require more time investment in completing the return as it would require input from social care teams, and even then some cost elements may not be separately identifiable. For instance, fees and payments to care providers accommodating children subject to DoLS could be distinguished but other cost elements may not be recorded separately. It was noted that this recommendation could therefore only be achieved by apportioning the total expenditure based on the number of children subject to DoLS in each area.

One finance interviewee, despite the feasibility concern, argued for the separate recording of costs because it would provide insights that local authorities could use for benchmarking and that would help them understand the expenditure on this high-needs cohort. The interviewee considered the separation of costs necessary to build a better dataset.

Our testing of this proposal (considered further down in this section) showed that there was indeed an increased resource requirement, with a greater number of people from across services (in particular legal departments) required to correctly map and estimate the spending. However, the overall feedback we received was positive. For example, one finance manager who took part in testing wrote: 'Completing [the] template required input collectively across the children's services ensuring that the data behind the template was more reflective of the overall service.'

Risk of reporting on low numbers of children

Two interviewees raised concerns about the privacy risk to children who are subject to DoLS, especially in smaller local authorities, which may have only one child in this category. Separate DoLS reporting would mean that spending for the child would be visible, which could lead to a risk of infringement of the privacy of the child.

This can be addressed through a minimum threshold rule, such that if the number of children in the DoLS category is lower than the specified threshold, the information can be submitted to DfE but withheld from publication in the public domain. If DfE adopts the proposal to separate out DoLS data, this may need to be given further consideration.

Risk of obsolescence

One leadership and commissioning interviewee raised the concern that, though children subject to DoLS are a matter of current scrutiny, in only a few years' time, separate reporting for these children may seem outmoded and irrelevant. If this is a view shared by DfE, there is a risk that without further amendments to the return, this change will continue to create additional work for local authorities without providing value in return.

We believe, however, that the current need for informative data should be given priority. The needs for data will evolve over time as service delivery models and the environment evolve. It is important to acknowledge the dynamic nature of the s251 and to put a process in place to facilitate its meaningful evolution and transitional arrangements to ensure data continuity.

Separate reporting for Unaccompanied Asylum-Seeking Children

The cost of providing support for child asylum seekers has sharply increased in recent years. In 2022/23, children's services in England reported total spending of £263 million for this cohort, increased by 38% since 2021/22 and by 300% since 2015/16. Given the magnitude of the spending, the cost of the support for Unaccompanied Asylum-Seeking Children (UASCs) needs to be monitored separately in the s251. This would enable more accurate benchmarking and ensure consistency of measurement across local authorities.

Separating out spending on UASC support would eliminate several other issues that hinder comparability across local authorities. Currently, the services provided to UASCs are recorded in the s251 based on where the support is provided (i.e. by placement type), not based on the child's status as an UASC. When UASC cohorts leave the care system, the cost of supporting them will be reported with the cost of supporting other care leavers. Because of regional variation in the numbers of asylum-seeking children and the percentages of the care population that they represent, including this cohort elsewhere in the service category (say, Children Looked After) would not provide an accurate account of the support provided for this cohort of children and young people, or for Children Looked After. This compatibility issue applies mainly in relation to Children Looked After but also to any other category under which children with UASC status receive support.

Local authorities record the costs of supporting UASCs separately mainly to recognise the sources and the availability of funding for UASCs. Currently, support for UASCs comes from central government grant funding, which is considered insufficient to meet the level of support required. Separation of the costs of supporting UASCs would increase transparency relating to the discrepancy between the level of support required and the funding that is available to support it, which is often filled by local authorities' own revenue.

We believe that it is necessary to separate out support provided to children with UASC status in a separate subsection of the s251 to better reflect their needs and circumstances (Aleghfeli & Hunt, 2022). Doing so will resolve several data integrity issues as well as concerns around the transparency of funding information. Our assessment is that following this recommendation would provide useful insights to local authorities and also reduce their burden in completing the return, albeit marginally. Our recommendation is that the cost of services for UASCs should be broken down into the following categories:

- 'Residential care'
- 'Supported accommodation'
- 'Fostering'
- 'Other placements'
- 'UASC support services'
- 'Leaving care support services (UASC)

Better alignment of s251 services categories

The current s251 Children Looked After section has three lines that correspond to expenditure on children and young people who are not Children Looked After: 'Adoption services' (line 3.1.3), 'Special guardianship support' (line 3.1.4) and 'Leaving care support services' (line 3.1.9). Interviewees felt that these lines should be grouped together in their own 'Non-children looked after support' section, separate from other Children Looked After spending. Given the inclusion of a subsection dedicated to non-Children Looked After spending, we also recommend changing the name of the overall section from 'Children looked after' to 'Corporate parenting' as this umbrella term seems better suited to describing the totality of the activity.

Realigning service categories in this way would be a relatively minor change but should bring greater coherence and clarity to the return. This alignment has been made throughout the revised template (in Appendix A to Section 2). To illustrate our thinking, we provide two examples: kinship care and leaving care.

Example 1: Kinship care

Two of the leadership and commissioning interviewees expressed their confusion that 'kinship care' activity, such as adoption and special guardianship orders, should be included in this section of the report, but that the other arm of kinship care, child arrangement orders, should not be. In keeping with the decision to group 'Non-children looked after support' into a subsection of the report, it is recommended that fees and allowances paid to families with child arrangement orders, as well any other associated staffing and overhead costs, be included here. This would remove these costs from their current place in the 'Family support services' section (line 3.4.4). The finance interviewees did not feel that this change would produce any significant additional challenge to producing the report.

Example 2: Leaving care

Interviews with finance team members revealed differences in reporting on leaving care support services that may have arisen due to insufficient clarity in the existing guidance. One local authority currently reports expenditure on supported accommodation for 16- to 17-year-olds in the 'Leaving care support services' section (line 3.1.9) while the other two report this expenditure against either 'Residential care' (line 3.1.1) or 'Other children looked after services' (line 3.1.5). This is due to the structures of the support teams within these local authorities and the responsibilities they manage. Given the size of the expenditure on this activity, such discrepancies are likely to cause large inconsistencies in the current reporting. Moving leaving care support services to the 'Non-children looked after' section would help to provide greater clarity about the cohort of young people being described.

Split of provision into own, private, other public and voluntary

The current s251 requires local authorities to report all spending in the 'Children looked after' section by the sector that provides the service: in-house (i.e. service delivered by the local authority itself), private organisations, other public organisations, and voluntary organisations.

Among the leadership and commissioning interviewees, there was a consensus that the subdivision of externally commissioned activity into three categories provides little value. One remarked that voluntary organisations' share of this activity had shrunk considerably over many years, leaving private providers as the main source of external provision. Another interviewee commented that the split is often ambiguous, with the distinction between private and voluntary not a straightforward one to make.

All three finance teams consulted identified the task of splitting out externally commissioned activity into the three categories as among the most labour-intensive elements of completing the return. Local authorities do not collect information in this way and therefore to meet the s251 requirement they must conduct, in the words of one interviewee, 'a lengthy audit' to obtain the specified information.

In relation to the amount of effort required by local authorities and the service provision sector to produce this information, it appears that it now provides low value to leadership and commissioning colleagues. We therefore recommend that in future returns, provision is divided into only two categories: ‘Own provision’ and ‘Externally commissioned provision’. Based on our research, this would significantly reduce the resource burden in local authorities while having a very limited detrimental impact, given that there appears to be little utilisation of the data.

We recognise that there is a substantial amount of public interest in understanding the role of the private sector in providing children’s services. Our proposal is not to remove this division but to consolidate non-local authority provisions into one category, a large proportion of which would be represented by the private sector. It is important to recognise that doing so would make it difficult to distinguish between the voluntary sector and the private sector. Therefore, adopting this change would require careful consideration by DfE, which could include a study into other sources that could accommodate information needs in this area. For example, Ofsted (which has registration information for all fostering, residential and supported accommodation providers) might be able to provide a more frequent and granular breakdown of provision types relevant to Children’s Services to the public, or the information could be gathered through research on a sub-sample of local authorities.

Separate reporting for advocacy

The view from contributors was that advocacy needs to play a greater role in the lives of Children Looked After. Under financial pressures, there is a danger of placement moves and endings being made without appropriate consideration of the child’s needs. Separating this line increases transparency to ensure an appropriate level of advocacy activities is carried out for Children Looked After.

Several interviewees were not aware that ‘expenditure on advocacy services for children looked after’ should be included in the catch-all ‘Other children looked after services’ line (3.1.5). Consequently, two out of three of the finance teams consulted do not currently include these costs within this line despite recognising the importance of activities carried out for advocacy.

There was a mix of responses relating to where this cost should be reported. One finance team confirmed that it did report advocacy services for Children Looked After and care leavers in this section. They felt that these costs should sit within this section, though they equally felt that social worker support for Children Looked After should also be reported here. One finance team did not currently report advocacy services in this section but did not consider that it would be a challenge to do so, as they commissioned advocacy services externally and could easily separate these costs. The third finance team were not sure where costs for advocacy services were being reported currently, but thought they were almost certainly being grouped with social worker support costs or perhaps even corporate costs. Current reporting practices will mean that separating out advocacy services could create a resource burden on local authorities in the short term. This would, though, be outweighed by the increased transparency and accuracy in reporting.

Removal of non-relevant expenditure

In the review of the expenditure included within the Children Looked After section of the return, two types of activity were felt by the interviewees to fit better elsewhere in the return, due to fit in terms of logic and accounting practices: i) the Education of Children Looked After and Grant Funding.

Education of Children Looked After

The guidance around expenditure relating to the education of children in care was the source of much confusion among participants, both in leadership and commissioning roles and in finance roles.

The cause of the greatest confusion was the line 'Education of looked after children' (3.1.8). All interviewees agreed that this line is poorly labelled, as the expenditure included within this line is not related to the costs of education but rather the costs of promoting the education of Children Looked After. At the very least, it was felt that this line should be relabelled to make this clearer.

However, finance interviewees provided differing views on how straightforward it was to provide expenditure for promoting the education of Children Looked After. One team said that they did not currently report any expenditure against this line, as expenditure to promote education for Children Looked After is not separated from expenditure to promote education for other children for different statutory or non-statutory purposes by the local authority. They would only be able to apportion these costs based on the rough number of children supported who are looked after.

Given this lack of distinction in some local authorities, we recommend removing this line from the Children Looked After section of the report and including expenditure for promoting the education of Children Looked After with expenditure for promoting the education of all children in the local authority. This would align this kind of expenditure with many other support costs that are not currently separated out for Children Looked After, including social worker support, which is currently grouped with social work support for all other children (line 3.3.1).

This recommendation will ensure that spending information is more accurately recorded, with lines more closely representing local authority practice. It is anticipated that this spending would be most appropriate in the 'Other education and community expenditure' section of Table A of the s251 (i.e. the educational aspect of the s251, which is not the primary scope of this project). Further consultation would be required to determine how this could be operationalised.

Grant funding

The value of distinguishing between government grants inside and outside Aggregate External Finance (AEF) was not felt to be high by any interviewee, with finance teams reflecting either that they had low understanding of what would constitute ‘out AEF’ or that there was no funding that sat in this category.

Consequently, we recommend reporting simply on ‘Government grants’ and removing this distinction from this section of the return.

Testing our proposal

Our recommendations were tested by three local authority finance teams (London Borough of Barnet, Dorset Council and Manchester City Council), who were provided with a draft copy of the new s251 template and accompanying guidance. They were tasked with completing the return using their 2022/23 data (i.e. data that had already been submitted under the existing template earlier in the year). Feedback from this testing is summarised in Appendix A to Section 2.

Guidance document for proposed changes

To support use of the proposed s251 template, updated guidance for the proposed template is presented in Appendix B to Section 2. Given the variety in how local authorities record and organise their financial information, the rules for inclusion and exclusion are explained as explicitly as possible in the draft guidance document.

Summary of recommendations

In the separate overview to this report, we summarise our recommendations on section 3.1 of the s251 as offering:

a. more granular placement type categories which align more closely with the SSDA903
b. inclusion of activity data (care weeks) to enable unit cost calculation
c. separation into two of secure Children’s Home spending (secure remand and welfare remand)
d. a clear distinction between residential care and supported accommodation spending
e. separation of spending and activity data for UASCs

f. separation of spending and activity data for children in care subject to DoLS.

In more detail, the new return template and corresponding updated guidance for the Children Looked After section (3.1) of the s251 will:

1. Increase the granularity at which accommodation costs for Children Looked After are recorded in the s251, moving to the following structure of categorisation:
   Residential care:
   - Children's homes
   - Secure children's homes (secure welfare placements)
   - Supported accommodation
   - Youth detention accommodation

   Fostering services:
   - Fostering with other foster carer(s) (excluding fees and allowances for in-house foster carers)
   - Fees and allowances for in-house foster carers
   - Fostering with family or friend(s)

   Other children looked after services:
   - Family assessment centres
   - Short breaks (respite) for children looked after
   - Other placements
   - Advocacy
2. Achieve alignment with the SSDA903 to increase the level of coherence between the returns.
3. Keep the education costs of residential settings with the other costs of that accommodation, in keeping with contracting practices for this provision and accounting practices within local authorities.
4. Include activity data (placement weeks) within the s251.
5. Separate spending and activity data for children in care who are subject to DoLS.
6. Separate spending and activity data for UASCs. This will provide a breakdown of accommodation costs (by provision type) and other 'UASC support services' and 'UASC leaving care support services'.
7. Create a new 'Non-children looked after support' section within the s251. This should include all spending associated with adoption, special guardianship support, leaving care support services and child arrangement orders.

8. Simplify the categorisation of care placements, moving away from ‘Private’, ‘Other public’ and ‘Voluntary’ and replacing them with ‘Externally commissioned’.
9. Remove the line ‘Education of looked after children’ from the Children Looked After section of the return, with any associated spending included within the expenditure for promoting the education of all children in the local authority.
10. Remove expenditure on advocacy services for Children Looked After from the Children Looked After section of the return and include it in ‘Targeted family support’ (line 3.4.4).
11. When reporting on government grants, remove the distinction between inside and outside of AEF.

Overhead reporting

Context

The s251 literature review conducted during the background research for this project identified that the various ways in which local authorities calculate and report on financial overheads are a key factor which limits the comparability of the data. In light of this, we evaluated options for accounting for overhead costs within the s251 returns for children and young people’s services (Table A1) that would lead to improvements in:

- the comparability of returns between local authorities
- the ability to support service budgeting and planning
- the usefulness of the data for the ongoing financial management of the service internally by the local authority.

For clarity within this report, an overview taken from CIPFA’s Service Reporting Code of Practice (SeRCOP) is provided in Appendix C to Section 2. This is used by local authorities for overhead accounting and apportionment, and it provides examples of the types of overhead that are considered in this workstream.

Overhead reporting has been central to issues concerning accuracy and comparability of s251 data across local authorities for the past decade. In October 2014, CIPFA published the report *Research on Children’s Services Spending and Budgeting: S251 Returns* (Freeman & Gill, 2014). This report demonstrated that there were significant variations in how local authorities apportioned overheads within the s251 returns. As part of this research, CIPFA circulated a questionnaire based on the s251 data concentrating on the following key areas: Sure Start children’s centres and early years centres; residential care; fostering; adoption; targeted family support; leaving care; and UASCs.

The questionnaire used in the 2014 study asked local authorities to review and resubmit their figures for the total costs within each of the above areas. It also asked for local authorities' overhead costs across the seven categories. Six local authorities responded, and among those six, the overhead costs varied from 3% to 21% as a proportion of the total costs. The conclusion drawn was that this creates 'noise' (as explained in Section 1) and a lack of consistency within the returns. Ultimately this contributes to a lack of comparability across local authorities.

During this period, CIPFA also ran a Children Looked After benchmarking club. Data from this group also showed significant variations in how local authorities apportioned overheads across categories of spending. The CIPFA report noted that 'the Section 251 guidance could be improved to minimise noise by separating out overheads from each spending category', noting that 'this will allow comparisons both including and excluding overheads, and act as a sense check to ensure that authorities have treated overheads in a consistent manner' (p. 25).

The CIPFA report and other reviews of the s251 data note that comparability across local authorities is a significant issue. Freeman and Gill (2014), Holmes (2021) and Rome (2017) all note that one of the elements impacting on comparability is the reporting of overheads.

Park and Matkin (2021) note that the concepts and ways of measuring overheads are difficult to define and apply in a clear-cut manner. This leads to varied interpretations of guidelines on overhead costs that in turn form part of what Freeman and Gill (2014) refer to as 'noise' in the data, which ultimately undermines the value of the s251.

Overhead reporting is inconsistent as a result of both different interpretations of what constitutes overhead and inconsistent guidance on the appropriate methods of allocating and apportioning overhead costs. This makes it difficult to avoid variability across local authorities as well as across years within one local authority. The following sections of this report cover the options and the assessments that have taken place to address this problem.

Approach and method

We identified three possible options for reporting overheads in the s251. The aim was to address the issue of overheads inconsistency, improve comparability between local authorities, and improve the usefulness of the financial data for local authorities' own financial management and planning. The options were:

- **Option 1:** Remove overheads and report only the core costs.
- **Option 2:** Include overheads but clarify the guidelines.

- **Option 3:** Report overheads but in a separate line.

CIPFA undertook an analysis of these three options, considering the strengths, weaknesses, opportunities and threats (SWOT) of each one. This analysis is provided in Table 4.

Table 4: SWOT analysis of the three options for overhead reporting

Options	Strengths	Weaknesses
Option 1: Remove overheads and report only the core costs	• Would aid comparability between local authorities (direct costs only model) • Alongside other quantitative data (activity, population etc.), would enable unit cost establishment • Would not be clouded by overhead levels representing different support and local authority structures	• More difficult to reconcile with any accounting records • Will not reflect the total costs of providing the services
Option 2: Include overheads but clarify the guidelines	• Represents what local authorities are used to doing, but with added guidance on overhead reporting • Could aid uniformity of approach in overhead reporting and total cost reporting; however, guidance would need to be comprehensive • Would enhance comparability if uniformly applied	• Without the context of the local authority in the report, the different structures (and overhead costs) would give wide ranges of variance • With total costs, it is harder to make clear comparisons between local authorities (due to differences in approach and overhead classifications) • Managers may lack accountability for the numbers
Option 3: Report overheads but in a separate line	• Would enable comparison of core costs without being affected by structural differences • Could provide total cost information and reconciliation to financial statements • With other quantitative metrics, would enhance unit cost comparisons	• Only comparable at the core cost level as overheads will be different (unless specified) • May lack an element of accountability for total costs • Could need explanation and context to understand the variances at each level

(continued)	Opportunities	Threats
Option 1: Remove overheads and report only the core costs	• Could improve budgeting and planning through activity and unit cost modelling • Could improve accountability as front-line managers (budget holders) are directly accountable for front-line costs • May aid assessment of overall grant levels if grants are driven by funding models	• Without reconciliation and checks, it could be manipulated to suit a narrative • Would require careful definition of what constitutes 'core costs' – direct, indirect etc.
Option 2: Include overheads but clarify the guidelines	• Would have an opportunity to apply overhead guidelines to other returns (RO and RA) for reconciliation purposes • Could break out cost levels further (i.e. direct, indirect and general overheads) • Would still enable unit cost and activity modelling despite being split out above	• Similar to the status quo, which we know has problems • Lack of support (see weaknesses), therefore lack of credibility and use of the numbers in service planning
Option 3: Report overheads but in a separate line	• Could be designed to meet front-line manager accountability requirements • Would enable improved modelling through activity and unit cost estimates • Could enable more accurate assessment of cost variances	• Would still require definition of what constitutes core costs

Several factors were taken into consideration in the SWOT analysis of the options. First, we proceeded with the belief that the biggest existing data quality concerns about overhead reporting – consistency and comparability – needed to be addressed. Second, we considered the trade-off between the comparability and the completeness of the cost information, and whether the figures could be verified through other sources of data. For instance, excluding overheads facilitates a comparison of direct costs between local authorities but fails to provide the full picture of the cost of delivering services and makes it difficult to verify the costs using other sources of information.

Based on this analysis, we engaged with local authorities through multiple channels. We conducted in-depth discussions with two partnering local authorities, Dorset Council and Manchester City Council. We also sent out a survey designed to reach a wider group of local authorities, and this produced 14 responses. We additionally tested the redesigned s251 return template with three local authorities (London Borough of Barnet, Dorset Council and Manchester City Council), and this informed our assessment and evaluation of the recommendations.

Findings: Separating out overhead spending

We believe that, on balance, option 3 provides the best solution for the main issue that we aimed to resolve – concerns relating to the consistency and comparability of the spending data – while allowing room to capture the full cost of delivering services and providing ways in which the total costs can be reconciled with external data.

Discussions with local authorities

There was a clear preference among local authorities for option 3. This would suit the approach of both of the local authorities we consulted, where the allocation and apportionment of overheads to service cost lines takes place at the end of the process to arrive at a total cost figure for each cost line on the s251. In effect, this option would provide for a small time saving and therefore cost reduction in completion of the return.

Both local authorities noted that if the allocation and apportionment of overheads takes place routinely prior to extracting figures from accounting records for completion of the s251, this may present problems for authorities. However, it is not known whether any local authorities use that process.

Both local authorities thought that core, or direct, cost reporting at the service line level would aid comparability between local authorities. They suggested that this would enhance line management’s accountability as the figures would no longer include costs for which managers are not responsible. The inclusion of quantitative data in the return was noted to aid the establishment of unit cost, again further adding to comparability and cost management.

Survey of local authorities

Fourteen local authorities responded to the survey on overheads (see Appendix C to Section 2), which aimed to seek input from a wider group of local authorities. The results showed that option 3 was by far preferred by ten local authorities. One local authority opted to provide an alternative solution linked to the Adult Social Care Activity and Finance Report from NHS Digital, which was not one of the options provided.

When asked whether reporting overhead costs in a separate line would create difficulties, ten local authorities responded that it would not. As explained earlier in the section on the discussion with two local authorities, if the overhead costs were allocated across the s251 categories, reporting overhead costs separately would not add much burden. However, some local authorities had accounting structures where overhead costs were embedded in cost centres. As cost centres are often organised by type of service provided, separate reporting of overhead costs would require further work for these local authorities. One local authority suggested that there might be 'initial difficulties' in reconciling spending reported in the RA and RO returns, which are collected by DLUHC, especially when the two sources provide significantly different spending figures.

The responding local authorities believed that the main challenge relating to the recommendation to separate overheads would be creating a sufficiently clear definition of overheads. We also received responses that suggested, depending on the local authority's accounting structure, that it might not be always possible.

When we asked whether separating out overhead costs would enable unit cost to be calculated (subject to activity data on placements being available), nine local authorities responded positively. There were some concerns around whether doing so would require an initial substantial time investment for the information to be useful, whether it could be achieved in a consistent enough manner to be effective, and whether the activity data would be defined sufficiently clearly to enable comparisons. One respondent stated that the benchmarking 'should be restricted to direct costs – such as placement / foster carer costs' as local authorities organise service delivery and accounting information differently and some may not be able to extract overhead costs accurately.

Testing of the revised format of the s251

Three local authorities (London Borough of Barnet, Dorset Council and Manchester City Council) were provided with a revised template for the Children Looked After section of the s251 that reflected option 3 (overheads taken to a separate line). The results from this testing showed that one local authority had not yet included central overheads. The others had used estimates from corporate finance at the time of completion. No issues relating to overhead separation were reported.

Key considerations

The survey, and our other validation work, indicates that there is significant support for option 3 (separation of overheads into a separate line).

Implications for the burden on local authorities

The survey indicated that for most local authorities, the separation of overheads would not present any accounting difficulties. This is borne out by experience within CIPFA that confirms most local authorities would complete the process of allocating and apportioning overheads as a separate exercise at the end of a reporting period.

There will of course be exceptions; however, the degree of difficulty will depend on what overhead costs are embedded into existing cost centres. A cost centre may not include corporate overheads, which are a key driver of 'noise' in the returns once they are allocated and apportioned to service lines.

Greater transparency in reporting overhead costs

We recommend that local authorities separate out two elements of overhead costs in the s251: indirect costs and central (or corporate) overheads (see Figure 7 for the relevant extract from the revised Children Looked After section of the s251). One aim of our proposals on overheads is to increase understanding of the nature and types of overhead costs and, thereby, increase the capacity to evaluate their impacts on different cost assessments. Indirect costs cover spending that is directly attributable to services but is not specific to any cost line within a service. Examples include the costs associated with the service director and the social work team, who will work on a range of aspects of the service and cannot be attributed to one particular cost line.

Figure 7: Extract from the revised Children Looked After section of the s251

	Description	Own Provision	Externally commissioned	Total expenditure	Income	Net current expenditure
		(a)	(b)	(k)	(i)	(m)
3.17	***Total Direct Service Costs - Corporate Parenting***	3,000	2,500	5,500	1,525	3,975
3.18	***Overhead Costs***					
3.18a	Indirect Overheads - attributable to service provision			0		0
3.18b	Central and Corporate Overheads allocated or apportioned to services			0		0
	Total Overhead Costs	0	0	0	0	0
3.1.9	***TOTAL SERVICE COST - COREPORATE PARENTING***	0	0	0	0	0

This separation would address concerns highlighted in the survey and would eliminate the possibility of simple percentage splits, or other methodologies, being applied to these costs to allocate them to service lines.

Central and corporate overheads need to be distinguished from indirect costs as this will reflect the apportionment of central and corporate overheads to arrive at the full cost of providing the service. The split within the new Children Looked After draft return can, therefore, provide the following totals:

1. **Central (or core) cost of the service:** this level of costs would provide the core basis for benchmarking and comparison.
2. **Indirect overhead costs incurred in providing the service:** this together with category 1 above would comprise spending for which service management would expect to be accountable.
3. **The service's share of central and corporate overheads:** the total of all three will represent the full cost to the local authority of providing the service.

Table 5 shows some of the areas that are typically considered in overhead calculations and suggests how they might be divided into central and indirect overheads in the proposed new s251 (it should not be considered definitive).

Table 5: Categorisation of overheads and example costs by type

Central overheads	Indirect overheads
• Property costs relating to administrative buildings • Strategic and policy costs • Shared service centres and contact centres • Communications • Members' services • Pensions team • Audit service • Other central function costs (legal, finance, IT etc.)	• Property costs relating to direct service provision (e.g. homes) • Cost of head of service and management • Business support • Residential management team • Fostering management team • Procurement

Comparison of the costs of in-house and external provisions

A further point raised in the survey responses related to outsourced services such as a children's trust that is contracted to provide services. In the revised Children Looked After section of the s251, the amount invoiced by the provider would be accounted for as a direct cost; however, this would include associated overhead costs and/or profit of the provider. This would, as noted in the survey responses, provide a higher overall cost and unit cost for the service when compared to in-house provision, and such figures should not be treated as like-for-like comparisons without further assessment.

The revised treatment of overheads of the s251, however, allows management to recognise this possibility and supports assessment of its impact. Such an assessment would look at:

- the incremental cost (unit cost) of taking in-house the relevant volume, which would be the direct cost on a unit basis of running the service in-house
- whether there has been an increase in indirect costs (e.g. an additional social worker or manager) or whether existing capacity is available
- whether there are any additional central (corporate) costs to be considered, such as the cost of introducing a new information system.

This assessment provides contextual information to understand the difference between the unit cost of delivering in-house provision and the unit price of external provision. The point here is that this is useful financial management information that has not previously been clearly recognisable.

A show-and-tell workshop was organised to consider the options relating to overheads. This raised the question of whether we should consider a column for overhead costs in the s251 (i.e. alongside the service provision sectors) rather than separate rows. This would mean that overhead costs would need to be reported for each row in the return. Our view is that this option would place the return in a similar position to that which currently exists, where the data contain inaccuracies and inconsistencies. This is because local authorities will make different decisions on the allocation and apportionment of overheads to service lines, limiting the possibilities for comparison and benchmarking of the data.

Prioritising accurate and useful data

We stated in the overview to this report that while we recognise that data discontinuity is undesirable, we prioritise improvements to data quality and usefulness of the s251 data over consistently poor-quality data. The proposed changes to overheads in option 3 would disrupt continuity of measurement between years at the service line level, with continuity only being maintained at the level of the total cost of each service. We expect that this loss at the service line level will not impact any meaningful decision-making as the previous data is already widely recognised as flawed. However, we strongly recommend that DfE devise a transitional arrangement for the data collection process – for instance, collecting data in the current format and the newly proposed format, to preserve data continuity as far as possible.

Benefits to service financial management

A key aim of this workstream is to improve the comparability and benchmarking capability of the data. A further aim is to improve the usefulness of the returns to service management for planning and understanding the causes and drivers of financial variances that occur.

Using data from the revised return along with the proposed quantitative data can significantly increase the usefulness of the return for financial management purposes. Figure 8 aims to illustrate this point. It shows an extract from the revised s251 including example actual data and, below, assumed budget data for illustrative purposes. There is a variance between the budget and actual figures of 350 at the net revenue expenditure level, the actual being higher than the budget.

Figure 8: Newly proposed s251 simulated with actual spending data

	Description	Own provision (a)	Externally commissioned (b)	Total expenditure (k)	Income (i)	Net current expenditure (m)	Govt. grants (n)	LEA net revenue expenditure (q)	Activity: Placement weeks (x)	Unit cost
3.1	*CORPORATE PARENTING*									
Actual from return										
3.1.1	***Residential Care***									
3.1.1a	Children's Homes	3,000	2,500	5,500	1,525	3,975	250	3,725	1,000	3.795
Budget*										
	Children's Homes			5,125	1,500	3,625	250	3,375	980	3.444
							Diff:	**350**		

Note: Budget assumed for calculation purposes.

The first point to note is that the actual activity level is higher than budgeted. It may be logical to deduce that this is responsible for the higher actual cost. However, the format of the new return allows an improved level of analysis of the drivers of cost.

In Figure 8, a unit cost column has been added to calculate the net revenue expenditure divided by the activity at both budget and actual levels. The budget unit cost of 3.444 can be considered the standard unit cost estimated for each unit of activity.

A variance calculation can now be applied to look at the difference created by the volume increase, or the rate difference compared to budget, as shown in Table 6. The calculation in Table 6 shows that the rate being paid for the service is responsible for 80% of the total cost variance, while the increase in placements is less of a factor. The next step here would be to investigate the rate being paid for the service, if outsourced, or the staff rates and levels being paid, if in-house. This would be the driver of costs impacting performance against budget.

Table 6: Variance calculation as a result of volume increase

Variance	Calculation	Amount

Impact of changes in the level of activity (volume)	Activity difference × budget (standard) rate $((1000 - 980) \times 3.444)$	69,000*
Impact of changes in the rate paid for the service	Difference in unit costs × actual activity $((3.725 - 3.444) \times 1000)$	281,000*
	Total	**350,000**

* The figures are rounded to the nearest thousand.

The purpose of this example is to demonstrate the level of financial information, and therefore the improved usefulness, offered by the proposed revised format and content of the s251.

Summary of recommendations

- Present overhead costs on a separate line within any revised s251. This would significantly enhance the comparability and benchmarking capability of the data without presenting any difficulties for the vast majority of local authorities. It should also make the return quicker to complete through removal of the step of allocating and apportioning overheads to services lines.
- Split overheads between indirect service-related overheads and central and corporate overheads. This would aid accountability for the figures with service management and assist in financial decision-making relating to contracting versus in-house provision of services.

The separation of overheads and inclusion of quantitative data to provide unit cost measurement would significantly enhance the ability to understand the drivers of cost variances within a service.

Budget return

Context

Local authorities submit two types of s251: a **budget return** statement containing planned expenditure and an **outturn return** statement containing actual expenditure. In this section, we focus on the current issues with the budget return and potential solutions.

In Section 1 of this report, we highlighted the three key issues concerning the budget return. Firstly, it provides little to no value to local authorities, as the data are not used by any of the local authorities we spoke to. Secondly, the budget data are poor quality and mostly inaccurate; as identified by Rome (2017), the previous year's actual spending data predict this year's spending level better than the budget data. Thirdly, the current process is taking place separately from the internal accounting process, making the budget return an inefficient administrative exercise during a busy time of the year. Among the stakeholders we consulted, the budget return was widely seen to have ample room for improvement.

On this premise, we reviewed the design and timing of the current budget return and its usage and usefulness to inform how best it could be improved.

Approach and method

Our aim was to provide actionable and achievable recommendations that would improve the accuracy and value of the budget return. Building on the findings of the background research (Section 1 of this report), we undertook the following reviews and activities:

- We reviewed the purpose, uses and usefulness of the budget data.
- We reviewed the accuracy of how the budget data forecast the actual spending reported in the outturn return.
- We reviewed and evaluated possible options, including their implications for the timing of the returns.
- We consulted with local authorities regarding our proposals on the budget return, including the implications for other public returns relevant to the s251, such as the RA (which are sent to DLUHC).

Prior to considering the usage and usefulness of the s251 budget data, we sought to understand the purpose of the budget return to assess to what extent the current budget fulfils its purpose. We interviewed several stakeholders to hear their views, their concerns and how they use the budget return data. Interim findings and proposal recommendations were shared during two show-and-tell workshops (online) where validation processes and guidance document were also discussed. A wide range of stakeholders attended the workshops and shared their views, and a 40- to 45-minute discussion allotted to the budget return provided us with information on the purpose, usage and usefulness of the budget return.

The interviews were with five colleagues at DfE, one at DLUHC, two at the LGA, three representatives of London Councils, and four finance managers or partners at three participating local authorities (London Borough of Barnet, Manchester City Council and London Borough of Southwark) – in total 15 individuals. The two show-and-tell workshops were attended by colleagues from DfE and DLUHC, as well as finance experts representing 15 local authorities. The workshops included some of the interviewees. Separate follow-up meetings were held to further evaluate the proposals.

The interviews were conducted online or over the phone; they were semi-structured and lasted 30–60 minutes. It was necessary to engage with some colleagues in an interview as well as in workshops due to the relevance of the proposals to their roles. Different sets of questions were used depending on the interviewees. Where there was an insufficient number of questions to warrant a potentially hour-long interview, responses were obtained via emails (one colleague at DfE). Notes were taken during the meetings and group discussions, and email responses formed part of the research data. No recording or transcription was produced.

In addition, we undertook an analysis similar to one conducted by Rome (2017) but using more recent data (up to 2022/23). The purpose of this analysis was to examine to what extent the budget data predict the levels of actual spending reported in the outturn return, with the assumption that the usefulness of budget information lies in its ability to provide a reasonable forecast of the year's spending. The data were obtained from the s251 official statistics series published by DfE (ESFA, 2022). The analysis was largely descriptive in that it captured the extent of variance between the budget and actual levels of spending, and then compared this with the variance between the actual spending reported in this year's and the previous year's outturn returns.

Budget information provides greater value when it is timely. For this reason, we also reviewed the timing of the two returns (budget and outturn) as well as another set of relevant returns (RA and RO), which are collected by DLUHC.

This part of the study was undertaken concurrently with the work reported above in the sections 'Categorisation of Children Looked After' and 'Overhead reporting', which entailed several changes to the design of the data return template. Therefore, the proposals made in those sections for the outturn were assumed to apply to the budget return.

Purpose and value of the budget return

From our interviews we learned that the purpose of the budget return was not clear to most of our interviewees, apart from the fact that the s251 required it. We also found it difficult to locate a document that clearly outlined the purposes of the budget return beyond its mention in the relevant statute.[9]

[9] The Apprenticeships, Skills, Children and Learning Act (2009) states: 'The Secretary of State *may* direct a local authority in England to provide information about *its planned and actual expenditure* in connection with (a) its education functions; (b) its children's social services functions' (s. 251, emphasis added).

Therefore, we considered the ‘value’ of the return from the perspectives of local authorities, the central government and the general public. The three aspects of value we considered were public accountability, the usefulness of the information and enabling decision-making within local authorities. More specifically:

- **Public accountability:** the budget return documents resource allocations, which in turn are indicative of service delivery requirements in the areas for which local authorities have a statutory duty. As actual reporting is done nine months after the end of the year it relates to, budget reporting provides much earlier information for public accountability generally and also for ministers (e.g. should there be questions in the House of Commons).
- **Forecasting actual spending:** the ‘usefulness’ here refers to budget returns’ accuracy and their ability to predict actual spending. This is mainly important because of the cost pressure children’s services are experiencing, as the increase in demand has not been matched by increases in the funding available. With some local authorities going over budget – in some cases becoming subject to Section 114 notices – one of the most useful tools for local authorities is to be able to predict the level of spending (reflected by the level of demand and market conditions).
- **Enabling benchmarking:** the information provides the basis for benchmarking, where local authorities can compare the level of demand or resource constraints reflected in the budget across local authorities.

One widely shared view was that the data provide low analytical value. From the local authority perspective, the main desire was for the data to be more informative. Some compared their budgets to those of other local authorities (benchmarking) to compare levels of demand. Some others, however, held the view that benchmarking information from the budget would not change any of their strategic decisions on resource allocation at any practical level, as the level of income for local authorities could not change drastically.

Usefulness of the s251 budget return data

The s251 is not the only mechanism that collects budget data relating to children’s social care. The submission of budgeting and spending data on children’s services also occurs in the RA and RO returns, which are coordinated by DLUHC. Interestingly, local authorities held more positive opinions about the usefulness or value of the RA and RO returns compared to the s251. We suspect that this difference in perspectives is driven mainly by three factors:

- the ease of collating the data required in the RA and RO returns and the clarity of the guidance

- the fact that the RA return requires less detailed data on children's services than the s251
- the timing of the RA return, which takes place in relation to in-house budgeting processes.

During the show-and-tell workshops for this part of the project, we had the opportunity to obtain a range of views comparing the two sets of returns. Several participants saw the RA and RO returns as more useful and able to be completed more efficiently, and said that the s251 budget return presented ample room for improvement. However, a colleague at DfE held the opposing view that the RA and RO returns are no more accurate than the s251 returns. We consider that this difference of opinion mainly stems from the perceptions of local authority colleagues as to:

- whether the return data (in the RA and RO and in the s251) provide any informational value
- different attitudes in central government to promoting data quality in the RA and RO returns versus the s251
- how resource intensive the return process is.

Limited use cases

We found that the s251 budget data were little used by DfE and local authority colleagues whom we interviewed and that there was substantially less interest in making use of them compared to the outturn data. When asked about the current usage, an analyst at DfE stated that the budget data were only used 'to brief ministers and other colleagues' upon release, just for their information. A policy officer at DfE also shared that the budget data were not used, mainly because the DfE was more interested in the actual spending but also because there were several data quality concerns (with the budget data).

We also found little to no use of the budget data among local authorities. Local authority finance managers (at the London Borough of Barnet, Manchester City Council and the London Borough of Southwark) told us that they made extensive use of internal budget and forecasting reporting for management decision-making, and that the budget return in its current form did not provide much value to them. Unlike for the outturn data on actual spending, there was not much interest in benchmarking using the budget data.

The only meaningful use case we heard came from the LGA, whose officers use the budget data extensively for lobbying purposes, mainly to highlight the budget pressure faced by local authorities. The particular example of the lobbying activities, which was school transport for children with SEND, was not within the scope of children's services (as it appears in Table A: Education rather than Table A1: Children's Services). However, we consider that how the data were used could apply to any services in Table A1.

Challenges to the validity of the budget data

Challenges to the validity and accuracy of the budget data are undermining any meaningful usage. The validity of the budget data is in question because it is not clear whether the budget data represent the budget required to meet demand for a service or indicate the limited resources available to deliver a service.

Local authorities have the statutory duty to provide services in certain areas. However, their ability to increase their revenue (through, for instance, Council Tax and business rates) is limited and relies on funding to deliver services. Increases in demand without sufficient funding have put several local authorities under fiscal pressure, with some going bankrupt. In 2013 alone, Birmingham City Council, Nottingham City Council and Woking Borough Council issued Section 114 notices and filed for bankruptcy (Arnold, 2023; Brown, 2023; Greenway, 2023). See Table 7 for trends in public spending in children's services.

This fiscal pressure means that often the s251 budget information reflects the amount of resources available, not the level of demand that local authorities need to meet. Our participants widely recognised that even if the budget figures were considered to be a gross underestimation of actual spending, local authorities would produce budget data that reflected the funding level. This inevitably leads to the production of inaccurate – or, as some local authority finance managers put it, 'wrong' – budget data that provides little value.

This view was shared by DfE officers, who handle and aggregate the data. Speculation within DfE about the reasons for poor-quality budget data suggested that local authorities may not have accuracy of forecasting as their primary goal when producing budget figures, but instead may represent a speculative (optimistic) view of the impact of local authority initiatives driven by the requirements of locally elected councillors and senior management.

Increased pressure on children's services and the role of the s251 data

Children's social care data are summarised for reporting within DfE, including for the Secretary of State for Education. The data are made publicly available via search and formatting tools (DfE, 2024).

Spending on children's services as a whole grew at an unprecedented rate in 2022/23, adding £1.3 billion to local authority costs. Against a backdrop of inflation in the economy as a whole, which peaked around the middle of 2022/23, increased demand levels and market supply factors have combined to further drive children's services costs to all-time high levels.

Over three-quarters of councils set budgets for children's services for 2022/23 that were lower than their spending levels in 2021/22. The actual overspend in 2022/23 on children's services was £1.9 billion (16.9%), aggregated at the national level, compared to the planned and budgeted amounts.

A little under one-third (32.0%) of the total £13.2 billion spending by local authorities on children's services is reported as being made with private and voluntary sector bodies. This amounts to £4.3 billion spent with the independent (non-state) sectors in 2022/23.

Given the exceptional overspending currently identified via the s251 reporting and the initiatives being introduced, we believe the social care data have the potential to play a greater role in strategic leadership, monitoring and policy development moving forward.

Table 7: Trend in public spending in children's services between 2015/16 and 2022/23 (billions)

Area of absolute gross spending	Total spending 2022/23	Increase since 2021/22 (1 year)	Increase since 2015/16 (7 years)
Total children's services (%)	£13.2	£1.3 +11.4%	£4.2 +46.9%
Children Looked After (%)	£7.0	£0.9 +14.8%	£3.1 +78.4%
Total safeguarding (%)	£3.3	£0.3 +9.6%	£1.0 +46.5%

Source: DfE (2024)

Failure of the budget to predict actual spending

Given the issues concerning the validity and accuracy of the budget data, we undertook an analysis to quantify how accurately one year's actual spending was predicted by the budget versus last year's actual spending. This approach was also used in a study undertaken by Rome (2017) which was funded by DfE. In this study, Rome found that the budget return was materially inaccurate as a predictor of actual outturn and that the previous year's outturn was a significantly better predictor of the current year's outturn (this finding is limited to Table A1, on children's social care spending).

We replicated Rome's analysis with the most recent data available (2022/23). We first obtained the (absolute) percentage difference between the budget and actual data for 2022/23, and then the (absolute) percentage difference between the actual data for

2022/23 and the previous year. Additionally, we analysed how often local authorities went over or under budget.

The results, summarised in Table 8, show that the actual spending reported in the outturn in 2021/22 was a better predictor of the actual spending level for 2022/23 than the budget data for 2022/23. The extent of overspending (actual versus budget) differed by category, ranging between 20.4% (safeguarding gross spending) to 43.6% (residential care for Children Looked After). Indeed, according to the analysis, using the previous year's figures made estimation approximately 40% more accurate compared to using the budget data.

The results also clearly illustrate the difficulties that local authorities face in predicting and controlling financial outcomes in this area. Twenty-four councils overspent their children's services budgets by more than 30% in 2022/23. This high level of variance suggests that the budget return fails to fulfil its fundamental purpose of forecasting actual spending. In terms of children's services, 95% of the local authorities went over budget and a similar proportion overspent compared the previous year. Such results must raise questions as to the realism and usefulness of local budget processes either as a source of strategic management information or a means of public accountability.

We therefore concluded that the budget return in its current form fails to fulfil its fundamental aim and needs to be revised.

Table 8: A comparison of the budget data and the previous year's outturn data in predicting the current year's spending

	Outturn 2022/23 vs budget 2022/23 (Outturn 2021/22 vs budget 2021/22)	**Outturn 2022/23 vs outturn 2021/22** (Outturn 2021/22 vs outturn 2020/21)	Number of local authorities over/underspent vs budget	Number of local authorities over/underspent vs previous year	Number of local authorities where: variance vs budget is higher / variance vs last year is higher
Total children's services gross spending (line 5.0.2)	**19.1%** (13.9%)	**13.2%** (8.5%)	**144/7** (137/14)	**145/6** (136/15)	**116/35** (105/45)
Children Looked After gross spending (line 3.1.11)	**24.6%** (17.7%)	**15.3%** (10.2%)	**140/10** (134/17)	**137/13** (126/24)	**113/37** (99/51)
Safeguarding gross spending (line 3.3.4)	**20.4%** (16.7%)	**14.1%** (10.7%)	**123/28** 116/35	**116/35** 111/39	**98/53** 98/52
Residential care for Children	**43.6%** (39.3%)	**27.0%** (22.0%)	**132/18** 128/23	**133/17** 118/31	**105/45** 107/43

Looked After (line 3.1.1)					

Note: Authors' own calculations. The percentages represent the average (absolute value) variance at local authority level.

Proposed solutions

The strong indication that budget reporting of children's social care spending via the s251 is materially inaccurate, and increasingly so, challenges us to consider what the alternatives might be to bring improvements to this data. We considered the following two options before making our recommendations:

- **Option 1:** Keep the budget return as it is, subject to any recommendations from the review of the outturn return format (such as to the Children Looked After section).
- **Option 2:** Realign the budget return by a) consolidating it with the RA and RO returns (DLUHC) and removing the s251 budget return and b) introducing a mid-year outturn return.

We presented the results of our findings and an initial appraisal of these options to a wide range of stakeholders to obtain their views. These are summarised in the following subsections.

Option 1: Keep the budget return

The first option we considered is to keep the budget return in its current form but incorporating other proposed changes, such as to the categorisation of spending on Children Looked After and Overheads.

The benefit of keeping the current format, with the exception of making the changes proposed relating to Children Looked After, would be to preserve data continuity. The clear downside of this option would be the continuation of the low value and integrity of the data; that is, the return would likely continue to be undervalued and underused, while local authorities would still be required to complete it each year.

This option was favoured by those who prioritised data continuity over concerns about the validity or accuracy of the data, including an analyst at DfE and officers at the LGA.

Option 2: Realign the budget return

This option contains two recommendations:

- Consolidate the s251 budget return with the RA and RO returns, and remove the s251 budget return.
- Introduce a mid-year actual return (accrual basis).

The first recommendation of this option builds on the fact that the RA return, which is collected by DLUHC, provides information in a very similar manner to the current s251 (see Table 9 and Figure 9 for the s251 and the RA respectively). The key difference between these two returns is the level of detail at which budget is reported: the s251 provides greater detail. For instance, the Children Looked After category in the s251 currently contains 11 subcategories while the DLUHC's RA return provides the total Children Looked After budget. One of the key differences between the report structures is that the RA separates out 'Asylum Seekers (326)', whereas this category is currently reported under Children Looked After in the s251. However, if the proposed changes to the collection of data on UASCs (see the section 'Categorisation of Children Looked After spending') and the separation of overhead costs (see the section 'Overhead reporting') are implemented, the result would be nearly identical formats between the two returns.

Our findings on the uses of the budget return show that, apart from in the case of the particular use for lobbying purposes highlighted by the LGA, the RA data could provide the same level of information. However, the reconciliation issues between the RA and RO returns and the s251 budget and outturn data would need to be resolved. There are opposing views on the perceived accuracy of the RA and RO returns. Some local authority finance managers were more confident about the accuracy of those returns given that they are completed centrally at an aggregate level. However, a DfE manager attending our workshops, whose preferred option was to keep the current form of the s251 budget return, indicated that the DLUHC budget data are 'no better than the s251 data'. We are not aware of any formal testing to evidence this. Therefore, further work is necessary to explore whether the DLUHC data could play a synergistic role with the s251 reporting.

As for the need for more detailed information, we asked DLUHC officers whether the detailed categories of the s251 could be incorporated into the RA return. We were informed that this proposal would be reviewed by a working group that was jointly run by DLUHC and the LGA, and that the group would weigh the benefit of a more granular level of detail against a corresponding increase in the burden on local authorities. In that sense, our proposal could lead to loss of information; however, we believe that an established process around data ownership would mean such data needs would be appropriately reviewed and actioned.

In practical terms, the consolidation proposed above would result in the removal of the s251 budget return, which would create room to explore whether an alternative means of data collection might serve the current data needs. Our recommendation is to introduce a mid-year actual return (on accrual basis).

There is a clear advantage to replacing the budget return with mid-year outturn returns: half-yearly and annual reports would provide the ability to use rolling actuals to gain a view of how the current period may be performing. For example, in the first six to nine months of a fiscal year, where the budget return is currently the only available indicator, the first six months of the previous year's actuals would now be available along with rolling 12-month actuals including the previous half-year.

Table 9: The s251's current budget categorisation (before applying the proposals relating to Children Looked After)

Category	Subcategory
Sure Start children's centres and other spending on children under 5	Funding for individual Sure Start children's centres
	Funding for local authority provided or commissioned area wide services delivered through Sure Start children's centres
	Funding on local authority management costs relating to Sure Start children's centres
	Other spend on children under 5
Children Looked After	Residential care
	Fostering services (excluding fees and allowances for LA foster carers)
	Fostering services (fees and allowances for LA foster carers)
	Adoption services
	Special guardianship support
	Other Children Looked After services
	Short breaks (respite) for looked after disabled children
	Children placed with family and friends
	Education of looked after children
	Leaving care support services
	Asylum seeker services children
Other Children and Family Services	Other children and families services
Safeguarding children and young people's services	Social work (including LA functions in relation to child protection)
	Commissioning and Children's Services Strategy
	Local Safeguarding Children Board
Family support services	Direct payments
	Short breaks (respite) for disabled children

	Other support for disabled children
	Targeted family support
	Universal family support
Services for young people	Universal services for young people
	Targeted services for young people
Youth justice	Youth justice
Other	Capital Expenditure from Revenue (CERA) (Non-schools budget functions and Children's and young people services)
	Total Schools Budget and Other education and community budget (excluding CERA) (lines 1.8.1 and 2.5.1)
	Total Children and Young People's Services and Youth Justice Budget (excluding CERA) (lines 3.0.5 + 3.1.11 + 3.2.1 + 3.3.4 + 3.4.6 + 3.5.3 + 3.6.1)
	Total Schools Budget, Other education and community budget, Children and Young People's Services and Youth Justice Budget (excluding CERA) (lines 5.0.1 + 5.0.2)
	Capital Expenditure (excluding CERA)
Memorandum items: Services for young people	Substance misuse services (Drugs, Alcohol and Volatile substances) (included in 3.5.1 and 3.5.2 above)
	Teenage pregnancy services (included in 3.5.1 and 3.5.2 above)

Source: ESFA (2022)

Figure 9: Children's social care categories in the RA return (collected by DLUHC)

Health & Social Care	Children's social care	£000
310	Sure start children's centres and early years	
313	Children looked after	
315	Other children and family services	
322	Family support services	
323	Youth justice	
325	Safeguarding children and young people's services	
326	Asylum seekers	
327	Services for young people	
330	**TOTAL CHILDREN'S SOCIAL CARE (total of lines 310 to 327)**	**0**

Source: DLUHC (2012).

We believe that the data collected by half-yearly and yearly outturn returns in children's services would have several long-term benefits, especially considering the current need for informative data. For example, it would be useful to be able to use a mid-year point to look at actual data and to reforecast the whole-year picture. However, we do recognise that there would be additional burden on local authorities in preparing an additional outturn mid-year and doing so on the accrual basis. Looking to the wider financial world, accounting practices are increasingly able to provide good-quality information in real time. We observe that many of the provider organisations that local authorities buy services from (spending that is increasing prominent in the s251) will be reporting to their boards and owners or members on a monthly accrual-based cycle. Accounting systems now provide real-time interfaces to businesses so they can monitor their finances on a real-time daily basis.

During the consultation process, we heard the view that a mid-year forecast would be a good alternative to a half-yearly outturn return. The difference between the two is that while both would contain the actual spending data for the first six months of the financial year, the mid-year forecast would also include the remaining six months of budget data. This, if done accurately, could provide a good comparison with the yearly outturn return. However, this approach was ruled out due to the view that the benefits of implementing it would not outweigh the costs. Apart from concerns regarding an increased burden on local authorities, the potential impact on the accuracy of assumptions made in a whole-year forecast also needs to be considered. If these assumptions were to lead to forecasts adopting an overly optimistic or ambitious cost reduction outcome (for example), then forecasts could fall into the same inaccuracy trap that we see from the current s251 budgeting. Furthermore, the time taken to produce such a forecast would likely mean delivery of forecast reporting data in the October–December quarter, again meaning that for the first six to nine months of the fiscal year, the only data available to give indications for the current year would be the previous year's forecast. For this reason, we concluded that this was not the right approach to realigning the purpose of the s251 budget return at the present time.

Further points to consider relating to the proposed solutions

Timely returns

Our recommendations must be considered alongside the timing of the returns.

Budgets should be available early in the April–March fiscal year and therefore give users the best and most up to date view of the current state of affairs. Therefore, under current practices, with the aggregated outturn not being available until nine months after the end of the fiscal year, the budget is the only s251 data available about the current year until the next budget for the next year is created.

We recommend that the mid-year s251 outturn return be submitted in October and aggregated by the end of December of the calendar year. For example, the mid-year outturn for 2024/25, capturing actual spending between April 2024 and September 2024 (the first six months), could be submitted and aggregated by the end of December 2024 (as shown in Figure 10). After the financial year ends, the yearly outturn for the full 12 months should be submitted by August (2025 in the example) and aggregated as soon as possible thereafter. The second half-year outturn would be calculated by deducting the mid-year outturn from the yearly outturn.

In submitting the previous year's outturn (both full year and second half-year derived from the same) and the current year's mid-year data in timely succession in August and October, local authorities would be encouraged to self-validate the data and the trends they show. There may also be efficiency and consistency gained in the concentration of this s251 reporting to one period of the year.

Stakeholder attitudes

The idea of removing the current s251 gained support among local authority finance officers. However, the potential introduction of a mid-year outturn return was not received with great enthusiasm due to the increased burden it would represent.

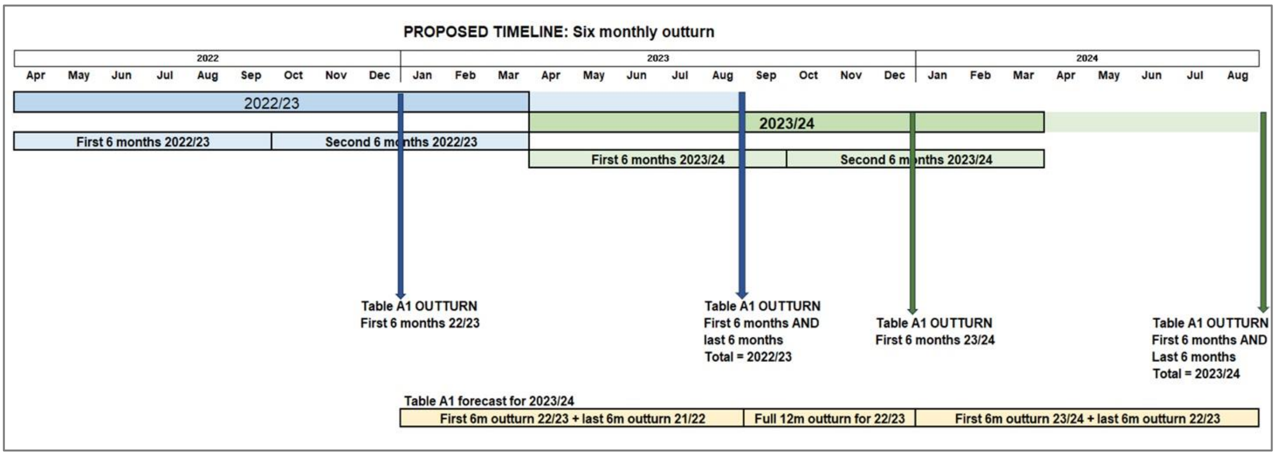
A reduced workload burden is attractive to officers who labour to translate information from their in-house systems into the common formats of the s251, especially given their perception that the data is of little or no use to the local authority itself. There is currently an acute focus on areas of overspending within local authorities so it is likely such officers are under pressure to provide increased levels of information about topics such as overspending, prices, projections, cost control and volumes in a timely fashion. Producing notional s251 budgets may seem an unwelcome additional task.

We consider, however, that there are a variety of current (and future) stakeholders with potential interests in the data. Given the current environment, improving the budget s251 figures would be an advantage, especially if the improvements could enable more frequent, timely and accurate benchmarking.

Summary of recommendations

- Realign the budget return by a) consolidating it with the RA return (DLUHC) and removing the s251 budget return and b) introducing a mid-year outturn return (accrual basis).
- Reconfigure the s251 budget return as a mid-year outturn return which requires actual spending for the first six months of the financial year on an accrual accounting basis to be submitted by October and released by December in the same calendar year.

Figure 10: Proposed timeline for mid-year and yearly outturn returns



Validation processes

Context

Validation is an important procedure to ensure good data quality in the s251. The quality of data in the s251 has been identified as highly problematic, which highlights the need to review the existing validation processes. In this section, firstly, we seek to establish the meaning of 'valid data' to establish what the ideal validation process should aim to achieve. Secondly, we review the six data quality dimensions (explained below in the section 'Validation and data quality') to assess which aspects of data quality we could expect to improve by reviewing the validation processes. Thirdly, we examine the existing validation practices – both by local authorities and by DfE – to understand whether and to what extent they are effective. Lastly, based on this analysis, we set out our recommendations.

'Valid' data, validation and data quality

The s251 contains financial data, essentially on public spending on services delivered to children and families. Therefore, it is important to clarify the meaning of 'validity' in financial data before discussing validation procedure in the submission process.

We use the definition offered by Norreklit et al. (2007), who discuss validity in the accounting performance measurement context. They argue that "truth … is vital key to the validity of accountant's work, and the truthfulness of information is a crucial claim that underpins the credibility of accountants" (p. 179).

We note that the definition points to two characteristics of financial data: truthfulness and credibility. Truthfulness of data in the context of s251 would concern whether and the extent to which the financial information can be derived from the s251 data represent the true account of public spending on delivering services. On the other hand, credibility concerns whether the figures reported are verifiable. With these two aspects in mind, we could, for instance, raise the following question about the validity of the s251 data: 'Do these figures reflect the services Local Authority A provided in service category X, and can they be cross-checked with the local authority's financial system?'

Validation and data quality

The role of validation in ensuring data quality is clear; however, it was less clear which aspects of data quality we could expect to enhance by improving the validation processes around the s251. We used the Data Quality Dimensions model, which specifies six dimensions: Validity, Accuracy, Completeness, Uniqueness, Consistency and Timeliness:

- **Validity** concerns the fit of the information to the construct intended.
- **Accuracy** concerns the correct quantification of the figures reported.
- **Completeness** refers to whether the entire set of relevant data is present.
- **Uniqueness** means not having any duplication of data (or double counting).
- **Consistency** means applying the same logics to organising and quantifying the information across different sections of services and over different periods.
- **Timeliness** refers to producing data at appropriate times so that they provide useful information for decision-making.

Using Norreklit et al.'s (2007) definition, at least the first three aspects are directly relevant to the validation process. In other words, improvements to the validation process would improve data quality by addressing aspects relating to the validity, accuracy and completeness of the data, but may address issues relating to the other aspects to a lesser extent.

Current practice: Pre-submission checks by local authorities

We spoke to three partnering local authorities concerning their processes for the s251 submission and related validation processes. While the precise details of whether and to what extent validation processes take place varied, there were shared concerns among the local authorities we spoke to. They told us that there were no formal validation processes in place, although some carried out informal sense checks (i.e. whether the figures 'made sense'). Some voiced concerns that in some years the data were submitted without any validation checks whatsoever due to time constraints.

We gained the impression that the finance officers had varying levels of confidence in the figures reported in the format specific to the s251. In particular, we found it concerning that in some cases, it was difficult for finance officers to evaluate whether the reported figures 'made sense'. There were three main explanations provided by the local authority colleagues we spoke to:

- misalignment between the s251 template and the local authority financial information structure
- completion of the submission by finance officers who are not necessarily knowledgeable about service costs
- difficulties in dealing with overhead reporting (allocation across services).

These points are now considered in turn.

Misalignment between the s251 and local authority financial information structures

The misalignment between the s251 template and local authority financial information was frequently mentioned to be problematic. Local authorities recorded costs in different 'pots' (i.e. cost centres) to mirror their service delivery model, where types of costs are recorded according to the accounting information structure (i.e. general ledger). Each local authority has a unique structure, which requires the information to be extracted from their financial system and then reorganised as required by the s251.

The participating local authorities all commented that the current service categories in the s251 differ from their operating model, which results in some figures being estimated just to complete the return. In some cases, the local authority financial system did not or was unable to collect information at the level of detail that the s251 requires. For instance, the s251 requires the cost of education for Children Looked After to be reported separately, but local authorities were unable to obtain this cost as it was not itemised in the invoices that service providers issued (and the prevailing view was that this practice is highly unlikely to change due to the way service providers invoice local authorities).

In some cases, the misalignment between local authority practices and the central reporting requirements was more fundamental. For instance, the s251 requires the costs of services for under-fives to be monitored separately. However, one local authority reported that the costs of services for under-fives could not be obtained separately but instead were included with those for under-11s. Several points were also raised concerning ambiguity about whether services should be categorised within 'Targeted family support' (line 3.4.4) or 'Universal family support' (line 3.4.5)

Knowledge issues among finance officers

As mentioned, informal sense checks were sometimes performed in the absence of formal validation procedures. The success of these sense checks, however, relies very much on the knowledge of the finance officer who completes the return. For example, the finance officer may be new or previously only have worked in a central finance office, which means they may not be knowledgeable about the costs of services and so may be unable to verify whether the figures are reasonable. Discussing figures with practitioner colleagues would address this concern to an extent, and indeed finance colleagues viewed the s251 to be more of a 'service-focused' return than the 'finance-focused' RA and RO returns. However, due to time constraints, it was not the norm to meet and discuss the s251 data with practitioner colleagues before submission.

Difficulties with overhead reporting

Overhead allocation was another area that presented challenges for validation. Depending on the service operation model, it was not clear how to allocate staff costs to different lines of the s251. This point is covered extensively in the earlier section 'Overhead reporting' and is not discussed further here.

Current practice: Pre-submission (COLLECT) and post-submission checks

We also spoke to colleagues at DfE who oversee the collection and publication of the s251 data.

The COLLECT system has in-built checks that are intended to aid local authorities in checking the data before submission. It uses, for instance, a variance threshold (in percent and in sterling) to identify oddities, although local authorities can still complete the submission if they get error messages.

Once a return has been completed, DfE repeats some of these checks so as to be able to follow up with queries to local authorities. The data are compared to the previous year's return, and any variance greater than +/−15% (in Table A1) or a threshold increase or decrease of +/−£500,000 (recently reviewed) will trigger an alert that requires local authorities to respond and confirm the figure reported. DfE's checks apply the variance and threshold to each service area within the s251 individually.

DfE also compares each budget return with the local authority's previous budget return as well as its actual return, although we found that different teams within DfE prioritise different comparison methods. The two tables (Table A and Table A1) were not cross-checked for the budget returns. Most colleagues we spoke to at DfE agreed that more validation checks were being done for Table A than for Table A1. This is for a combination of reasons, such as the fact that Table A has more structured funding sources (such as the Dedicated Schools Grant), which provide more information to use as part of validation. No external sources, such as the RA and RO returns, were used to check any of the figures in the s251, although colleagues were aware that there were large differences which it would be beneficial to look into in the future. The current validation methods and mechanisms present several improvement opportunities, which will be discussed in the 'Recommendations' section below.

Underlying issues that undermine data quality

The preceding discussions led us to consider the underlying issues that manifest when teams carry out a limited range of validation exercises. These include:

- low (perceived) value of the s251 data
- resource constraints (time and funding)
- communication barriers between local authorities and DfE as well as within organisations.

The perceived value of the s251 data was low among most local authority colleagues that we spoke to. Many believed that the data offered 'no real value' for local authorities and did not offer any unique insights. As a consequence, the return was almost always approached as a perfunctory procedure, where the objective was to complete it as efficiently as possible and with few (and sometimes no) validation checks. We also observed that local authorities were under immense resource pressure in terms of both time and funding. The general impression we received was that there was no incentive for them to invest more time to think thoroughly about or take the initiative to improve the data quality.

We also found that there was a generally low level of engagement between local authorities and DfE colleagues, despite a desire and willingness to work more closely to improve data quality. These communication challenges were mentioned within local authorities (between service and finance colleagues) as well as within DfE (policy analysts and data colleagues) in the context of children's services. In both organisations, we heard that more attention was paid to Table A, concerning which there were more interactions and collaborations, than to Table A1.

We suspect that the resource constraints and the perceived low value of the return are affecting the quality of the communication and collaboration between local authority and DfE colleagues. Local authority colleagues gave the opinion that communications with DfE colleagues were often limited to asking and answering queries that did not delve into the problems that the return should be addressing, such as local authority-specific issues or regional trends. They suggested that it would be more meaningful to discuss these topics and that such discussions would help to improve the quality of the data. On the other hand, DfE colleagues shared the view that more effective use of the COLLECT system could help to improve data quality and reduce the number of enquiries sent to local authorities.

Local authority colleagues expressed that they would like more pre-submission support and more discussion of matters that are specific to them (such as new regional trends and locality-specific challenges). DfE officials were open to hearing more from local authority colleagues and receiving feedback on ways to improve. These views collectively indicate that there is ample opportunity for a more collaborative approach.

Recommendations

Based on our findings, we believe that shared opinions on the low quality of the s251 data and prevailing norms around limited validation practices have negatively impacted how the s251 data are collected. Therefore, our recommendations in this section include making a wide-reaching cultural change that extends beyond the scope of validation processes and looks at the s251 submission as a whole.

Recommendation 1: Establish a *funded* working group, jointly led by a DfE colleague and a local authority colleague, and supported by DfE and ADCS

The working group could meet to discuss the s251 and its data. Meetings could take the form of yearly workshops, discussion forums and/or regular communication channels where DfE and local authority colleagues could discuss their experience of the submission process and their data quality concerns. This could also serve as a way for DfE colleagues to obtain feedback on potential improvements. This structure would allow a bottom-up process for proposing improvements to the return, with the goal of increasing data ownership and accountability for data quality in an organic way.

We emphasise that this working group would be funded to create a meaningful narrative around the s251 beyond the life of this project. It should contain leadership figures from both local authorities and DfE in order to ensure it has an impact.

More specifically relating to validation checks, we also recommend that the working group and DfE collaborate to develop more sophisticated models and tools. This is because the existing variation checks rely on strong assumptions to be met concerning consistency, which could inadvertently promote incorrect figures being reported in order not to trigger queries.

Recommendation 2: Develop model-based validation checks

Instead of applying one rule across children’s services, expenditure trends for important categories (such as Children Looked After) could be monitored separately. Oddities could be identifiable via a threshold (in percent or sterling) that takes into account the size of the local authority’s Children Looked After population and its particular commissioning model. For instance, the validation check could use an input from the local authority to calculate an appropriate level of variance against which to check the data.

Recommendation 3: Conduct bidirectional trend analysis

In some cases, changes in spending in one area may be related to changes in another area. For instance, a decrease in spending in foster care may not necessarily be an indication of achieving better cost efficiency but rather a sign of difficulties in recruiting foster carers, which may result in increased use of residential provisions. Various long-term bidirectional trends could be studied and modelled into validation checks.

Recommendation 4: Make room for local authorities to provide contextual information

Local authorities expressed that there was a need for local contexts to be communicated to DfE in order to enable DfE to validate the data in a more meaningful way. This could be done simply via the provision of a text box on the cover page of the return where information could be typed in, or in a survey-type form that contains a series of questions (with an ‘additional comments’ box).

Guidance documentation

Context

The usefulness of the existing guidance plays an important part in accurate completion of the s251. This section looks at whether there are options for improvements to enhance the clarity and usefulness of the guidance for the s251.

Review and discussion

The existing guidance is comprehensive and covers the s251 budget and outturn returns. It is available to use online and can be downloaded in PDF format. It is not concise: the budget guidance runs to about 80 pages (2023/24 guidance; ESFA, 2023b) and the outturn guidance slightly less (2022/23 guidance; ESFA, 2022).

Discussions with local authority practitioners identified that they find the guidance detailed but also technical and not always clear or phrased in terms they understand. This is not to say that the guidance is not covering what it should or is not comprehensive.

The guidance for children’s services (Table A1) is arguably not as comprehensive and prescriptive as it is for education (Table A). This is due to the fact that education is more regulated in terms of the spending that can be charged to budgets. However, we do not advocate for a more rules-based approach to the guidance but maintain that it should cover the principles of what is charged to cost lines within the return.

This means that the guidance is adequate in the sense that it covers the key areas of cost that should be charged to cost lines within the return. It does not need to go into a more granular level of detail about what makes up those costs. It is for each local authority to determine which costs are valid for each cost line. Providing more granular detail in the guidance would necessitate more regular reviews and updates to ensure all details remain accurate.

A key issue for local authorities is how extensively the guidance is used and referred to. Discussion with local authorities identified that some complete the return following what they have previously submitted. This means that generally local authorities have mapped their existing chart of accounts codes and cost centres to the various cost lines within the return. This is useful and enables new personnel to pick up the completion of the return to follow what has previously been done. It will, however, perpetuate errors in submissions if the mapping is not reviewed to ensure it meets the current guidance.

Discussions with DfE indicated that they often have queries about the data submitted and, in some cases, find it difficult to obtain adequate responses to queries raised with local authorities. DfE colleagues questioned, based on the queries they see, whether the guidance is always being fully read.

Overall, our discussions with the users and producers of the guidance indicated two areas of concern:

- how regularly (or not) the guidance is referred to in completion of the returns
- concerns among DfE colleagues about whether the guidance is serving its purpose.

Process improvements

The key question to be addressed by any suggested improvements is how to make the guidance more accessible and useful while also providing assurance for DfE that it will help to improve the accuracy of the return.

As noted earlier in this section, we do not advocate for adding detail to the guidance as it is already comprehensive. We would, however, recommend that the guidance becomes more interactive, potentially forming part of the return process.

Changing the format of the guidance to be more interactive and part of the return process could generate several benefits:

- Because the guidance would be a live document presented alongside the return, it would provide a checklist for practitioners to use during the completion process.

- Further information could be returned to DfE with the return, providing DfE with a point of contact in the local authority and adding context where needed to the figures.

We looked at an example of a document – the CIPFA Disclosure Checklist – used by local authority practitioners during completion of the annual financial statement (see Figure 11). This document provides a checklist for preparers of the financial statement to ensure that they have made the appropriate disclosures. It asks questions for which the preparer can select a basic answer (‘yes’, ‘no’ or ‘not applicable’) and provide a summary explanation if needed. This document is extensively used by preparers and auditors to confirm the appropriate level of disclosure has been made.

Figure 11: CIPFA Disclosure Checklist extract

DISCLOSURE CHECKLIST: 2022/23 ACCOUNTS

	Question	Code Ref	Answer	Explanation
General considerations for the financial statements				
Presentation of financial statements				
GC 1	Do the financial statements comprise the following:	3.4.2.17		
	a) Comprehensive Income and Expenditure Statement?		Select	
	b) Movement in Reserves Statement?		Select	
	c) Balance Sheet?		Select	
	d) Cash Flow Statement?		Select	
	e) Notes, comprising significant accounting policies and other explanatory information?		Select	
	f) Comparative information in respect of the preceding period as specified in paragraphs 3.4.2.31 of the Code) and 38A of IAS 1 (see GC 5, GC 6 and GC 7 below)?		Select	

A similar format for the s251 guidance could look as shown in Figure 12 (for illustration purposes only).

Figure 12: S251 Table A1 completion guidance checklist (selected sections, for illustration purposes only)

S251 Children’s and Young People’s Services – Completion Guidance Checklist

This form is designed to assist you in completing the s251 return for Children’s and Young People’s Services. The form, once completed, will provide a checklist to ensure the return has been completed in full. It will also accompany the return to the Department for Education to provide useful insight into areas where trends in costs have changed and/or significant differences in the way the authority organises delivery of its services.

Your email: ....

Your authority: ....

3.1 Corporate Parenting

3.1.1a Children’s Homes

This section includes direct expenditure on residential care in voluntary and registered children’s homes (as defined in the Children Act 1989) [could include a link]

Have you included independent visitor costs and contact payments	Yes/No/NA	Context note (if needed)
Are costs for homes where education is provided, but does not attract education department funds, included	Yes/No/NA	
Boarding schools: have you included the social care share of the costs of community homes with education provision and the social care element of accommodating children with special educational needs in schools where the education element is met by the education department (the funding of the children’s education is recorded in the education lines of the table)	Yes/No/NA	
Have you excluded expenditure costs for: • short breaks for disabled Looked After Children • mother and baby homes (include in line 3.1.5: ‘Other Looked-after Children Services’) • youth detention accommodation (include in line 3.1.5: ‘Other Looked-after Children Services’) • respite care for those children not meeting the definition of Children Looked After	Yes/No/NA	

Are there any changes in the cost trends of your expenditure that you wish to highlight?	Free text for explanation

It is envisioned that this checklist would be an interactive electronic form to be completed by the preparer during the preparation of the return. The ability to add context and, where appropriate, information on material changes in the data – for example, where income has been raised for the first time – would assist DfE in understanding the return and the context the local authority is operating in.

If the forms are submitted electronically, DfE will gain assurance that all returns have been completed and a point of contact within the local authority to resolve remaining queries on the data.

Summary of recommendations

- Do not expand the existing guidance to include further granular detail on the exact nature of costs that should be charged to particular lines
- Consider revising the format of the guidance to a more interactive checklist for preparers.
- If a checklist approach is adopted, ensure it will enable preparers to add context and narrative on items that have materially changed within the return. This will provide DfE with information to help them resolve queries within the data.

Conclusion

This part of the project focused on proposing solutions to issues with the design, structure and processes around the s251 based on the finding from the background research that the current return produces low value for stakeholders.

In this five-part section, we closely examined:

- how the spending information in children's services is reported in the current template and its implications for the accuracy, consistency and usefulness of the s251 data
- how overhead costs can be reported so as to reflect the true cost of delivering services but in a way that does not limit the ability to conduct spending comparisons across local authorities
- the meaningfulness of the budget return and potential alternative forms

- the existing validation processes undertaken by local authorities and DfE, and ways the role and integrity of these processes might be strengthened
- the usefulness and user-friendliness of the current guidance document that assists in completion of the return.

Our findings resulted in a set of immediately actionable and achievable recommendations that would improve the quality and value of the s251 children's services data. These recommendations would require several changes to the current s251 template and to the return processes of both DfE and local authorities. However, none of these changes would require a large capital investment. Rather, the recommendations collectively represent our vision of a renewed approach to the return, consisting of a new template design that would collect and produce more useful information, strengthened processes to help in the production of valid and reliable data, and improved communication between DfE and local authorities that supports efficient and effective data return process on both sides.

We found that local authorities treat the s251 as a perfunctory exercise, perceiving that it produces low value for them. There was, however, much interest in accessing reliable benchmarking data that can provide insight into the environment they are operating in. We considered how and to what extent the s251 might be able to meet this need for data insight. We believe that the s251 is not well equipped to support day-to-day operational decision-making for all local authorities. However, the s251 does provide a good reporting infrastructure for benchmarking, and thus it has the potential to add real value to children's services in the current environment, beyond its fundamental role as a central reporting mechanism for public accountability.

We focused on the s251's unique ability to provide benchmarking data on public spending in children's services across all English local authorities. In this work, we considered how and to what extent the s251 could enable unit cost calculation and be adapted to improve the consistency of overhead reporting across local authorities. Also, we considered how the key data quality concerns relating to the s251 – inaccuracy, inconsistency and uninformativeness – may be best addressed without increasing the burden on local authorities.

To this end, our recommendations are twofold: implement a return template and processes to increase the usefulness, accuracy and consistency of the s251 data, and continue improving the return by building an ongoing collaborative relationship between DfE and local authorities. The former corresponds to the recommendations B (Actionable and Immediate reform) in the Overview report, and the latter forms part of the recommendations C.

Our recommendations concerning the template and processes are aimed at improving usefulness, accuracy and consistency of data. These are:

1. Implement the new return template and corresponding updated guidance for the Children Looked After section (3.1) of the s251. Key changes include:
    a. introduce more granular placement type categories which align more closely with the SSDA903 (which is a statutory data return concerned with Children Looked After)
    b. include activity data (care weeks) to enable unit cost calculation
    c. separate secure Children's Home spending into two: secure remand and welfare remand
    d. ensure clear distinction between residential care and supported accommodation spending
    e. separate spending and activity data for Unaccompanied Asylum-Seeking Children
    f. separate spending and activity data for children in care subject to Deprivation of Liberty Safeguards.
2. Develop the overheads across Table A1 so they are more sharply defined, presented on a separate line, and split between indirect service-related overheads and central and corporate overheads.
3. Reconfigure the budget return to report half-yearly actual figures so to provide more accurate and timely benchmarking and spending insights.
4. Develop the s251 guidance into an interactive checklist which:
    d. provides clear prompts to local authority finance teams to ensure returns are completed in full
    e. allows easier recording of points of contact in local authorities
    f. includes the facility to add contextual information (e.g. to explain variations) to streamline the validation process.

We also made recommendations that pointed to the dynamic nature of the s251 and, consequently, recommended that the key stakeholders should reflect this dynamism in a collaborative approach to their work together. Some of the recommendations would involve changes to current ways of working at DfE and local authorities. We found that there was a general lack of structure or process which might cultivate more explicit leadership from DfE, facilitate two-way communication between DfE and local authorities, and foster bottom-up initiatives aiming at continued improvements over time. In particular, we observed that there was a lack of a collaborative culture, which hindered effective communication on policy administration and outcome monitoring, as communication between DfE and local authorities was often seen as being focused merely on enquiries as a part of data validation checks. Such issues represent a significant loss of opportunity for improving the return.

Given the dynamic nature of the s251, we believe there is a case for establishing a clear communication channel between DfE and local authorities, as well as other related parties such as the LGA and DLUHC. This channel would allow guidance, best practices and ongoing improvements to be shared and implemented. We therefore also recommend that DfE establishes a working group, or another suitable form of collaboration, to sustain and strengthen the recommendations as they are implemented, to evaluate and improve data practices around the return, and to create a closer working relationship with local authorities. To this end, our recommendations are

To recognise the more dynamic nature of the s251

1. Commission a formative evaluation of the rollout of these reforms.
2. Establish a formal strategic group with senior DfE representation and the involvement of the Association of Directors of Children's Services (ADCS) and external experts to meet annually to assess the progress of the reforms and consider the nature and timing of further reforms.
3. Establish an operational group co-chaired by DfE and a local authority representative, with the active support of ADCS and finance professionals, to provide an annual report timed to precede completion of the return. The annual report should include local authority-led recommendations on improvements to the guidance provided on the submission process, the submission process itself and the validation of submissions.
4. Develop more sophisticated and streamlined validation checks within the DfE Collect system that evolve with the needs of stakeholders.

APPENDICES

Appendix A to Section 2: Children Looked After

Proposed template for the Children's and Young People's Services section (Table A1) of the s251

TABLE A1: CHILDREN'S AND YOUNG PEOPLE'S SERVICES (Proposal)

	Description	Own Provision (a)	Externally commissioned (b)	Total expenditure (k)	Income (l)	Net current expenditur (m)	Govt. Grants (n)	LEA NET Revenue Expenditure (q)	Activity: Placement weeks (z)	Placements corresponding to codes in SSDA903
	CHILDREN'S AND YOUNG PEOPLE'S SERVICES									
	SURE START CHILDREN'S CENTRES AND OTHER SPEND ON CHILDREN UNDER 5									
3.0.1	Spend on individual Sure Start Children's Centres	20.00	20.00	40.00	10.00	30.00	5.00	25.00		
3.0.2	Spend for local authority provided or commissioned area wide services delivered through Sure Start Children's Centres			0.00		0.00		0.00		
3.0.3	Spend on local authority management costs relating to Sure Start Children's Centres			0.00		0.00		0.00		
3.0.4	Other spend on children under 5			0.00		0.00		0.00		
3.0.5	Total Direct Service Costs - Sure Start children's centres and other spend on children under 5	20.00	20.00	40.00	10.00	30.00	5.00	25.00		
3.0.6	Indirect Overheads - attributable to service provision			0.00		0.00		0.00		
3.0.7	TOTAL SERVICE COSTS - Sure Start children's centres and other spend on children under 5	20.00	20.00	40.00	10.00	30.00	5.00	25.00		
3.1	**CORPORATE PARENTING**									
3.1.1	**Residential care**									
3.1.1a	Children's Homes			0.00		0.00		0.00		K2, R1, S1
3.1.1b	Secure Children's Homes (secure welfare placements)			0.00		0.00		0.00		K1*
3.1.1c	Supported accommodation			0.00		0.00		0.00		H5
3.1.1d	Youth detention accommodation			0.00		0.00		0.00		K1*, R5
3.1.1e	Residential total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	
3.1.2	**Fostering services**									
3.1.2a	Fostering with other foster carer(s) (excluding fees and allowances for in-house foster carers)			0.00		0.00		0.00		A3, A4, A5, A6, U4, U5, U6
3.1.2b	Fees and allowances for in-house foster carers			0.00		0.00		0.00		A3, A4, A5, A6, U4, U5, U6
3.1.2c	Fostering with relative(s) or friend(s)			0.00		0.00		0.00		A3, A4, A5, A6, U1, U2, U3
3.1.2d	Fostering total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	
3.1.3	**Other looked-after children services**									
3.1.3a	Family Assessment Centres			0.00		0.00		0.00		R3
3.1.3b	Short breaks (respite) for looked after disabled children			0.00		0.00		0.00		T0, T1, T2, T3, T4
3.1.3c	Other placements			0.00		0.00		0.00		P1, P2, P3, R2, T0, T1, T2, T3, T4, Z1
3.1.3d	Advocacy			0.00		0.00		0.00		
3.1.3e	Other looked-after children services total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	
3.1.4	**Accommodation for children subject to Deprivation of Liberty Safeguarding (DoLS)**									
3.1.4a	Children's Homes			0.00		0.00		0.00		K2, R1, S1
3.1.4b	Fostering			0.00		0.00		0.00		U1, U2, U3, U4, U5, U6
3.1.4c	Other placements			0.00		0.00		0.00		All other activity
3.1.4d	Accommodation for children subject to DoLS total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	

(continued)

TABLE A1: CHILDREN'S AND YOUNG PEOPLE'S SERVICES (Proposal)

	Description	Own Provision	Externally commissioned	Total expenditure	Income	Net current expenditure	Govt. Grants	LEA NET Revenue Expenditure	Activity: Placement weeks	Placements corresponding to codes in SSDA903
		(a)	(b)	(k)	(l)	(m)	(n)	(q)	(x)	
	CHILDREN'S AND YOUNG PEOPLE'S SERVICES									
3.1.5	**Unaccompanied Asylum Seeker Children (UASC)**									
3.1.5a	Residential care			0.00		0.00		0.00		K1, K2, R1, R5, S1
3.1.5b	Secure Children's Homes (secure welfare placements)			0.00		0.00		0.00		
3.1.5c	Supported accommodation			0.00		0.00		0.00		U1, U2, U3, U4, U5, U6
3.1.5d	Fostering			0.00		0.00		0.00		H5
3.1.5e	Other placements			0.00		0.00		0.00		All other activity
3.1.5f	Support services (UASC)			0.00		0.00		0.00		
3.1.5g	Unaccompanied Asylum Seeker Children (UASC) pre-18 sub-total	0.00	0.00	0.00		0.00		0.00		**Please remember to record all pre-18 UASC income in this line**
3.1.5h	Leaving care support services (UASC)			0.00		0.00		0.00		Please remember to record all post-18 UASC income in this line
3.1.5i	Unaccompanied Asylum Seeker Children (UASC) total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	
3.1.6	**Non-CLA support**									
3.1.6a	Adoption services			0.00		0.00		0.00		
3.1.6b	Special guardianship support			0.00		0.00		0.00		
3.1.6c	Child arrangement support			0.00		0.00		0.00		
3.1.6d	Leaving care support services (non UASC)			0.00		0.00		0.00		
3.1.6e	Non-CLA support total	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
3.1.7	Total Direct Service Costs - Corporate Parenting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
3.1.8	Indirect Overheads - attributable to service provision			0.00		0.00		0.00		
3.1.9	TOTAL SERVICE COST - Corporate Parenting	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	OTHER CHILDREN AND FAMILY SERVICES									
3.2.1	Other children and families services			0.00		0.00		0.00		
3.2.2	Indirect Overheads - attributable to service provision			0.00		0.00		0.00		
3.2.3	TOTAL SERVICE COST - Other Children and Family Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	SAFEGUARDING CHILDREN AND YOUNG PEOPLE'S SERVICES									
3.3.1	Social work (including LA functions in relation to child protection)			0.00		0.00		0.00		
3.3.2	Commissioning and Children's Services Strategy			0.00		0.00		0.00		
3.3.3	Local Safeguarding Children Board			0.00		0.00		0.00		
3.3.4	Total Direct Service Costs - Safeguarding Children and Young People's Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
3.3.5	Indirect Overheads - attributable to service provision			0.00		0.00		0.00		
3.3.6	TOTAL SERVICE COST - Safeguarding and young people's services	0.00	0.00	0.00	0.00	0.00	0.00	0.00		

(continued)

TABLE A1: CHILDREN'S AND YOUNG PEOPLE'S SERVICES (Proposal)

	Description	Own Provision	Externally commissioned	Total expenditure	Income	Net current expenditure	Govt. Grants	LEA NET Revenue Expenditure	Activity: Placement weeks	Placements corresponding to codes in SSDA903
		(a)	(b)	(k)	(l)	(m)	(n)	(q)	(x)	
	CHILDREN'S AND YOUNG PEOPLE'S SERVICES									
	FAMILY SUPPORT SERVICES									
3.4.1	Direct payments			0.00		0.00		0.00		
3.4.2	Short breaks (respite) for disabled children			0.00		0.00		0.00		
3.4.3	Other support for disabled children			0.00		0.00		0.00		
3.4.4	Targeted family support			0.00		0.00		0.00		
3.4.5	Universal family support			0.00		0.00		0.00		
3.4.6	Total Direct Service Costs - Family Service Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
3.4.7	Indirect Overheads - attributable to service provision			0.00		0.00		0.00		
3.4.8	TOTAL SERVICE COST - Family Support Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	SERVICES FOR YOUNG PEOPLE									
3.5.1	Universal services for young people			0.00		0.00		0.00		
3.5.2	Targeted services for young people			0.00		0.00		0.00		
3.5.3	Total Services for young people	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
3.5.4	Indirect Overheads - attributable to service provision			0.00		0.00		0.00		
3.5.5	TOTAL SERVICE COST - Services for Young People	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	YOUTH JUSTICE									
3.6.1	Youth justice					0.00				
3.6.2	Indirect Overheads - attributable to service provision					0.00				
3.6.3	TOTAL SERVICE COST - Services for Young People			0.00	0.00	0.00				
3.7	**CENTRAL AND CORPORATE OVERHEADS allocated or apportioned to services**					0.00				
	TOTAL CHILDREN AND YOUNG PEOPLES SERVICES (EXCLUDING CERA)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**		
4.0.1	Capital Expenditure from Revenue (CERA) (Children's and young people services)					0.00				
5.0.1	Do not complete - not applicable									
5.0.3	**Total Children and Young People's Services Expenditure (including CERA)**			**0.00**	**0.00**	**0.00**				
	MEMORANDUM ITEMS									
8	**Services for young people**									
8a.1	Substance misuse services (Drugs, Alcohol and Volatile substances) (included in 3.5.1 and 3.5.2 above)									
8a.2	Teenage pregnancy services (included in 3.5.1 and 3.5.2 above)									

Testing feedback on the proposed changes to the Children Looked After section of the s251

Categorisation	Local authorities confirmed that they were able to achieve 100% consistency with their existing 2022/23 return in reporting their spending (after accounting for differences due to correctly interpreting movements of spending into and out of the section of the return, e.g. advocacy costs). There were no issues raised about mapping spending to the new placement type categories.
Resource burden	The view of local authorities testing the return was that once the data had been mapped, there was no significant impact on their resource: It took a while to re-map the financial data to the new categories and reconcile. Around 14 hours. Now that mapping is done we don't expect that completion of the return with [the] new categories will take any longer than before. [It took] about one day in total which was about the same [as the old return]. It was noted, though, that collating the DoLS element was a manual and resource-intensive exercise which required input from other departments.
Local authority practice	The inclusion of activity data (care weeks) and DoLS information required finance teams to engage with other council departments. In advance of the testing there was some concern about this, but the feedback in the end was very positive. There was a feeling that this step ensured the submitted data were more reflective of the service. There was also speculation that, if implemented outside a pilot, it would increase the level of corporate ownership of the s251 and support data validation as it would enable individual services to identify any clear anomalies: Completing [the] template required input collectively across the children's services ensuring that the data behind the template was more reflective of the overall service.

	The key difference is it will require more service input which is not necessarily a bad thing.
Guidance	The new guidance was well received, being described by the test local authorities as 'sufficiently clear'. It was also mentioned that it 'supported more focused thinking around cost categorisation as the definitions are much clearer'. Some questioned how to split out income for UASCs and record spending for children who are only subject to DoLS for part of a year.

Feasibility barriers

Overall, the feedback from local authorities was positive and limited issues were raised. However, there was concerns raised in some areas, reported here.

Children subject to DoLS

As anticipated, all three test local authorities reported that separating out costs relating to children subject to DoLS was challenging and required resource support from additional members of the service beyond finance. Local authorities reported that this required 'further manipulation of the children social care data and systems' or that they were 'reliant on receiving data from the Legal Team and processing [it] to get [it] into the return'.

However, all three local authorities were able to manage the separation and one local authority noted that, once the additional information had been received, it had only taken a couple of hours of extra work to map the costs to the correct lines. Another noted that if this recommendation was implemented, they would start 'noting the individuals subject to DoLS and create a manual tracker', which would expediate the process in future.

Overall, the difficulties faced during testing do not change our recommendation that this separation in costs should be conducted. As noted by one of the finance colleagues who carried out this work, 'benchmarking will be more beneficial as generally these placements are usually the highest cost leading to a much higher average cost' and the exercise should 'provoke more strategic conversations around each cohort [e.g. with or without DoLS] across local authorities as social work practice can be adapted for the most complex young people'.

Apportioning UASC spending and income against accommodation types

All three test local authorities reported that they faced difficulties mapping spending on children with UASC status to different accommodation types. This is because previously all of this spending was mapped to either 'Residential care' (line 3.1.1) or 'Asylum seeker services children' (line 3.1.10). However, it was felt that once the spending had been mapped, this would not be a source of ongoing resource pressure.

Overheads

One test local authority noted that additional time was required to source the information required on overheads, as they needed to request an estimate from their corporate team. This issue is discussed further in the 'Overhead reporting' section in the main part of Section 2.

Reducing ambiguity in the template structure

The test local authorities were generally able to use the new template structure and map their spending to the new lines. In addition to the areas noted in the preceding sections relating to splitting out costs relating to DoLS and UASC spending, which did not reflect issues with interpreting the template but rather with mapping spending to it, local authorities did note some other issues with the template structure. One of the issues that was raised did lead to changes being made to the template structure (already reflected in the version submitted in this report). The issues were as follows.

UASC support costs (line 3.1.5f)

In the template version provided to the test local authorities, there was no line for UASC support costs. One of the test local authorities indicated that this would leave no place for reporting the costs of specialised teams that support children with UASC status before they become care leavers. As a result, this line was added to the template.

Removal of 'Other children looked after services' (previously line 3.1.5)

The removal of the 'catch-all' line 3.1.5 from the existing template caused some challenges for one of the local authorities, which had previously used this line to capture spending around transport costs associated with Children Looked After. This had not been addressed in the template or guidance provided to the test local authorities.

Through further discussions with the three local authorities, it was identified that there was inconsistency in how this spending was currently allocated. Two authorities reported this spending in line 3.1.5, while the third local authority reporting this spending within the 'Home to school' transport costs in lines 2.1.5 and 2.1.8.

Given that it is clear that not all local authorities are able to separate out spending on transport for Children Looked After, it seems appropriate to treat this spending in the same way as spending allocated to 'Education of looked after children' (line 3.1.8) and subsume it within general spending on young people in other parts of the return. Accordingly, the guidance was updated to more explicitly detail where spending of this kind should go following the removal of line 3.1.5. This should help to ensure greater consistency between local authorities.

Reducing ambiguity in the guidance

Overall, the updated guidance was well received by the test local authorities. One local authority noted that the guidance was 'sufficiently clear', while another positively reported that 'the guidance has supported more focused thinking around cost categorisation as the definitions are much clearer'. There were, though, a number of areas where local authorities felt the guidance could be improved.

The main source of concern for local authorities was where to report spending that had been removed from the template. This fell under two broad categories:

- spending on transport for Children Looked After that was previously reported in ‘Other children looked after services’ (line 3.1.5) – as discussed in the previous section
- spending on education support for Children Looked After that was previously reported in ‘Education of looked after children’ (line 3.1.8), such as virtual school spending.

Following discussions with the test local authorities, guidance around this spending was more explicitly addressed in our draft guidance document, both within the relevant sections (where still remaining) and at the beginning of the document.

A second issue raised was that there could be ambiguity around the treatment of spending for children who are subject to DoLS for only a portion of the year or even a portion of a single placement duration (as raised by one test local authority). It seems likely that an apportionment of placement costs for children subject to DoLS is required so that the spending is reported under the new line 3.1.4 only when the child is subject to the order. This might require additional effort for local authorities to estimate this spending. Given that the value of the exercise is to, in the words of one test local authority, ‘provoke more strategic conversations around each cohort’ such that ‘social work practice can be adapted for the most complex young people’, it seems proportionate to record spending on all placements related to children who are subject to DoLS at any time in the year of the return against line 3.1.4, even if some of their time in care that year was prior to the order being made or after it was lifted. This has been reflected in the guidance in line 3.1.4.

One local authority also noted that there was no guidance on how to calculate the placement weeks activity requested in the new return. As a result, short piece of guidance has been added to the beginning of the guidance document. This may need to be revised in light of further feedback on how this is calculated across different local authorities.

The final issue raised through testing was the recording of grant income for UASCs. All three test local authorities reported that they would not be able to allocate this income to the accommodation lines for young people with UASC status (3.1.5a–3.1.5e) without an apportioning process that would be administratively burdensome. Given the limit to the value of expenditure and income reported this way, the recommendation was adjusted to recommend reporting income in two lines only (3.1.5g and 3.1.5h) to split out income for activity for pre-18s and post-18s. Following additional guidance from DfE’s UASC Team, within the Childern’s Social Care Funding Strategy Team, we have also added guidance to ensure that both expenditure and income relating to the relevant Home Office grant is represented in all lines.

Appendix B to Section 2: Guidance documents for Children Looked After

Following the review of the Children Looked After portion of the s251, the new guidance for the proposed template is presented here.

Corporate parenting

This section of the return relates to costs associated with:

- Children Looked After
- care leavers
- other children who receive corporate parenting support from the local authority, generally in kinship care arrangements.

For Children Looked After, include the expenditure of looking after children for continuous periods of more than 24 hours. These are the same children who would be included in the SSDA903 report. As far as possible, use of placement codes from the SSDA903 (line 2.2.8) is used in this guidance to identify which children sections of the report refer to.

Exclude overhead costs as defined below, e.g. any allocation of corporate or central costs. These costs are included in a separate category to facilitate common measurement and benchmarking of direct service costs without losing the ability to calculate total cost.

Include any central government grants as expenditure under the line in which they will be spent, e.g. the Unaccompanied Asylum-Seeking Children Home Office grant.

Note on children subject to Deprivation of Liberty Safeguards (DoLS)

One of the most significant changes to the structure of spend reporting for Children Looked After is the separate reporting on costs and activity for children subject to DoLS (line 3.1.4). Please ensure that costs and activity for these children are separated from costs and activity for other Children Looked After for all relevant placement types.

Note on ‘Asylum seeker services children’

Another change in the structure of spend reporting for Children Looked After relates to expenditure for Unaccompanied Asylum Seeker Children (UASCs). In previous returns, support services relating to UASCs were reported in the ‘Asylum seeker services children’ line (3.1.10), but costs relating to their accommodation were reported with the relevant placement type (e.g. the cost of a children's home placement for a UASC would have been reported in line 3.1.1).

In the new structure, all expenditure associated with UASCs, including the cost of their accommodation, should be reported in the new 'Asylum seeker services children' line (3.1.5).

Note on accommodation for 16- to 17-year-old Children Looked After

Expenditure associated with providing and maintaining accommodation for Children Looked After who are 16–17 years old should not be included in the care leaver sections of the return, even if the local authority's care leaver team are responsible for this.

Instead, these costs should be included in the relevant accommodation section. For example, costs associated with providing and maintaining a supported accommodation placement for a 16- to 17-year-old Child Looked After should be included in line 3.1.1c.

Note on activity

To improve the benefit of the return in enabling benchmarking of expenditure between local authorities, a column (x) to capture the activity relating to the expenditure for each placement type has been included.

This column should include a sum of the number of weeks that each placement of this type was open during the year.

Note on costs that have been removed from the previous section 3.1

Transport for Children Looked After

Aside from associated independent visitor costs and relevant contact payments under Sections 20 to 34 of the Children Act (1989), expenditure on transport for Children Looked After should be reported under the following lines:

- 'Home to school transport (pre-16): mainstream home to school transport expenditure' (2.1.5) and 'Home to post-16 provision transport: mainstream home to post-16 transport expenditure' (2.1.8): for costs relating to transporting Children Looked After to school
- 'Targeted services for young people' (3.5.2): for costs relating to any other transport for Children Looked After.

3.1.1a Residential care

Include expenditure on residential care in:

- registered children's homes as defined in the Children Act (1989) (placements with SSDA903 code K2)
- residential care homes (placements with SSDA903 code R1)
- residential schools (placements with SSDA903 code S1).

Include associated independent visitor costs and relevant contact payments under Sections 20–34 of the Children Act (1989).

For boarding schools and homes where education is provided, include both the social care and education costs of accommodating children, where those costs are charged to social care. Any funding for education of Children Looked After provided by the education department should be recorded as income under 'Govt. grants' (col. n).

Exclude:

- short breaks for Children Looked After (include in 3.1.3b)
- family assessment units and mother and baby homes (include in 3.1.3a)
- secure children's homes and youth detention accommodation (include in 3.1.1b and 3.1.1d)
- respite care for those children not meeting the definition of looked after
- children subject to DoLS (include in 3.1.4a).

3.1.1b Secure Children's Homes (secure welfare placements)

Include expenditure on residential care in secure accommodation where Section 25 of the Children Act (1989) applies (or would apply after 72 hours).

Include associated independent visitor costs and relevant contact payments under Sections 20–34 of the Children Act (1989).

Exclude:

- children subject to a court-ordered secure remand (include in 3.1.1d)
- children subject to DoLS (include in 3.1.4b).

Note that the distinction made here between 'secure welfare' and 'secure remand' accommodation means that expenditure on children whose placement activity is reported under SSDA903 placement code K1 will be divided between this line and line 3.1.1d.

3.1.1c Supported accommodation

Include expenditure on residential accommodation not subject to the Children's Homes (England) Regulations (2015), but where some supervisory or advice staff are employed (though they do not have to live on the premises) (placements with SSDA903 code H5).

For activity and expenditure before 28 October 2023, this can include unregistered placements. From 28 October 2023, activity and expenditure in this line should correspond only to registered supporting accommodation, or placements that were formerly classed as semi-independent placements (SSDA903 code H5). Expenditure related to all other placements formerly classed as semi-independent placements should be included in line 3.1.3c.

Include associated independent visitor costs and relevant contact payments under Sections 20–34 of the Children Act (1989).

Exclude children subject to DoLS (include in 3.1.4c).

3.1.1d Youth detention accommodation

Include expenditure on residential care in:

- secure accommodation where the child is subject to a court-ordered secure remand
- young offender institutes, including secure training centres (placements with SSDA903 code R5).

Include associated independent visitor costs and relevant contact payments under Sections 20–34 of the Children Act (1989).

Exclude expenditure on secure accommodation where Section 25 of the Children Act (1989) applies (or would apply after 72 hours) (include in 3.1.1b).

Note that the distinction made here between 'secure welfare' and 'secure remand' accommodation means that expenditure on children whose placement activity is reported under SSDA903 placement code K1 will be divided between this line and line 3.1.1b.

3.1.2a Fostering with other foster carer(s) (excluding fees and allowances for in-house foster carers)

Include all in-house provision and fostering services purchased externally (placements with SSDA903 codes U4, U5 and U6). Include children who have been placed for adoption with other foster carers, but are still considered looked after under the Children Act (1989) (placements with SSDA903 codes A3, A4, A5 and A6).

Include:

- the costs of social worker and other support staff who support foster carers
- fees for externally commissioned fostering services
- associated independent visitor costs and relevant contact payments under Sections 20–34 of the Children Act (1989).

Exclude:

- children placed with relative(s) or friend(s) (include in 3.1.2c)
- fees, allowances and financial payments paid to in-house foster carers (include in 3.1.2b)
- children subject to DoLS (include in 3.1.4d)
- remand fostering (include in 3.6.1)
- social work costs related directly to the fostered children (social work) (include in 3.3.1)
- short breaks (respite) for disabled Children Looked After (include in 3.1.3b).

Note that the distinction made here between ‘Fostering with relative(s) or friend(s)’ and ‘Fostering with other foster carer(s)’ means that expenditure on children whose placement activity is reported under SSDA903 placement codes A3, A4, A5 and A6 will be divided between this line and line 3.1.2c.

3.1.2b Fees and allowances for in-house foster carers

Include here only fees, allowances and financial payments made to approved in-house foster carers.

3.1.2c Fostering with relative(s) or friend(s)

Include expenditure on the local authority’s functions in relation to Children Looked After placed with family or friends foster carers under the Children Act (1989) (placements with SSDA903 codes U1, U2 and U3). Include children who have been placed for adoption with family or friends foster carers, but are still considered looked after under the Children Act (1989) (placements with SSDA903 codes A3, A4, A5 and A6).

Include:

- the costs of social worker and other support staff who support foster carers
- associated independent visitor costs and relevant contact payments under Sections 20–34 of the Children Act (1989).

Exclude:

- children placed with other foster carer(s) (include in 3.1.2a)

- fees, allowances and financial payments paid to in-house foster carers (include in 3.1.2b)
- social work costs related directly to the fostered children (social work) (include in 3.3.1).

Note that the distinction made here between ‘Fostering with relative(s) or friend(s)’ and ‘Fostering with other foster carer(s)’ means that expenditure on children whose placement activity is reported under SSDA903 placement codes A3, A4, A5 and A6 will be divided between this line and line 3.1.2a.

3.1.3a Family Assessment Units

Include all expenditure and activity associated with supporting children accommodated in residential, respite and emergency nights in residential beds at family centres (placements with SSDA903 code R3).

3.1.3b Short breaks (respite) for disabled Children Looked After

Include all provision for short breaks (respite) services for disabled children who are deemed looked after. Include:

- short breaks using a residential setting
- family-based overnight and day-care short break services, including those provided through contract and family link carers
- sitting or sessional short break services in the child’s home, or supporting the child to access activities in the community.

Exclude any break exceeding 17 days’ continuous care and costs associated with providing disabled children’s access to residential universal services.

Please note: by definition a child must be provided with accommodation for a continuous period of more than 24 hours before that child can be defined as being a Child Looked After under the Children Act (1989) Sections 20 and 21. If the provision period is under 24 hours, then that child is not a Child Looked After, and the associated costs should be recorded in ‘Family support services’ (line 3.4.2).

3.1.3c Other Children Looked After placements

Include all expenditure and activity associated with Children Looked After who have not been included in any of the preceding lines. In practice, we expect this to include support for children and young people who are:

- placed with parent(s) or other person(s) with parental responsibility (placements with SSDA903 code P1)

- before 28 October 2023 placed in completely independent types of provision (placements with SSDA903 code P2)
- in residential employment (placements with SSDA903 code P3)
- in NHS or other establishments providing nursing or medical care (placements with SSDA903 code R2)
- in temporary placements (placements with SSDA903 codes T0, T1, T2, T3 or T4), where these placements have not been counted elsewhere, e.g. in ‘Short breaks (respite) for looked after disabled children’ (3.1.6)
- in other accommodation (placements with SSDA903 code Z1), such as:
    - children who are 16 or older who are in placements after 28 October 2023 that were formerly classed as semi-independent placements, but where the provider has not registered with Ofsted or has been unsuccessful in registering with Ofsted
    - children under the age of 16 who are placed in independent or regulated supported accommodation
    - children who have refused to stay in the placement offered and where the child is ordered by the court under the Children Act (1989) Section 38 to be placed with a relative or other unassessed person and assessment is ongoing.

Include associated independent visitor costs and relevant contact payments under Sections 20–34 of the Children Act (1989).

Exclude:

- children subject to DoLS (include in 3.1.4d)
- UASCs who are being accommodated in reception centres (include in 3.1.5d)
- expenditure on transport costs for Children Looked After – this should be included in the following lines:
    - ‘Home to school transport (pre-16): mainstream home to school transport expenditure’ (2.1.5) and ‘Home to post-16 provision transport: mainstream home to post-16 transport expenditure’ (2.1.8): for costs relating to transport for Children Looked After to school
    - ‘Targeted services for young people’ (3.5.2): for costs relating to any other transport for Children Looked After

3.1.3d Advocacy

Include expenditure on advocacy services for Children Looked After.

3.1.4a Children's homes accommodation for children subject to Deprivation of Liberty Safeguards (DoLS)

Include expenditure and activity for children who would have been included in line 3.1.1a, but where the child was also subject to DoLS at any time in the year of the return.

Include expenditure on all placements relating to the child, even if some (or some portion of) the activity relating to those placements occurred before the DoLS order was put in place or after it ended.

3.1.4b Fostering for children subject to Deprivation of Liberty Safeguards (DoLS)

Include expenditure and activity for children who would have been included in line 3.1.2, but where the child is also subject to DoLS at any time in the year of the return.

Include expenditure on all placements relating to the child, even if some (or some portion of) the activity relating to those placements occurred before the DoLS order was put in place or after it ended.

3.1.4c Other Children Looked After placements for children subject to Deprivation of Liberty Safeguards (DoLS)

Include expenditure and activity for children who would have been included in line 3.1.3, but where the child is also subject to DoLS at any time in the year of the return.

Include expenditure on all placements relating to the child, even if some (or some portion of) the activity relating to those placements occurred before the DoLS order was put in place or after it ended.

3.1.5a Residential care for Unaccompanied Asylum Seeker Children (UASCs)

Include expenditure and activity for children who would have been included in lines 3.1.1a, 3.1.1b and 3.1.1d, but where the child has UASC status.

Include expenditure on accommodation and support services for these children.

Exclude:

- support services for UASCs, such as specialist support teams and personal advisors (include in 3.1.5f)
- expenditure for children who are not looked after, i.e. covered by the Home Office grant funding for refugees.

3.1.5b Secure Children's Homes (secure welfare placements) for Unaccompanied Asylum Seeker Children (UASCs)

Include expenditure and activity for children who would have been included in line 3.1.1b, but where the child has UASC status.

Include expenditure on accommodation and support services for these children.

Exclude:

- support services for UASCs, such as specialist support teams and personal advisors (include in 3.1.5f)
- expenditure for children who are not looked after, i.e. covered by the Home Office grant funding for refugees.

3.1.5c Supported accommodation for Unaccompanied Asylum Seeker Children (UASCs)

Include expenditure and activity for children who would have been included in line 3.1.1c, but where the child has UASC status.

Include expenditure on accommodation and support services for these children.

Exclude:

- support services for UASCs, such as specialist support teams and personal advisors (include in 3.1.5f)
- expenditure for children who are not looked after, i.e. covered by the Home Office grant funding for refugees.

3.1.5d Fostering for Unaccompanied Asylum Seeker Children (UASCs)

Include expenditure and activity for children who would have been included in line 3.1.2, but where the child has UASC status.

Include expenditure on accommodation and support services for these children.

Exclude:

- support services for UASCs, such as specialist support teams and personal advisors (include in 3.1.5f)
- expenditure for children who are not looked after, i.e. covered by the Home Office grant funding for refugees.

3.1.5e Other accommodation for Unaccompanied Asylum Seeker Children (UASCs)

Include expenditure and activity for children who would have been included in line 3.1.3, but where the child has UASC status.

Include expenditure on accommodation and support services for these children.

Exclude:

- support services for UASCs, such as specialist support teams and personal advisors (include in 3.1.5f)
- expenditure for children who are not looked after, i.e. covered by the Home Office grant funding for refugees.

3.1.5f Support services for Unaccompanied Asylum Seeker Children (UASC)

Include staff and overhead costs associated with the local authority's support for young people with UASC status who are currently looked after. Include:

- functions carried out by personal advisors, including assessments of need, preparation of pathway plans and participation in reviews of pathway plans
- costs relating to the training and supervision of personal advisors.

Exclude:

- social work costs related directly to children with UASC status (social work) (include in 3.3.1)
- costs relating to support for young people with UASC status who were previously looked after and who are now care leavers (include in 3.1.5g).

3.1.5g Leaving care support services for Unaccompanied Asylum Seeker Children (UASCs)

Include the staff and overhead costs associated with the local authority's leaving care support for young people with UASC status who were previously looked after and who are now care leavers. Include:

- functions carried out by personal advisors, including assessments of need, preparation of pathway plans and participation in reviews of pathway plans
- costs relating to the training and supervision of personal advisors
- costs associated with providing and maintaining care leavers in suitable accommodation, including 'staying put' arrangements and 'staying close' arrangements

- costs of other forms of accommodation for care leavers which may be necessary in emergency situations
- all forms of financial assistance paid by the local authority to care leavers, including financial support to participate in education, such as higher education bursaries
- costs involved in developing and disseminating the local authority's policies around support to care leavers
- costs associated with advising, befriending and giving assistance to persons qualifying for advice and assistance.

Exclude:

- costs associated with providing and maintaining accommodation for 16- to 17-year-old children with UASC status, even if this accommodation is arranged by the local authority's care leaver support team (include in lines 3.1.5a–3.1.5d as appropriate)
- social worker costs in supporting care leavers (include in line 3.3.1).

3.1.6a Adoption services

Include staff and overhead costs associated with adoption, including the costs of recruiting social workers, assessing new prospective adopters and supporting existing prospective adopters. Also include costs related to adoption support, such as the cost of therapeutic services.

Adoption services are defined as:

- financial support
- services to enable groups of adoptive children, adoptive and birth parents, or former guardians of an adoptive child to discuss matters relating to adoption
- assistance, including mediation services, in relation to contact between an agency adoptive child and birth parents, siblings, a former guardian or a related person
- therapeutic services for an agency adoptive child or inter-country adoptive child
- assistance for the purpose of ensuring the continuance of the relationship between an adoptive child and their adoptive parents (includes training for adoptive parents to meet any special needs of the child and respite care)
- assistance where disruption of an adoptive placement, or of an adoption arrangement following the making of an adoption order, has occurred or is in danger of occurring, including:
    - making arrangements for the provision of mediation services

- organising and running meetings to discuss disruptions in such placements or arrangements
- counselling, advice and information.

Refer to the Adoption and Children Act (2002), the Adoption Support Services Regulations (2005) and the statutory adoption guidance for further information.

Provision of adoption support is based on assessed needs. Financial payments are made depending on the needs of the child and are means tested.

Children are placed with approved prospective adopters under the Adoption and Children Act (2002) and the Adoption Agencies Regulations (2005). This is the provision of care and accommodation for children placed for adoption under the Adoption Agencies Regulations (2005). It also covers payments made, in accordance with the Adoption Support Services Regulations (2005), to a family after an adoption order has been made.

Exclude:

- costs relating to children placed for adoption (include in lines 3.1.2a or 3.1.2b)
- social work costs directly relating to adopted children (include in line 3.3.1).

3.1.6b Special guardianship support

Include financial support paid to special guardianship families under the Special Guardianship Regulations (2005) and other staff and overhead costs associated with special guardianship orders.

3.1.6c Child arrangement support

Include financial support paid to families with child arrangement orders under Section 8 of the Children Act (1989) and other staff and overhead costs associated with child arrangement orders.

Note that this expenditure was previously recorded in 'Family support services' (section 3.4.4).

3.1.6d Leaving care support services (non-UASC)

Include the staff and overhead costs associated with the local authority's leaving care support for children and young people. These costs should relate to young people who were previously looked after and who are now care leavers. Include:

- functions carried out by personal advisors, including assessments of need, preparation of pathway plans and participation in reviews of pathway plans
- costs relating to the training and supervision of personal advisors

- costs associated with providing and maintaining care leavers in suitable accommodation, including 'staying put' arrangements and 'staying close' arrangements
- costs of other forms of accommodation for care leavers which may be necessary in emergency situations
- all forms of financial assistance paid by the local authority to care leavers, including financial support to participate in education, such as higher education bursaries
- costs involved in developing and disseminating the local authority's policies around support to care leavers
- costs associated with advising, befriending and giving assistance to persons qualifying for advice and assistance.

Exclude:

- costs associated with providing and maintaining accommodation for 16- to 17-year-old Children Looked After, even if this accommodation is arranged by the local authority's care leaver support team (include in lines 3.1.1–3.1.4 as appropriate)
- costs associated with care leavers who had UASC status when looked after (include in line 3.1.5e)
- social worker costs in supporting care leavers (include in line 3.3.1).

3.1.7 Total Direct Service Costs – Corporate Parenting

This formula calculates the aggregate of entries in lines 3.1.1a to 3.1.6d.

Overheads

3.1.8a Indirect Overheads – attributable to service provision

Include indirect costs related to overheads that are specific to the service but are likely to be used across the entire service, i.e. not specific to one aspect of the service. For example, this could be service-specific IT services or other pooled administrative resource that is paid for from this service's budgets. This service-specific overhead is likely to be difficult to allocate to particular cost lines of the service as it supports the whole of service delivery.

3.1.8b Central and Corporate Overheads allocated or apportioned to services

Include central and corporate overheads related to any allocation or apportionment of central costs out to services to arrive at the full costs of service provision. For example, this would include any allocation of corporate finance costs, asset depreciation or administrative premises costs. Usually, these costs are paid for from central budgets and allocated to the service for accounting purposes and to calculate the total cost of providing the service.

3.1.9 Total Service Cost – Corporate Parenting

This formula adds the total direct service costs and overhead costs to provide a calculation of the total cost of providing the service.

Appendix C to Section 2: Overheads

Extract from CIPFA's SeRCOP

Total expenditure includes an appropriate share of all support services and other overheads. These should be charged, allocated or apportioned across users and other beneficiaries in accordance with the following seven general principles.

Complete Recharging	All overheads not defined as Non-Distributed Costs or Corporate and Democratic or Overheads Core should be fully recharged to the service expenditure headings as defined by Section 3 of SeRCOP. Note that Corporate and Democratic Core costs should receive an appropriate allocation of overheads.
Correct Recipients	The system used must correctly identify who should receive overhead charges.
Transparency	Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.
Flexibility	The recharging arrangements must be sufficiently flexible to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users' and providers' needs.
Reality	Recharging arrangements should result in the distribution of actual costs which has the basis of fact. Even if the link cannot be direct, reality should be the main aim.

Predictability/Stability	Recharges should be as predictable as possible, although there will be practical limitations to this.
Materiality	It is unlikely that a simple system will be adequate to meet all other requirements noted above. However, due regard should be made to materiality to minimise the costs involved in running the system.

For more information, refer to the Service Reporting Code of Practice (SeRCOP) Section 2, 2.15.

S251 Survey on overheads

This survey was conducted by CIPFA on overhead reporting in the s251.

S251 Returns for Children and Young Peoples Services

Background

LAs are required to submit S251 returns on planned spending in children's services, though there are widely acknowledged problems with the return, principally around data consistency and usefulness.

CIPFA (Chartered Institute of Public Finance & Accountancy) are part of a team, led by the London Innovation and Improvement Alliance (LIIA) looking at a range of areas where improvements might be made to the quality, consistency, and usefulness of the returns. CIPFA's involvement is primarily in relation to how overhead costs are reported within these returns.

CIPFA's aim in this work is to ensure that the return is simplified as far as possible, with guidance that is consistent both over time and across activities, leading to a clearer and more consistent focus on front-line activity. Part of this work is exploring whether overhead costs and direct costs of front-line activities should be reported separately. To support this, the s251 guidance would need to be updated to reflect the separating out overheads from each spend category. This solution could allow comparisons including and excluding overheads and act as a sense check to ensure that authorities have treated overheads consistently. It would further allow for comparison, and improved benchmarking, of core service costs and form a basis for more consistent unit cost measurement.

What is classified as overhead cost also needs to be defined. CIPFA would categorise costs in relation to the following:

Direct Service Costs – those costs that are directly related to providing the service and will change in relation to activity levels. This would include front line staff costs and related expenditure. In relation to a contracted service, this will include the cost from the contractor to provide the service.

Indirect Service Costs – those costs that are directly attributable to the service but can cover a range of services. This would include service management costs, where the management covers more than one function of service. It may include other directly related support costs where there is an agreement that the service is responsible for the cost, i.e. a service has agreed to pay for the cost and can influence the level of that cost.

Overheads – those costs that are not directly related to the service and are either apportioned or allocated to the service to arrive at a total cost inclusive of all overheads. These costs will vary from authority to authority depending on the structure and organisation of the authority to support its services.

This survey is aimed at providing feedback on the potential solutions that will be taken forward in our final report to the project lead. Your feedback is much appreciated and if possible, should be provide by [XX/XX/XXX].

CIPFA developed three options for presenting overheads within the S251 return as follows:

I. Remove overhead costs completely, reporting core costs only.

II. This will mean that only directly related service costs are reported, i.e. no apportionment or allocation of corporate or central overheads

III. Include overheads but provide comprehensive guidelines.

IV. This is effectively the position that currently exists with additional clarification on how to account for overhead costs.

V. Report overheads but in a separate line in the return.

VI. This would provide both core costs totals, overhead and total service cost figures. This represents CIPFA preferred solution and would provide a level of comparability at cost level and support unit cost determination.

Questionnaire:

Q1. What is the name of your organisation? Please type 'N/A' if you do not wish to disclose.

Q2. CIPFA seeks your view what option provides the best outcomes for improving the usefulness of the returns and meeting the aims of our work?

Q3. If overheads are separated within the returns, would this present any difficulties in compiling the figures and completing the returns?

Q4. With the addition of quantitative data, such as the number of placements, do you believe that overhead separation would provide usable information on unit costs?

Q5. If overhead separation is adopted, what difficulties do you believe exist that would hamper benchmarking and comparison between authorities

Q6. In order to strengthen the accountability for the data in the S251 returns, do you believe appropriate sign-off from senior management in the authority would be useful?

Q7. Do you have any other comments in relation to these proposals?

Appendix D to Section 2: Testing budget data accuracy against actual outturn – 2021/22 and 2022/23

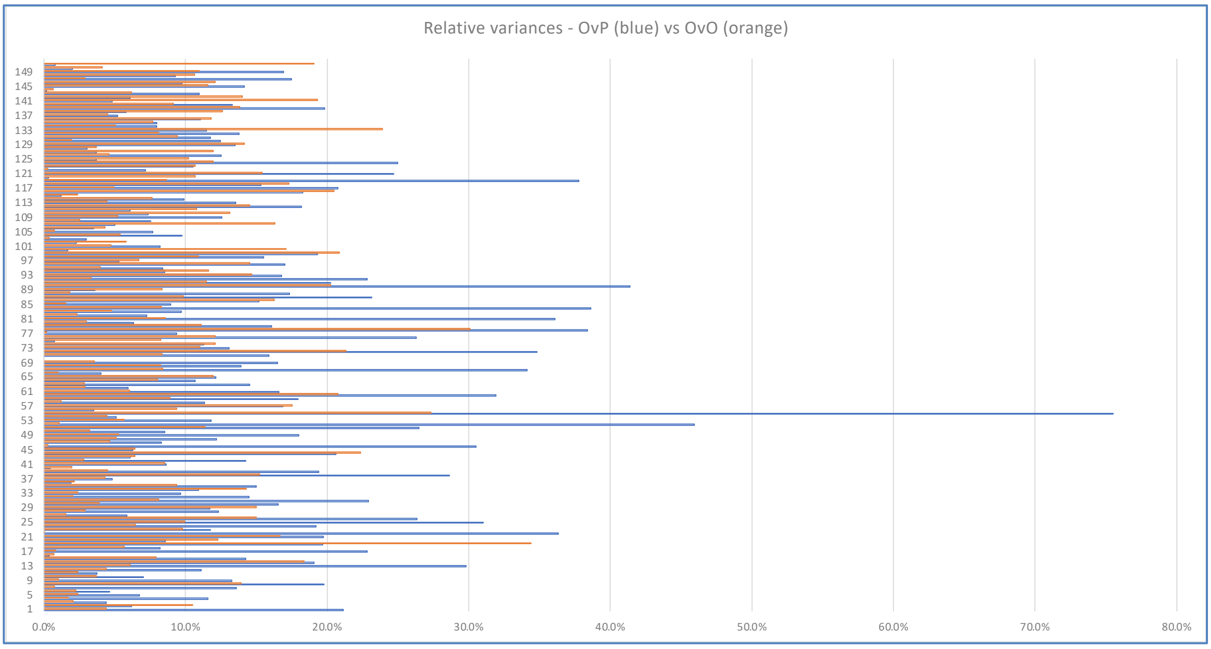
Rome (2017) concluded that, *for children's services*, the previous year's outturn return (actual) is a more accurate predictor of the current year's actual figures than the budget return (planned).

The focus of this investigation was to retest Rome's conclusion using the 2021/22 and 2022/23 data. The testing looked primarily at expenditure results for all local authorities and the major lines of spending, including Children Looked After and safeguarding. Measures of absolute variance were employed as in the original 2017 report.

Each data item was tested for every English local authority and averages were used to illustrate relative inaccuracy. Figure 13 provides an illustration of a typical outcome whereby it is possible to detect the greater prominence of the blue variance values (representing budget inaccuracy) as compared to the orange comparison to the previous year's outturn.

Our testing confirmed the conclusions of Rome's 2017 test: the previous year's actuals are a better average predictor of the current year's actuals than the budget at the local authority level. We further find that the relative inaccuracy of the budget is increasing.

Figure 13: Relative variances – OvP (blue) vs OvO (orange)



Section 3: Making the s251 dynamic and aligning it with system change

Introduction

This section provides recommendations about how the s251 can be improved over time as part of a coherent programme of ongoing learning and reform to improve the quality of financial information available to central government and local authorities, together with increased use to improve outcomes and better meet need.

We undertook further research into three specific aspects of the s251 and related measurement processes:

- the categorisation of spending on children with SEND
- the measurement of early intervention (EI)
- improving the measurement of child need and placement type.

In each of these areas we tested the level of difficulty with current measures. We ran workshops on each topic with policy, practice and expert groups as well as with key stakeholders. We undertook a literature review and an in-depth analysis of local authority returns. We have not reached the point of testing specific options for reform as this would go beyond what was achievable in this project and would require in-depth links with other aspects of reform and current projects led by DfE.

Given the burden on local authorities and the need to align with whole-systems reform, we hope that DfE will implement the specific actionable and immediate reforms proposed in Section 2, test their rollout, and draw on that learning and further in-depth analysis (like that conducted in Section 2) to implement further reforms in general and on SEND, EI, and linking to other data and insights in particular. To achieve this, DfE can:

1. Commission actionable research on reforms to spending on children with SEND that will improve the accuracy value of the s251 on SEND. DfE might build on findings in the Safety Valve and Delivering Better Value programmes and work with local authorities and schools' forums to amend SEND-related spending subject to Section 251 of the Apprenticeships, Skills, Children and Learning Act (2009). This should address high-cost commissioning and include considerations relating to a) inclusion of activity data, b) alignment with other statutory datasets and c) clearer treatment of overheads.
2. Provide a clear national statement defining the stages and levels of engagement with local authority children's services by which Family Help can be distinguished in the s251 from statutory social care activities. DfE might use this definition and research on existing definitions of EI to define further revisions of Table A1 and

amendments to Table A to capture spending on Family Help and to support the aggregation of categories to measure spending on EI more generally.

3. Develop standardised datasets that better measure needs and their fit to provision. This should include, but not be limited to:
    a. a review of the placement type codes within the SSDA903
    b. a review of the category of need codes within the Children in Need census and the SSDA903
    c. integration with the SEN2 data.
4. Support the scale-up of regional data-sharing with standardised, local authority-managed solutions for analysis, including of regional sufficiency and of high-cost placements for both children in care and children with SEND.

Categorisation of spending on children with SEND

Summary

This section of the report aims to explore the feasibility of reforming the s251 categories on children and young people with SEND to aid local authorities in better SEND financial management and strategic planning. Accordingly, we carried out a further literature review, consulted with SEND experts, and analysed the s251 outturn return on SEND to better understand:

- the issues that undermine the reliability and usefulness of the s251 for SEND spending analysis
- how different local authorities capture SEND-related expenditure when completing their s251 outturn return.

This strand of work was not designed or able to develop a set of ready-to-go reforms of the SEND spending categories, as there are particular challenges in agreeing a re-specification that would address the current problems in achievable and worthwhile ways. Instead, we have examined the nature of the current weaknesses of reporting on SEND and assessed the feasibility of reforms similar to those recommended for the Children Looked After section of the s251 (see Section 2 of this report).

Several key issues were found to undermine the reliability of the s251 for SEND spending analysis:

- The s251 often lacked the necessary detail and granularity for comprehensive SEND spending analysis, such as spending for different SEND placement types.
- Inconsistent allocation of overhead costs across different local authorities introduced ‘noise’ (as explained in Section 1) and undermined the reliability of SEND spending comparisons.

- Concerns were raised about local authorities' SEND financial reporting practices – in particular, the lack of SEND expertise among local authority finance officers completing the s251.

These issues undermine the usefulness of the s251 for SEND spending analysis. The s251:

- is of very limited use to local authorities, on whom the reporting burden falls, but is valued nationally for monitoring high-level spending trends
- lacks the financial benchmarking data on SEND necessary for comprehensive SEND spending analysis and comparisons at the local level
- is seen by local authorities primarily as a compliance exercise, rather than a tool for strategic SEND planning at the local level.

The cost analysis completed by our small sample of three local authorities further revealed important sources of error in how local authorities complete their s251 outturn return:

- SEND-related cost centres were found not only under Table A, relating to budgetary expenditures at the local authority level, but also under Table A1, relating to children's social care spending.
- The DfE guidance on completing the s251 was interpreted variably by local authorities, reaffirming the need for an intense process of validation while completing the s251 outturn return.
- Local authorities categorised similar spending in different ways based on local interpretations of the meaning of terms and the balance of purposes or beneficiaries within cost centres.

We conclude that:

- There is an urgent need to improve the s251 so it can more effectively inform SEND strategic planning at the national and local levels.
- The s251 must take more of a whole-systems, child- and family-focused approach, enabling better links and triangulation of SEND spending data with non-financial statistics.

We make two recommendations to achieve more robust, accessible financial data on SEND and to enable local authorities to undertake effective financial and strategic management of SEND:

- Building on reforms to spending on Children Looked After, DfE should commission similar work on reforms to spending on children with SEND that would improve the accuracy and value of the s251 returns on SEND for local authorities.
- This should also build on findings in the Safety Valve and Delivering Better Value programmes. DfE should work with local authorities and schools' forums to amend

SEND-related spending in the s251 to address high-cost commissioning with better underpinning information on needs and include considerations of a) inclusion of activity data, b) alignment with other statutory datasets and c) clearer treatment of overheads.

Introduction

This section of the report aims to answer the research question of how to reform the s251 categories on children and young people with SEND. The Discovery Phase of the wider project identified children with SEND as one of the areas requiring additional specialist research. The wider s251 project focused only on categories in Table A1 of the s251, where children's services data on Children Looked After and safeguarding are reported. For this review of SEND, we not only looked at the categories in Table A1 but also at the categories in Table A, as they both contain lines related to SEND.

Accordingly, we carried out a further literature review to explore the feasibility and limitations of the s251 data for SEND spending analysis. We also consulted with SEND experts and conducted a cost analysis of those parts of the s251 focusing on SEND. For the consultations, 14 SEND experts participated in a total of three workshops and several meetings. The SEND experts included local authority officials who manage the completion of the s251, DfE officials who manage the collection and analysis of the s251, and independent experts with experience of analysing the s251 to support local improvements or for policy research purposes. Three local authorities participated in the cost analysis, which involved illustrating how each local authority completed its latest s251 outturn return in a flow diagram. This section of the report examines the findings emerging from the literature review, consultations and cost analyses.

Conceptual framework

To better understand how SEND expenditure is captured through the s251, we developed a typology to act as a conceptual framework to help us think critically about the SEND elements of the s251, potential areas for improvement, and useful ways of aggregating (or disaggregating) the data for benchmarking purposes. Figure 14 shows the s251 SEND typology developed for this exercise. The typology was developed based on a review of the DfE guidance on completing the s251 (ESFA, 2022), an examination of previous reports that have analysed SEND and high needs block (HNB) spending (Franklin et al., 2023; Freeman & Gill, 2014; Gray et al., 2022; Marsh et al., 2021; NAO, 2019b; Parish & Bryant, 2015; Parish et al., 2018; Parish et al., 2019; Perera, 2019; Rome, 2017; Social Finance, 2020), and a detailed exploration of how the participating local authorities reported spending on SEND from their costs centres into the current s251 lines.

The typology is composed of two categories: ‘Payment to settings’ and ‘Services to children and families’. The categories are then broken down into several subcategories. Under ‘Payments to settings’, ‘Non-maintained and independent school settings’ (NMISS) is included as a separate subcategory. Under ‘Services to children and families’, there are four subcategories: ‘Local capacity-building’, ‘Payments and services to families’, ‘SEND statutory functions’ and ‘SEND transport’. The typology also includes lines found in both Table A and Table A1 of the s251 that are related to SEND spending: lines 1.x.x and 2.x.x, coming from Table A, and line 3.x.x, coming from Table A1.

We considered whether to limit the cost analysis more narrowly to Table A or whether the wider focus in the project on Children Looked After meant we should include elements from Table A1. We decided to focus on all SEND-related spending to maintain a whole-child, whole-systems approach. A focus on Table A would have limited the analysis to SEND expenditure (excluding children’s social care spending on disabled children, young people and their families) and HNB expenditure (excluding items in the schools budget block and early years budget block). Instead, we also included lines from Table A1 related to children’s social care spending – such as line 3.4.1 (‘Direct payments’), line 3.4.2 (‘Short breaks (respite) for disabled children’) and line 3.4.3 (‘Other support for disabled children’) – in our SEND expenditure typology.

Figure 14: A typology of s251 SEND

Payments to settings

1.0.2 High needs place funding within Individual Schools Budget (after academies recoupment), including all pre- and post-16 place funding for maintained schools

1.2.1 Top-up funding – maintained schools

1.2.2 Top-up funding – academies, free schools and colleges

1.2.9 Special schools and PRUs in financial difficulty [PRU: Pupil Referral Unit]

1.2.4 Additional high needs targeted funding for mainstream schools and academies

Non-maintained and independent school settings

1.2.3 Top-up and other funding – non-maintained and independent providers

Services to children and families

Local capacity-building

1.1.2 Behaviour support services
1.2.5 SEN support services
1.2.8 Support for inclusion
1.2.13 Therapies and other health related services
3.4.3 Other support for disabled children

Payments and services to families

1.2.11 Direct payments (SEN and disability)
3.4.1 Direct payments
3.4.2 Short breaks (respite) for disabled children

SEND statutory functions

2.1.1 Educational psychology service
2.1.2 SEN administration, assessment and coordination and monitoring
2.1.3 Independent advice and support services (IASS) (parent partnership) guidance and information

SEND transport

1.4.11 SEN transport
2.1.4 Home to school transport (pre 16): SEN transport expenditure
2.1.6 Home to post-16 provision: SEN/LLDD transport expenditure (aged 16–18)
2.1.7 Home to post-16 provision: SEN/LLDD transport expenditure (aged 19–25)
[LLDD: learning difficulties or disabled]

Under ‘Payment to settings’, we included funding for the cost of school and college placements for children and young people with SEND, including both ‘high needs place funding’ (determined by a formula) and ‘top-up’ funding to meet individual needs, as set out in the Education, Health and Care (EHC) plans of children and young people. This grouping includes provision across all sectors, although it was determined to be useful to separate out placements in NMISS for benchmarking purposes. These have been growing in recent years and represent an important spending pressure for local authorities (Parish et al., 2019; Perera, 2019).

Under ‘Local capacity-building’, we brought together spending lines on specialist advice and support for children and young people with SEND, which may be centrally retained or delegated to schools, depending on the local pattern of provision. Importantly, this includes advice and support for children and young people receiving special educational needs (SEN) support and some with additional needs which may not be recognised as SEN at present.

Under ‘Payments and services to families’, we brought together two types of direct payments made to families to allow them to commission their own support, in terms of a) SEND provision, as specified in an EHC plan, which may include SEN transport, and b) support for families of disabled children and short breaks (also known as respite care) for families of disabled children and young people under the Children Act (1989).

Under ‘SEND statutory functions’, we included three cost headings which local authorities must report on to fulfil their duties under the Children and Families Act (2014) and the SEND Code of Practice (DfE & Department of Health and Social Care, 2014), particularly in relation to SEN statutory assessment. These are the educational psychology service, which plays a key role in carrying out statutory assessments; SEN administration, assessment, and coordination and monitoring (focused on children and young people with EHC plans); and independent advice and support services (also known as parent partnership services), guidance and information, which advise and support parent-carers.

Lastly, under ‘SEND transport’, we brought together three spending lines related to home-to-school and home-to-college transport for children and young people with EHC plans in different age bands: pre-16, 16–18 years and 19–25 years. Line 1.4.11 (‘SEN transport’), which is a more restricted spending line, is also incorporated here. It includes SEN transport spending approved by schools’ forums and included in the schools budget block.

Findings from the literature review and expert consultations

This section integrates information gained from the literature review exploring the feasibility and limitations of the s251 data for SEND spending analysis alongside information gained from SEND experts in the consultations. The literature review was conducted between September and October 2023, while the consultations, which involved 14 SEND experts, were conducted between October 2023 and January 2024. Overall, several issues were identified that undermine the reliability and usefulness of the s251 for SEND spending analysis.

Issues with the reliability of the s251 relating to SEND

The s251 often lacks the necessary detail and granularity needed for comprehensive SEND spending analysis, such as spending by SEND placement types. This lack of granularity, including specific spending breakdowns, hampers the ability to conduct thorough assessments (Freeman & Gill, 2014). More specifically, granular breakdowns of provision types, services purchased and SEND categories are lacking, limiting the scope for spending analysis (NAO, 2019b; Parish et al., 2018). Highly aggregated s251 data provide little visibility of specific areas of SEND expenditure. During the consultations, SEND experts agreed that the fairly high-level s251 categories make it difficult for local authorities to understand key cost drivers, such as different SEND placement types. In addition, schools funding arrangements make it difficult to collect data on placements costs in a way that would enable benchmarking.

Inconsistent allocation of overhead costs across different local authorities introduces noise and undermines the reliability of SEND spending comparisons. Inconsistent overhead allocation methods, particularly concerning corporate overheads and central staffing, undermine the comparability of SEND spending between local authorities (Freeman & Gill, 2014; Gray et al., 2022; Marsh et al., 2021). For example, there are discrepancies in how much of their corporate service costs local authorities assign to SEND budgets. During the consultations, the SEND experts acknowledged those concerns but considered them to be more of a problem on the social care side. The SEND experts recognised that 'cost-shunting' sometimes occurs between budget headings to conceal overspends in certain areas.

Concerns were raised about local authorities' SEND financial reporting practices, in particular a lack of SEND expertise among local authority finance officers completing the s251. One very experienced SEND expert described the process as a 'data dump'. Staff changes and operational pressures may divert the focus from diligent s251 data completion, potentially undermining data accuracy (Gray et al., 2022). Such variable priority given to the s251 data completion process and limited validation of the data imply that the SEND spending figures might not undergo thorough scrutiny (Freeman & Gill, 2014). During the consultations, the SEND experts acknowledged this, adding that the lack of useful financial data further exacerbates poor communication between SEND and finance teams at the local authority level. Effective management of SEND relies on strong working relationships between the SEND and finance functions (Gray et al., 2022).

Issues with the usefulness of the s251 relating to SEND

The s251 is of very limited use to local authorities, on whom the reporting burden falls, but is valued nationally for monitoring high-level spending trends. During the consultations, some SEND experts indicated that, as a long-established high-level data return (with its predecessor, the Section 52 return), the s251 is valued at the national level as a time series showing high-level spending trends on SEND and as a means of flagging up spending pressures on local authorities, in particular, through budget data. However, the s251 budget data underestimate spending requirements within the SEND system, not capturing the full extent of need within SEND services (Parish & Bryant, 2015). The SEND experts echoed such concerns about the reliability of the s251 data, acknowledging that a resolution would require extensive liaison between DfE and local authorities. The SEND experts particularly emphasised that local authorities shoulder the reporting burden that ensures the s251's value as a high-level return, without benefitting in return from useful financial data at the local level.

The s251 does not enable or generate the key financial benchmarking data on SEND necessary for comprehensive SEND spending analysis and comparisons at the local level. During the consultations, the SEND experts contended that key benchmarking data should be readily available to inform SEND strategic management. Instead, local authorities rely more on internal management information aligned with their own budgeting approaches (Rome, 2017). They rely on local data tailored to budgeting cycles and service structures for SEND spending analysis, rather than the s251 data. DfE does use the s251 budget and outturn data to generate a high needs benchmarking tool (ESFA, 2020b), which is intended to enable local authorities to compare their spending relative to that of their statistical neighbours. However, the SEND experts felt that, given the shortcomings of the s251 data, there was much room for improvement. They expressed the need for better financial benchmarking data.

Local authorities view the s251 primarily as a compliance exercise, rather than a tool for strategic SEND planning at the local level. The s251 largely supports general SEND accountability, monitoring and policy development at the national level, whereas local authorities reported that the s251 data offers limited practical benefits for SEND strategy and financial planning (Franklin et al., 2023; Freeman & Gill, 2014; Gray et al., 2022; Rome, 2017). During the consultations, the SEND experts argued that the s251 fails to provide the key financial data or accessible metrics needed to understand spending drivers or inform meaningful discussion on SEND spending decisions, such as discussions between local authorities and schools' forums. In particular, the absence of accessible high-cost placement data, such as estimates of the average cost of placements in different types of provision, was seen as a key limitation in using the s251 data.

Findings from the cost diagram analysis

In order to test other ways of specifying activity in relation to SEND in the s251, we assessed how local authorities currently collate the available data to complete the return. This is useful in testing the risk of errors in the current return. Ultimately it may also useful in indicating the feasibility of alternative categorisation schemas, but we have not reached that point in this study.

Three participating local authorities shared existing spreadsheets that they routinely used to assist with the completion of the s251 outturn return for DfE. These spreadsheets linked local cost centres to the s251 lines for reporting. The SEND typology identified s251 lines specifically related to SEND spending; only local authority cost centres that were reported into those specific lines of interest were included. The cost centres were mapped in diagrams showing how each local authority reported cost centres in its latest s251. In the diagrams, cost centres are grouped using each local authority's own subheading from its cost centre list, bringing together cost centres that share obvious common ground. Each local authority was invited to arrange a meeting for its lead finance contact to review the diagrams, to allow the local authority to suggest revisions where required.

Figures 15–17 show the cost diagrams for each local authority. Within each diagram, the square boxes represent the groupings or subheadings of the collections of cost centres, and the bracketed numbers on the lines indicate how many cost centres formed each group and were reported to the corresponding s251 items (in circles at the ends of the lines). There are places where a group of cost centres has multiple lines extending from it; this happens when a coherent group of cost centres has mappings to two or more cost centres.

Figure 15: The s251 SEND cost diagram for Local Authority 1

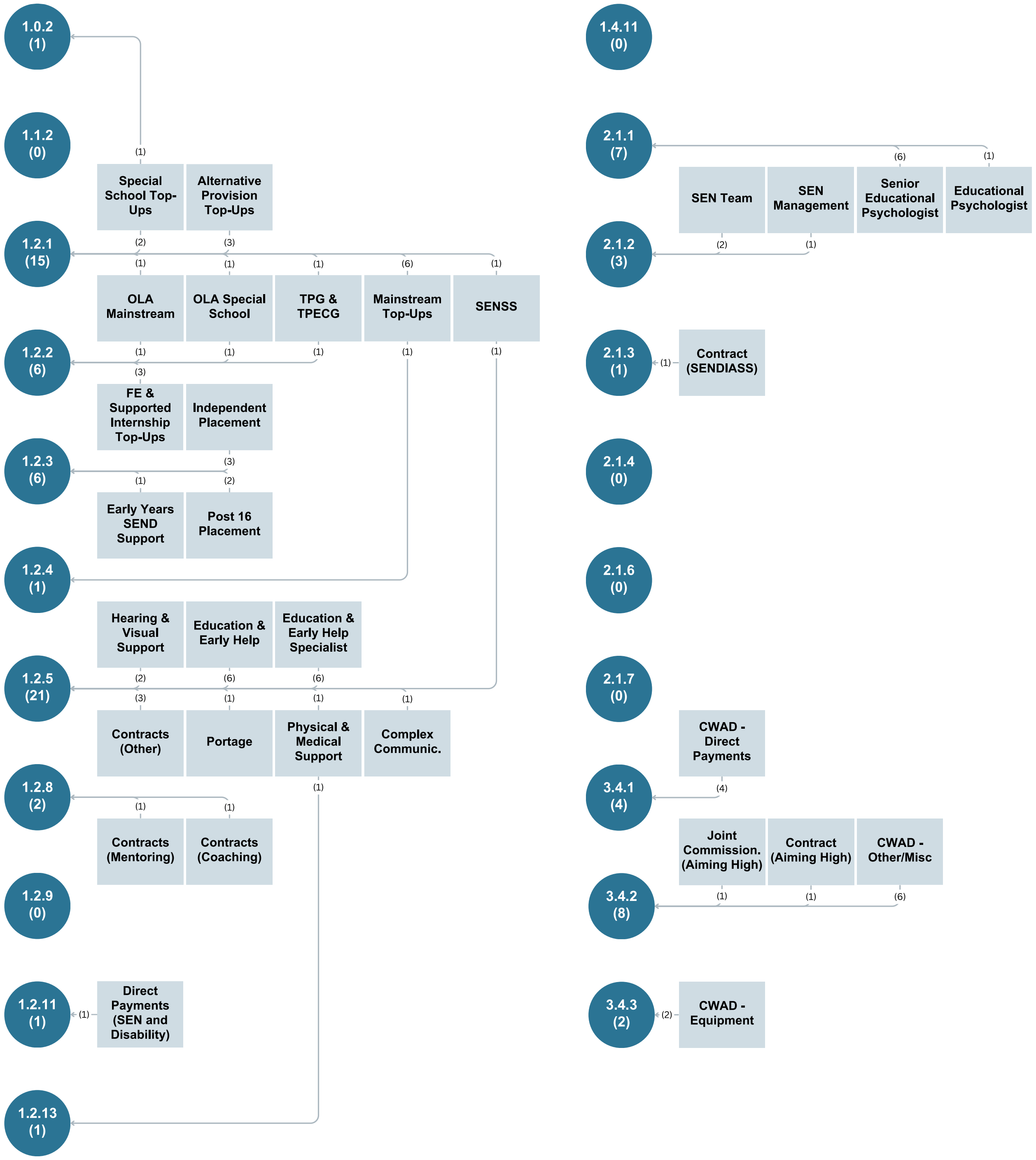


Figure 16: The s251 SEND cost diagram for Local Authority 2

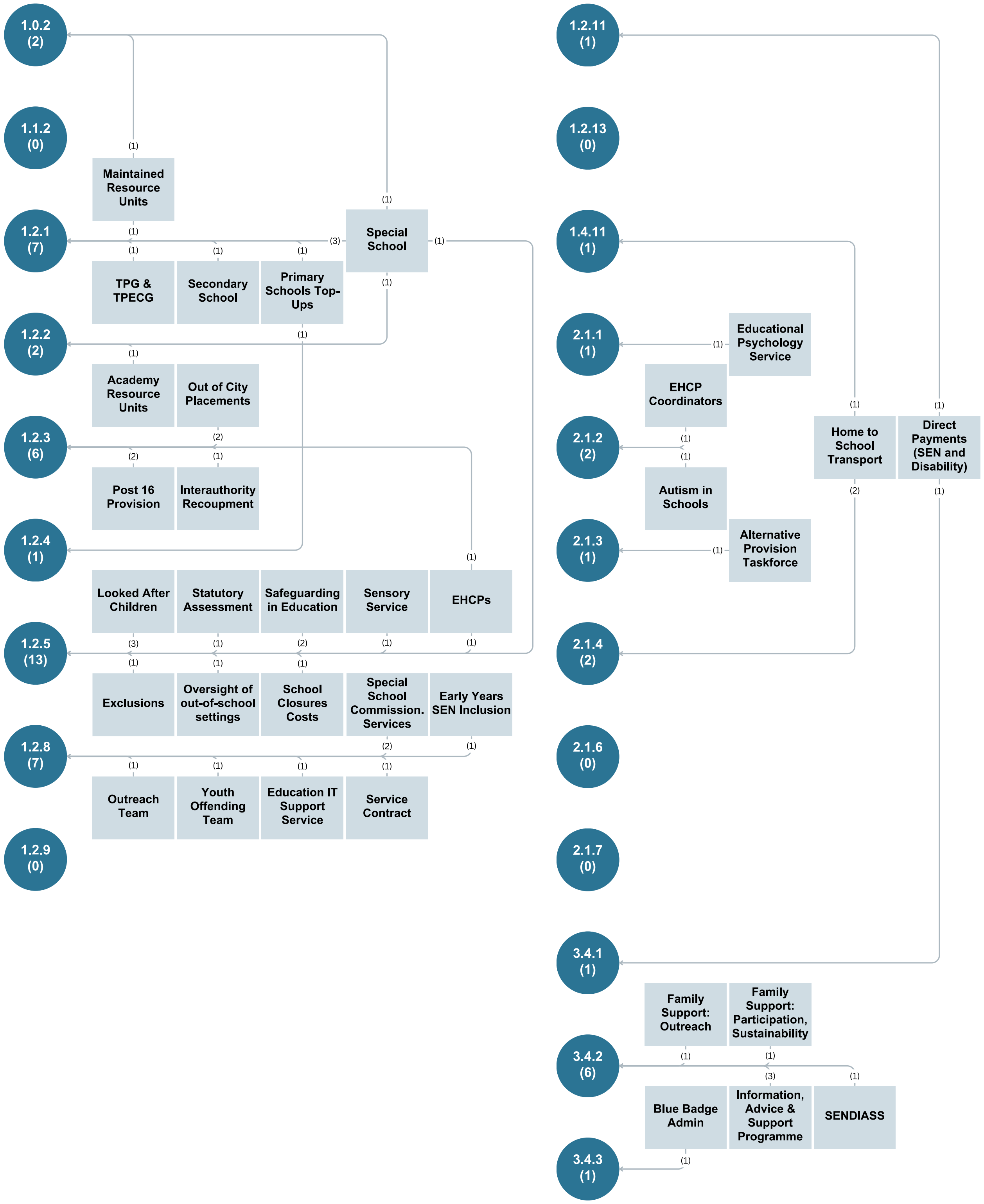
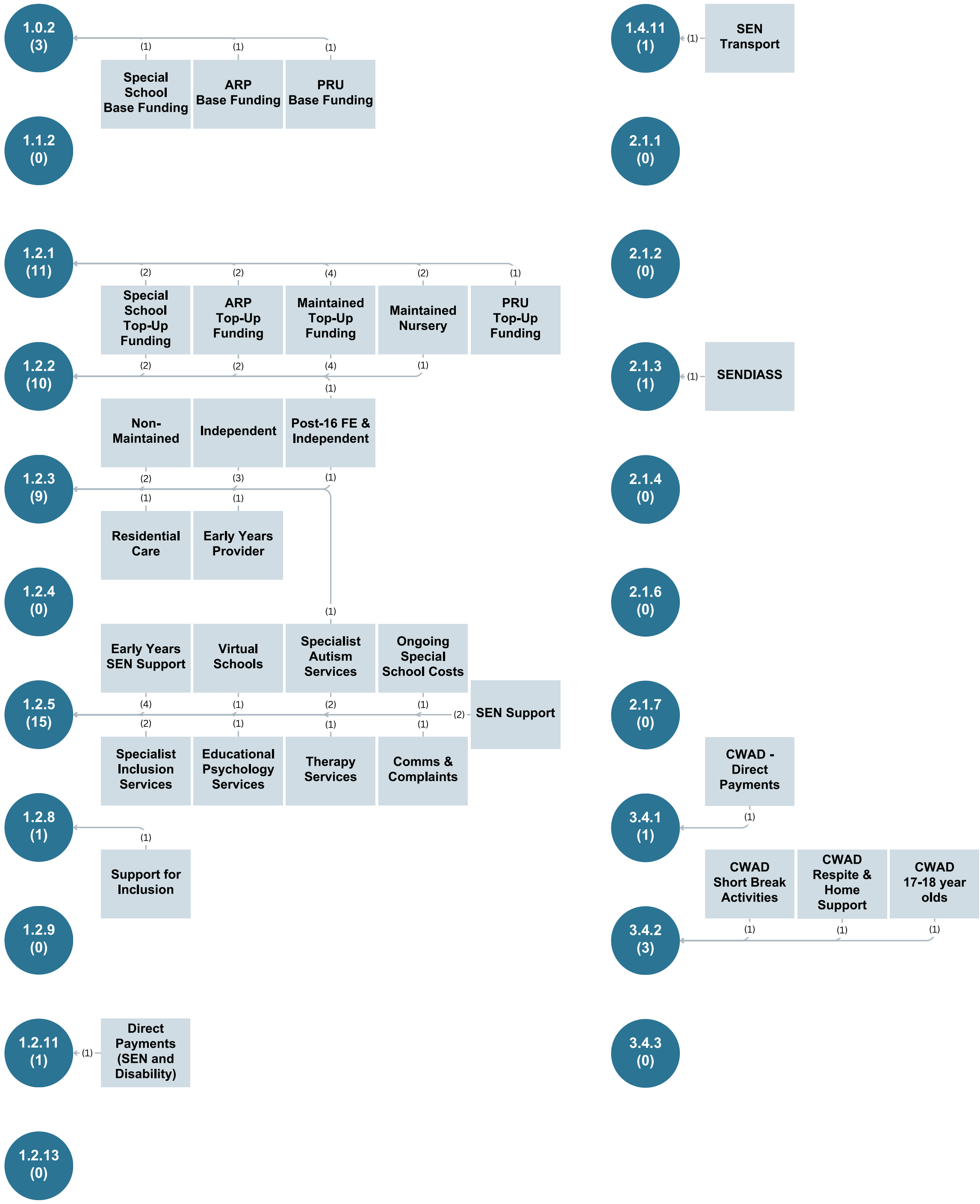


Figure 17: The s251 SEND cost diagram for Local Authority 3



The cost diagrams revealed two important findings:

1. **The DfE guidance on completing the s251 was interpreted variably by the local authorities, reaffirming the need for an intense process of validation while completing the s251 outturn return.**
2. **Local authorities categorised similar spending in different ways based on local interpretation of the meaning of terms and the balance of purposes or beneficiaries within cost centres.**

Payments to settings

Although often accounting for a significant portion of HNB expenditure (Parish et al., 2019), the ‘Payments to settings’ category was specifically reported in the literature for being too high level and lacking the granularity required for robust SEND analysis (Parish et al., 2018). This is reflected in the cost diagrams, which shows that each local authority had assigned a small number of cost centres to line 1.0.2 (‘High needs place funding within Individual Schools Budget (after academies recoupment)’), with one for Local Authority 1, two for Local Authority 2 and three for Local Authority 3. With no breakdown of HNB allocation usage, the ability to conduct value for money and strategic planning analyses is constrained. As such, reporting these HNB allocations with greater granularity could be helpful (NAO, 2019b).

Line 1.2.1 (‘Top-up funding – maintained schools’) and Line 1.2.2 (‘Top-up funding – academies, free schools and colleges’) represent large numbers of cost centres for each local authority, with line 1.2.1 containing fifteen for Local Authority 1, seven for Local Authority 2 and eleven for Local Authority 3, and line 1.2.2 containing six for Local Authority 1, two for Local Authority 2 and ten for Local Authority 3. When it comes to non-maintained and independent providers, line 1.2.3 (‘Top-up and other funding – non-maintained and independent providers’) similarly accounted for large numbers of cost centres for each local authority: twenty-one for Local Authority 1, thirteen for Local Authority 2 and fifteen for Local Authority 3.

This is understandable, as top-up funding lines often account for a significant portion of HNB expenditure (Parish et al., 2019). However, prior analysis of this line revealed high variance between budgeted and actual top-up funding expenditure, which potentially indicates reliability issues in the detailed reporting for some of these lines, bringing their accuracy into question (Rome, 2017).

Local capacity-building

All local authorities assigned about a quarter of their cost centres (twenty-one for Local Authority 1, thirteen for Local Authority 2 and fifteen for Local Authority 3) to line 1.2.5 (‘SEN support services’), implying that this line can act as a catch-all for diverse cost centres. The DfE guidance (ESFA, 2022) states that this line must include costs for non-delegated centrally retained specialist SEN support services for pupils with or without statements of special needs or EHC plans, whether the services are provided directly by the local authority or commissioned by it. Such services include visual, hearing and physical impairment; specific learning difficulties; speech difficulties; language and communication difficulties; profound and severe learning difficulties; and autism. Although this guidance was largely reflected across the three local authorities, several cost centres attached to line 1.2.5 did not align with the guidance.

In contrast, although line 1.2.8 (‘Support for inclusion’) is also seemingly a catch-all term, the three local authorities attached contracted services to it (two for Local Authority 1, seven for Local Authority 2 and one for Local Authority 3), implying targeted use for commissioned and external partnerships. This approach more closely reflects the DfE guidance (ESFA, 2022), which states that this line must include the costs of collaborations between mainstream and special schools and primary and secondary schools to enable children with SEN to take part in mainstream activities, as well as devolved expenditure for the integration of children from specialist to mainstream settings and the provision of discrete services or projects to promote such integration, such as commissioned outreach services.

During the consultations, the SEND experts concurred with both findings, referring to s251 lines used in this way as a ‘dumping ground’. The SEND experts argued that it would be useful to benchmark upstream or EI expenditure to meet the needs of children and young people who do not have EHC plans but are receiving SEN support; this is not possible using the s251 data.

Payments and services to families

Despite the DfE guidance (ESFA, 2022) stating that line 3.4.1 (‘Direct payments’) must exclude expenditure on direct payments for SEN and disability (which must be included under line 1.2.11 (‘Direct payments (SEN and disability)’), all three local authorities included cost centres related to SEND (four for Local Authority 1, one for Local Authority 2 and one for Local Authority 3). This exemplifies how the DfE guidance is interpreted variably by local authorities, reaffirming the need for an intense process of validation while completing the s251 outturn return. Although, during the consultations, the SEND experts questioned the value of including lines related to children’s social care spending (e.g. line 3.4.1 (‘Direct payments’) and line 3.4.2 (‘Short breaks (respite) for disabled children)’) in a SEND expenditure typology, the cost diagrams revealed that SEND-related cost centres can still be found under lines related to children’s social care spending.

SEND statutory functions

Cost centres related to independent advice and support services (IASS) were attached to different s251 categories by different local authorities. For example, both Local Authority

1 and Local Authority 3 attached cost centres related to SENDIASS (the Special Educational Needs and Disabilities Information Advice and Support Service) to line 2.1.3 ('Independent Advice and Support Services (Parent partnership), guidance and information'), while Local Authority 2 attached the same cost centre and other IASS cost centres to line 3.4.2 ('Short breaks (respite) for disabled children'). Such differences between local authorities reveal that, while some local authorities recognise IASS cost centres as distinct services, others may interpret such cost centres as falling under social care spending for children with disabilities. This exemplifies how local authorities categorise similar spending in different ways based on local interpretation of the meaning of terms and the balance of purposes or beneficiaries within cost centres.

SEND transport

Few to no cost centres were assigned to any s251 line under the 'SEND transport' category, which covers line 1.4.11 ('SEN transport'), line 2.1.4 ('Home to school transport (pre 16): SEN transport expenditure'), line 2.1.6 ('Home to post-16 provision: SEN/LLDD transport expenditure (aged 16–18)') and line 2.1.7 ('Home to post-16 provision: SEN/LLDD transport expenditure (aged 19–25)'), possibly implying that there are redundant items under this category. For the entire category, Local Authority 2 assigned three cost centres, Local Authority 3 assigned only one cost centre and Local Authority 1 assigned no cost centre. Prior literature has reported variable use of the s251 lines related to SEND transport, indicating that the data had low utilisation and value for detailed SEND analysis (Rome, 2017). During the consultations, the SEND experts debated the inclusion of 'SEND transport' in a SEND expenditure typology. Some SEND experts suggested that any SEND analysis should be limited to HNB expenditure lines and therefore exclude these lines.

Discussion and recommendations

Taking into consideration the findings from the literature review, the consultations with experts, and the analysis of local authorities' cost diagrams, we synthesised the results to reveal several priorities for improving the s251 for SEND spending analysis. Furthermore, we developed two recommendations for future reform to emphasise the need for more robust, accessible financial data on SEND and to enable local authorities to undertake effective financial and strategic management of SEND. The following subsections summarise our synthesis and recommendations.

Discussion of findings

There is an urgent need to improve the s251 so it can more effectively inform SEND strategic planning at the national and local levels. Spending on SEND has been widely described in the literature as unsustainable (NAO, 2019b; Parish et al., 2019; Perera, 2019). The number of local authorities with HNB deficits in England can be attested by the number of local authorities working with DfE through its intervention and support programmes, with 38 local authorities in the Safety Valve Programme (DfE, 2021a) and 54 local authorities in the Delivering Better Value programme (DBV in SEND, 2023). During the consultations, the SEND experts concurred that the lack of useful financial data at any level hindered SEND improvement plans and strategic decision-making. One SEND expert referenced a recent parliamentary debate on SEND provision and funding (House of Commons, 2024) as being particularly unilluminating and repetitive, highlighting how it was evident that parliamentarians lacked the data that they needed to meaningfully debate SEND as an area of public policy. For example, the absence of pupil numbers or qualitative indicators of policy effects hampered contextualisation. During the consultations, the SEND experts expressed notable enthusiasm for improving the s251 data building on the recent success of major change to the SEN2 return, which has become pupil based rather than cohort based (DfE, 2023b).

There is recognition that further improvements to the SEND categories in the s251 will allow for more accurate SEND financial planning. The limitations of the s251 in informing SEND strategic planning stem from the fact that the s251 is not designed for local insight or financial planning. The literature varied on the key priorities for improving the s251 for SEND spending analysis. On the one hand, some sources noted that reducing the volume of detailed SEND lines but expanding breadth to include non-financial metrics may aid in interpretation (Franklin et al., 2023; Freeman & Gill, 2014; Rome, 2017). On the other hand, others noted that adding more categories on SEND provision and services may enable a move away from broad aggregated heads to specific SEND expenditures (Gray et al., 2022; NAO, 2019b). During the consultations, some SEND experts worried that introducing more granular reporting categories might be problematic, given local authority reporting difficulties evident in relation to the existing (fairly high-level) categories. Others were concerned that changes in data categories would undermine the time-series value of the s251; at most, they recommended splitting data items (which could be aggregated again for comparisons over time). Positive references were made during the consultations to existing financial templates, namely the Recovery Plans used in the Safety Valve programme (DfE, 2021a) and the Deficit Management Plan template in the Delivering Better Value programme (ESFA, 2020a).

There is acknowledgement that the s251 must take a whole-systems approach, namely through enabling better links and triangulation of SEND spending data with non-financial statistics. In a whole-systems approach, it is not necessary to negate the s251 as a means of proving national accountability on aggregate spending by local authorities on various sets of children’s services and supports. Instead, it is necessary to ensure that the burden of the s251 is commensurate with the value of the return and aligned with other data and reporting capabilities and requirements, and so supports the generation of helpful cost and spending data for local authorities. The absence of linked activity and demographic and outcome metrics has been found to prevent the assessment of SEND spending needs and impacts, undermining attempts to assess value for money (Gray et al., 2022; NAO, 2019b; Social Finance, 2020). For example, the narrow education-focused scope has been found to omit health contributions, parental expenditures, and wider budget pressures that influenced demand (Parish et al., 2018). The SEND experts echoed this during the consultations, adding that the s251 does not capture health spending on children with SEND in a useful way. Incorporating more triangulation and links between s251 data related to SEND and existing non-financial statistics related to pupil numbers, placements, demographics, activity and outcomes can enable quantitative analysis of variations and support needs-based modelling, thereby contributing to better contextualisation of the s251 data (Gray et al., 2022; NAO, 2019b).

Recommendations

Building on reforms to spending on Children Looked After, DfE should commission similar work on reforms to spending on children with SEND that would improve the accuracy and value of the s251 returns on SEND for local authorities.

This work should investigate and test reforms to the categorisation of spending on children with SEND, addressing the financial benchmarking needs of local authorities and exploring the feasibility of alternative categorisation schemas. This must align with the need to compare the average cost of different types of SEND placements, akin to recent improvements in the SEN2 data (DfE, 2023b). While references were made in the consultations to the DfE high needs benchmarking tool (ESFA, 2020b), improving the value of the s251 returns on SEND necessitates understanding local-level financial benchmarking needs so that s251 data can be useful to local authorities. Commissioning such work may inform how the s251 can help to improve local authorities' SEND strategic management.

Build on findings in the Safety Valve and Delivering Better Value programmes, work with local authorities and schools' forums to amend SEND-related spending in the s251 to address high-cost commissioning with better underpinning information on needs, and include similar considerations of a) inclusion of activity data, b) alignment with other statutory datasets and c) clearer treatment of overheads.

The learning and insights from such experiences (DfE, 2021b), alongside tested SEND financial management templates (DfE, 2021a; DfE, 2021a), could inform improvements in SEND financial data requirements in the future. Additionally, findings in Section 3 of this report suggest that transparency in allocation of overhead costs can improve the reliability of SEND spending comparisons, while incorporating links between SEND spending and other datasets containing demographic, activity and outcome data can enable quantitative analysis of variations and support needs-based modelling. Robust financial information is urgently needed to inform decision-making at every level: by local authorities, schools' forums and national government.

Measurement of early intervention

Summary

This section of the report concerns the measurement of spending on EI. We carried out a further literature review exploring the feasibility and limitations of the s251 data for EI spending analysis, focus group workshops and informational meetings with EI experts, and a cost analysis of s251 spending returns on EI to assess the feasibility of progress.

We found that:

- Differences in the way the term 'early intervention' has been used make measurement difficult. The core construct is imprecise and has proved changeable.
- Local authorities categorise similar spending in different ways based on local interpretation of the meaning of terms and the balance of purposes or beneficiaries within any cost centre.
- The guidance is interpreted variably and an intense process of validation is required.
- The way spending in EI is currently reported and categorised in the s251 does not bring clarity or transparency to support financial understanding of the sector.

We recommend that DfE:

- Provide a clear national statement defining the stages and levels of engagement with local authority children's services by which Family Help can be distinguished in the s251 from statutory social care activity or universal services.
- Use this definition and research on existing definitions of EI to define further revisions of Table A and amendments to Table A1 to capture spending on Family Help and to support the aggregation of categories to measure spending on EI more generally.

Early intervention, Early Help and Family Help

Multiple government reviews (Allen, 2011; Munro, 2011) across multiple administrations have made recommendations about the importance of supporting activity to prevent later difficulties. Yet the meanings of the term 'early intervention' are diverse. It is used to describe a very wide array of services and supports, offered in different ways to different groups of children and families. At times different terms are used to describe similar activities.

Early Help

In 2004 the Common Assessment Framework (CAF) was established to provide Early Help to families in need. This involved establishing a team of professionals that represent different family-related services to become a team around the family. This was followed by the Troubled Families programme (now Supporting Families) in 2011. Both the CAF and the Troubled (or Supporting) Families programme had criteria that families had to meet before they were eligible for support. In the CAF, there had to be needs present that required the involvement of more than one service. For Supporting Families, ten areas of need are outlined in the National Supporting Families Outcomes Framework (DLUHC & DfE, 2010). For a family to be eligible for support, there have to be at least three needs present, and various age and circumstance thresholds have to be met.

In children's services, Early Help (Allen, 2011; Munro, 2011) has consistently been conceptualised as support and services for children and families outside the statutory duties of local authorities, and participation of families with the services is voluntary. In some instances, Early Help will include both universal and targeted services below the threshold for Children in Need under Section 17 of the Children Act (1989) (Action for Children, 2022; Bennett et al., 2021).

DfE (2023d, p. 44) defines and distinguishes the terms 'Early Help' and 'targeted Early Help':

> Early help is support for children of all ages that improves a family's resilience and outcomes or reduces the chance of a problem getting worse. … Some early help is provided through 'universal services', such as education and health services. … Other early help services are coordinated by a local authority and/or their partners to address specific concerns within a family and can be described as targeted early help.

Family Help

The *Independent Review of Children's Social Care* (MacAlister, 2022) calls for a 'revolution in Family Help', bringing 'together the work currently undertaken as targeted early help and the work undertaken at section 17, to form a new single offer of Family Help' (p. 30). This is intended to streamline the experience for families and smooth out information-sharing between what were traditionally two different sectors of children's services. In the DfE's consultation on the implementation of the care review, professionals raised concerns about the expertise required at different levels of need, and the current differences in qualifications and skills required for targeted Early Help and Section 17 activity. Bringing the systems together may blur the thresholds between statutory and non-statutory intervention, and reduce the availability of qualified social workers for Children in Need (DfE, 2023a).

Early intervention

Terms like 'early intervention', or 'early action' (Community Links, 2011) or 'early prevention' in health, refer to a broader range of activities to prevent a wider range of outcomes. Public health recognises three types of prevention as central to addressing poor outcomes. Primary prevention is action that tries to stop problems from happening in the first place, either through actions at a population level that reduce risks or those that address the cause of the problem. Secondary prevention is action which focuses on early detection of a problem to support EI and treatment and reduce the level of harm once a condition has occurred. Tertiary prevention is action that attempts to minimise the harm of a problem through careful management.

In these terms, EI may include forms of both primary and secondary prevention. Universal childcare, for example, may support general population-level child development and prevent a wide range of later difficulties. Family Help may be better considered as a form of secondary prevention as it is provided for those for whom there are specific needs or concerns.

Thus, for some, EI services are provided with a specific intention to prevent escalation of need and prevent families from requiring intensive support (Chowdry & Oppenheim, 2015). For others, EI refers to the early period of life and the service goal is more generally to promote positive outcomes for whomever might access the service (e.g. National Centre for Social Research, 2023). The latter puts no requirement on the service to work with families at risk of more serious adversity other than by location, whereas the former does require services to engage in working with families where there was evident potential for the family's needs to escalate to statutory intervention levels.

Prevention for children and young people with SEND

Also relevant is activity to prevent deepening need, harm and cost in relation to children with SEND. In the health field, the definitions and terminology are distinct from those used in relation to Early Help. The key difference in definition is the intended targeted beneficiary, defined in terms of likelihood of SEND rather than likelihood of statutory social care. Some children and young people may experience needs in relation to both statutory care and SEND.

Summary

These differences in the way the term 'early intervention' is used make measurement difficult; the core construct is imprecise and has proved changeable. An independent review of EI spending in children's social care by the County Councils Network (2020) states: 'Classifying exactly what constitutes "early intervention" for spending purposes is a matter [of] conjecture as the concept defies the ability to be easily defined' (p. 25).

Uses of s251 in understanding costs in early intervention

There are numerous ways in which the s251 has been used to estimate spending on EI. This section describes two studies to indicate the range of ways in which the s251 has been used to understand spending on forms of EI and to highlight the challenges of using the s251 in this way.

Aldaba and the Early Intervention Foundation (2016), *Children's Services: Spending and Delivery*

In this analysis for DfE of how councils responded to pressures on children's services between 2010–11 and 2013–14, the s251 was used to conduct a cost analysis of service level groups. The study aimed to assess how councils were responding to changing spending pressures. It emphasised the importance councils placed on Early Help as a means of early support for at-risk groups, through which councils hoped to reduce later demand for more acute and costly provision. However, the study could only distinguish the following spending categories: Children in Need, Children Looked After, Sure Start and the early years, adoption and 'other'.

There was no definition of Early Help or EI per se. It is evident in the approach that costs for targeted support were included in the Children in Need category, alongside social work costs and safeguarding, which includes Section 17 and some in-care service costs. Likewise, some s251 lines associated with Children Looked After status (e.g. care leaver services) were included in the 'other' category rather than the Children Looked After category.

Franklin et al. (2023), *The Well-Worn Path: Children's Services Spending 2010–11 to 2011–22*

In a study conducted for a group of charities, Franklin et al. (2023) used the s251 to assess trends in early and late intervention spending between 2010/11 and 2021/22. The study estimated EI spending as the sum of local authority expenditure on 'Sure Start children's centres and other spending on children under five', 'Total Family support services' and 'Total Services for young people'. It estimated late intervention spending as the sum of local authority spending on 'Youth justice', 'Total Children looked after' and 'Total Safeguarding Children and Young Peoples Services' (p. 11).

The study sound that on these terms, late intervention services accounted for more than four-fifths (81%) of all children's services spending, up from less than three-fifths (58%) in 2010/11. This was driven by a rising proportion of spending on Children Looked After and a decline in absolute spending on preventative activity.

This study provides compelling evidence of the general trends in statutory support versus universal or preventative support. However, as it is based on the existing s251 codes, it cannot formally distinguish universal from targeted activity or Early Help from other kinds of prevention.

Other studies

There have also been a range of studies that have estimated spending using the s251 or used other methods to estimate trends in Early Help or EI.

For example, Bennett et al. (2021) specifically looked at spending for children under five years and over 12 years to determine whether the spending on under-fives made a difference seven years later to the rate of children entering care. They focused on 'preventative spending' using any lines *not* specifically designated to running social services or spending on children in care. This could be considered a relatively broad-brush approach to costing EI. These totals included the s251 lines that relate to universal and targeted service spending, along with the lines designated for spending attributable to some SEND services.

Action for Children (2022) used freedom of information requests to 150 upper-tier local authorities in England to estimate the trend between 2015/16 and 2019/20 regarding the numbers of children receiving Early Help provision. Based on data from 105 local authorities, the study found that the number of children receiving targeted Early Help rose from 358,000 to 517,000 over the period, an increase from 3.1% to 4.3% of the relevant child population. However, in the absence of validation of the data or information on spending, it is not possible to say whether this represents a true increase based on constant quality or changes of other kinds.

Chowdry and Oppenheim (2015) completed an analysis of spending across English and Welsh local authorities on late versus early intervention. This study provides important strategic insights about spending, but it goes beyond the purpose of the s251. The study is based on a prediction of the likely cost associated with outcomes, rather than analysis of spending. It uses various published sources of unit cost information connected to social issues (e.g. school exclusion, safeguarding, mental health issues and substance misuse) together with national data on the number of events or young people associated with each outcome measure. The study is important in showing the overall fiscal costs associated with unmet need in childhood but does not relate specifically to local authority's children's services expenditure. Data on the costs of services for these specific outcomes are not available in the s251, as the s251 is not designed to capture subsequent expenditure associated with individual outcomes.

When these studies are used to indicate general national trends, the overall pattern is quite clear. Spending on EI has in general reduced over time, compared to the spending required in later intervention services, which has increased over time (Aldaba & the Early Intervention Foundation, 2016; Franklin et al., 2023). Importantly, there is also evidence indicating that rising rates of older children entering care have partly been driven by cuts to preventative services (Bennett et al., 2021).

However, none of these studies are able to compare trends in local authorities on common definitions of types of preventative activity with accurate data, nor enable local authorities to accurately monitor the different forms of prevention in which they are engaged and how they vary with child and family need.

Principles for reform

The findings here highlight how the current structure for capturing data on EI spending services from local authorities does not allow for truly accurate and transparent assessment of spending. Following the independent review of children's social care by MacAlister (2022), the government produced a response, *Children's Social Care: Stable Homes, Built on Love* (DfE, 2023a), which accepted the proposal from the review to reform the children's services system into a Family Help model. This involves instigating family hubs along with the role of the family keyworker, who engages with families in need and coordinates support for families across a range of services. This reformed system is proposed to bring Tier 2 support and Children in Need services (statutory services relating to Section 17 of the Children Act, 1989) closer together and is intended to streamline access to services for families.

Changes to the nationwide structure of Family Help services bring with them a requirement for change in the way spending is recorded. However, as highlighted above in the section 'Early intervention, Early Help and Family Help', it is difficult to grasp a good understanding of spending on forms of EI, currently. Therefore, it will be difficult to measure the impact of a new model on spending. Funding for the system reform will be sourced from multiple budgets, ranging from early years support to youth and young people's services. Therefore, along with the reform, there needs to be careful consideration of how local authorities should report spending that contributes to the Family Help.

This will require changes to s251 but also to the wider system of data and insight of which the s251 is a part. If the goal of EI or targeted support is to reduce escalation of families' needs and reduce the demand on statutory services, data should be available and systems established that enable the tracking of families as they travel through children's services. However, previous research has shown that not all local authorities track, or can provide, data on children moving from Child in Need to Child in Care status, nor track children from Early Help to targeted Early Help, or track troubled families to children's social care (Bowyer at al., 2018). Therefore, evidencing this potential primary goal of EI is difficult using the available local authority data. We also know that not all local authorities directly link their child-level data to their finance systems (Bowyer at al., 2018). Therefore, it is not straightforward to understand the costs and spending associated with services provided to children and families at different levels of need.

Conclusion and recommendations

To summarise the findings of this section of the report:

- EI has not been sufficiently well defined, nor has it been possible to accurately interpret the costs of EI to local authorities using the current s251, given the way the spending blocks and lines are structured.
- The current framework of the s251 does not allow for accurate analysis of spending on EI.
- Reform of the s251 for EI is required if we are to know the impact of the system reform currently underway to introduce the Family Help model.
- The way spending in Early Help is captured needs to be more transparent and clearly defined.
- The reform should involve consultations with local authority finance and service managers to ensure that the service and financial data insights are feasible to obtain and valuable.

To address these challenges, further work is required to:

- Provide a clear national statement defining the stages and levels of engagement with local authority children's services by which Family Help can be distinguished in the s251 from statutory social care activity or universal services.
- Use this definition and research on existing definitions of EI to define further revisions of Table A1 to capture spending on Family Help and to support the aggregation of categories to measure spending on EI more generally.

Improving measurement of child need and placement types

Introduction

This section of the report argues that reform of the s251 should not be done in isolation from wider reform across children's social care. Change should be undertaken as part of a holistic review of other statutory returns in what the *Independent Review of Children's*

Social Care describes as an 'overhaul of what data is collected and how those collections work' (MacAlister, 2022, p. 251).

This section of the report provides some limited examples to demonstrate some of the intersections between statutory returns and the opportunities that could come from taking this holistic approach to reform. Similar issues were raised above in the section 'Categorisation of spending on children with SEND', where it was noted that recent reforms to make the SEN2 data child-level rather than cohort-based had added considerably to the value of the data.

This section is not intended to be a detailed analysis or blueprint for implementation; rather, the intention is to highlight some of the opportunities that would come should DfE take this approach to reform.

The focus of this section is on the SSDA903 statutory return (DfE, 2022) and the opportunities for more meaningful insight if changes are made to it alongside those in the s251. This is illustrative and there will be other examples of statutory returns which present opportunities.

The proposals in this section were informed through semi-structured interviews with four data and performance leads across three local authorities and a 'Systems Workshop' attended by a director of children's services, academics, and senior officials from DfE and the LGA. The section also draws on evidence collected during the Discovery Phase of this project.

Understanding spending in relation to child need

Our Discovery Phase (see Section 1) highlighted in detail the limitations of the existing s251. The recommendations set out by this project will, if implemented, go a long way to addressing these issues and will improve the accuracy and usefulness of data. Some limitations will, though, remain. Among these is the criticism that the 251 does not provide any indication of spending according to child need (see Stanford et al., 2019). This concern was also highlighted by Holmes (2021), who writes:

> While … the section 251 data provides an indication of the differences in unit costs between local authorities, it does not offer any explanation as to the reasons for these differences, and whether they are as a consequence of differences in the populations referred, their needs, [or] the service responses and the wider context. (p. 8)

The inability for the s251 to provide this more nuanced understanding led Holmes (2021) to recommend a programme of work to 'link section 251 expenditure data to other relevant datasets and data sources [which] should include (but should not be limited to) activity data; needs and circumstances of children and young people; [and] service receipt data' (p. 33).

Our Discovery Phase supported this conclusion and our interviews with local authorities highlighted the appetite to understand spending in relation to other factors, such as child outcomes (to determine value for money) and child need (to support resource planning). Epitomising this view was the contribution from a local authority officer with responsibility for children's social care data who highlighted that 'better granularity about the needs of children going into care would provide a better way of being able to align spending with need'.

The 'category of need' codes within the SSDA903 return provide a potential opportunity through which a standardised and consistent measure of need could be linked to spending data (see Table 10). This 'linking' could be through an analytical tool designed to support operational planning at the local level.[10] Alternatively, the s251 template itself could itself be expanded. For example, local authorities could be asked to report spending on children that are looked after by the SSDA903 category of need code as well as SSDA903 placement type code (the latter of which is the recommendation set out in Section 2). The option to embed need within the s251 was not explored by this project as the category of need code in its current form lacks the granularity or relevance to provide meaningful insight.

Table 10: Category of need codes in the SSDA903 return

N1	Abuse or neglect
N2	Child's disability
N3	Parental disability or illness
N4	Family in acute stress
N5	Family dysfunction
N6	Socially unacceptable behaviour
N7	Low income
N8	Absent parenting
N9	Cases other than children in need
N0	Not stated

Source: DfE (2022).

The category of need codes record the main reason why a child is being provided with services by a local authority. Local authorities must choose one of ten codes, which are 'designed to describe the different sorts of pressure upon Social Services to provide services and hence to commit resources' (DfE, 2022, p. 48). Once a code has been

[10] As part of this project and related work, the Commissioning Alliance has undertaken a proof-of-concept trial of how this might be done.

selected for a child, it remains unchanged for their entire period in care, which could be several years.

None of the local authority officers interviewed used the codes to support analysis and there was a consensus that they added very limited insight. One local authority performance manager observed that ‘the potential to learn and improve services is unrealised because of the lack of useful information in these codes’. Various reasons were put forward as to why the codes are not fit for purpose. These can broadly be summarised as a lack of granularity, inaccuracy and imprecision, and a failure to adequately describe need.

The ‘N1: Abuse or neglect’ code is very broad, with the result being that a significant number of children are grouped within a single category. In the 2022/23 CIN Census, 57.4% of all children were coded as N1.[11] Lacking granularity, this category does not reflect the potentially diverse needs of children, as ‘abuse’ and ‘neglect’ are two distinct things and the needs and experiences of children who have experienced them will likely differ significantly, both between and within these terms. The term ‘abuse’ could itself be broken down (as it is in statutory codes describing Child Protection Plans – i.e. physical, sexual and emotional) but again this is missing. The result is that the needs of children within this group could be so different from the classification that it provides very limited insight.

There was also a view that the categories do not adequately describe the needs of children. As one director of children’s services put it, the categorisation ‘captures what was important 20 years ago and not what is relevant today’. An example of this cited by multiple contributors is that UASCs are categorised under ‘N8: Absent parenting’, which is a descriptor that does not reflect the full needs of the cohort or describe the circumstances of them coming into care. This is potentially a significant omission given that in 2022/23 UASCs accounted for £263 million of spending nationally. The spending in 2022/23 was 38% higher than in 2021/22 and more than 300% higher than in 2015/16.

Our interviewees put forward various other categories as missing from the current category of need codes. These included contextual safeguarding, gang affiliation, county lines, radicalisation and child sexual exploitation. It is not within the scope of this section of the report to put forward firm recommendations on how these codes could be improved. Rather, the goal is to highlight some of the issues which limit their usefulness. If a more meaningful and granular list of child-centred, trauma-informed codes were developed and then linked to financial information (potentially being included as categories within the 251 template), it could provide significant insight for the sector.

[11] National Benchmarking data provided by Data to Insights

Placement type

A key recommendation from this project (see Section 2) is that Children Looked After spending should be recorded in the s251 with far more granularity, with new spending categories aligned with the accommodation codes used in the SSDA903 return. Alignment with the SSDA903 would ensure a common understanding of placement descriptions. It would also enable local authorities (who use the SSDA903 accommodation codes to categorise care placements in their case management systems) to be able to calculate the total number of placement weeks relatively easily and then transpose them into the corresponding line in the s251, enabling unit cost calculation (i.e. total cost divided by weeks in care). This granularity would provide local authorities with more meaningful and comparable data which can be benchmarked with other authorities.

However, it was clear in our engagement with local authorities that there is appetite for even more granular categorisation of spending in the s251. Local authorities particularly want to better understand the impact of high-cost, low-incidence placements on budgets. This desire within the sector to understand the impact of this cohort is evident in research being undertaken by ADCS looking at the impact of the top ten most expensive placements from all authorities across the country.[12] The desire has also been identified in previous research (Holmes, 2019, p. 22):

> A small proportion of children in care with the most complex needs have been found to skew the budget for looked after children, particularly in smaller local authorities where the proportion of the budget for a small cohort of children is disproportionate to the total budget (for example, 5–10% of the total budget being spent on the placements for 2–3% of the children and young people).

A review of the SSDA903, with a focus on where additional granularity could provide more meaningful insight, could enable a deeper understanding of spending on care placements. This would enable a corresponding level of additional granularity to be added to the s251 without compromising data standardisation. As already mentioned, this section of the report is not intended to be a blueprint for reform; however, below are some examples of where greater granularity could be beneficial.

Secure Children's Homes (K1)

The accommodation code for secure Children's Homes (K1) within the SSDA903 currently incorporates two distinct cohorts of children:

[12] Unpublished research. Research took place in 2024.

- children who are subject to court-ordered secure remand, for whom the placement is the responsibility of the youth custody service (often referred to as 'secure remand')
- children who are subject to a secure accommodation order under Section 25 of the Children Act (1989), for whom the placement is the responsibility of the placement's officers (often referred to as 'secure welfare').

Grouping these two distinct cohorts together means that it is difficult to differentiate spending and activity for each cohort. It is important for local authorities to have this information, as, as the needs of children in each type of provision (and the services they require) differ. Furthermore, there are significant differences between the funding streams associated with each. As such, consideration should be given to splitting this code into two.

Registered Supported Accommodation (H5)

The 'Supported Accommodation' code (H5) encompasses a broad range of accommodation types, including supported lodgings (in a family home and more akin to foster care), large foyers or hostels, and solo placements for individual children.

Recognising the significant differences between these placements, consideration should be given to introducing coding which more clearly delineates between different types of supported accommodation provision. Introducing this delineation would support a more nuanced understanding of the supported accommodation sector and enable local authorities to undertake benchmarking and comparisons at a much more granular level. For example, separating out supported lodgings would shine a light nationally on this provision type and could uncover certain themes or trends which would otherwise stay hidden.

Deprivation of Liberty Orders

DoLS authorise the deprivation of a child's liberty in a setting that is not otherwise authorised to do so. They are used to keep a child safe, including from themselves, when no other legal route or type of provision (e.g. Secure Children's Home) is available.

In Section 2 of this report we recommended that DoLS placements should for the first time be separated out in the s251. However, the testing of our proposal has shown that for at least some local authorities, extracting DoLS spending and activity data from their case management systems was a time-consuming manual process. It is proposed that consideration be given to including DoLS as a placement code within the SSDA903 to support data extraction and more generally support analysis of this specific cohort. This change, if implemented together with the proposal to make the secure Children's Home code more granular, would also facilitate analysis of any inter-relationships between DoLS and Secure provision in terms of their spending and activity.

Conclusion

In Section 3 we have set out our analysis of issues and challenges concerning the measurement in the s251 of spending on children with SEND and on EI, and given examples of where greater alignment of the s251 with better information on child need and placement type would provide greater strategic insight. These are examples where ongoing improvement and reform will be required. The s251 statistics should align better over time with related datasets and systems, supported by continuous improvement processes and analytical use, to ensure more buy-in from and value for local authorities. Over time this will also improve accuracy as part of a virtuous circle of improvement. This process will require stewardship through DfE working closely with local authorities.

On SEND, there is an urgent need to improve the s251 so it can more effectively inform SEND strategic planning at the national and local levels. There is acknowledgement that the s251 must take a whole-systems approach, namely through enabling better links and triangulation of SEND spending data with non-financial statistics.

In the section on measurement of child need and placement types, we provided some examples of the intersections between statutory returns and discussed the opportunities that could come from taking a holistic approach to reform. In this way, the s251 could become better aligned with other data and reporting capabilities and requirements and so support the generation of helpful cost and spending data for local authorities. Making the connection to children, families and placements would enable the s251 to support analysis of fit to need, of sufficiency and of impact in a way that cannot be done if the s251 is seen as a standalone return. Although the s251 does not itself need to be remade into a child- or placement-level dataset, it should be aligned with other returns in such a way as to make possible comparable child- and placement-level analysis across local authorities. This would require standardisation of data, codes and guidance across datasets and local authorities.

On EI we found that the term has not been sufficiently well defined, nor has it been possible to accurately interpret the costs of EI to local authorities using the current s251 given the way the spending blocks and lines are structured. The current framework of the s251 does not allow for accurate analysis of spending on EI. Reform of the s251 for EI is required if we are to know the impact of the system reform currently underway to introduce the Family Help model.

To address these issues, it is necessary for further study and testing to be conducted. Indeed, we do not think it is possible or appropriate to fix the s251 with a single set of amendments. Rather, what is required is to integrate the s251 into an ongoing and dynamic learning system. The intersections between datasets, financial software, guidance, policy and practice are complicated and no one individual or organisation can fully comprehend all of the connections between the moving parts of reform. Therefore, a process of continuous learning, supported by ongoing research and consultation, is required.

More specifically, we recommend that DfE:

1. Commission actionable research on reforms to spending on children with SEND that will improve the accuracy value of the s251 on SEND. DfE might build on findings in the Safety Valve and Delivering Better Value programmes and work with local authorities and schools' forums to amend SEND-related spending subject to Section 251 of the Apprenticeships, Skills, Children and Learning Act (2009). This should address high-cost commissioning and include considerations relating to a) inclusion of activity data, b) alignment with other statutory datasets and c) clearer treatment of overheads.
2. Provide a clear national statement defining the stages and levels of engagement with local authority children's services by which Family Help can be distinguished in the s251 from statutory social care activities. DfE might use this definition and research on existing definitions of EI to define further revisions of Table A1 and amendments to Table A to capture spending on Family Help and to support the aggregation of categories to measure spending on EI more generally.
3. Develop standardised datasets that better measure needs and their fit to provision. This should include, but not be limited to:
    a. a review of the placement type codes within the SSDA903
    b. a review of the category of need codes within the Children in Need census and the SSDA903
    c. integration with the SEN2 data.
4. Support the scale-up of regional data-sharing with standardised, local authority-managed solutions for analysis, including of regional sufficiency and of high-cost placements for both children in care and children with SEND.

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