

# Research on Children's Services Spending and Budgeting – Section 251 Returns

## Final Report

### Research on Children's Services Spending and Budgeting

#### Section 251 Returns and Analysis

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## Contents

	Page
Background	3
Executive Summary	4
Project Outline	6
Findings	10
Detailed Analysis	13
Discussion	16
Reissue of Section 251 Returns	20
Comparison with other returns	22
Conclusions and Recommendations	23
Annex A – Example Benchmarking Profile	
Annex B – Overheads Guidance	
Annex C – Trial Questionnaire	
Annex D – List of Social Care Government Returns	

## Background

A consortium of LGA, London Councils, SOLACE and ADCS has commissioned CIPFA to undertake a sector-led project to help provide a clearer picture of children's services costs by improving the basis for comparing and recording such costs. The key output will be recommendations for the production of robust figures for the next Spending Review, which is likely to be in September 2015, following a General Election.

The current data on children's services costs is taken from Section 251 data submitted by councils to the DfE and consortium members are concerned that Section 251 data and analyses are an unreliable basis for a comparison of costs between different local authorities.

The research was aimed at establishing whether or not Section 251 data reflect real variations in children's services costs or differences in the way that councils record and allocate them. If and where the data and analyses are found to be unreliable, the potential for developing an improved basis for making cost comparisons and an analysis of the data produced by this improved methodology was to be explored.

The CIPFA approach followed five key stages:

1. Analysis of existing data and variations therein
2. Visiting councils to review how templates are populated
3. Developing a new data collection framework
4. Re-collecting data and analysing results based upon new methodology
5. Final report and presentation of findings

The interim report covered the first two sections and part of the third. This final report covers the whole project.

During the latter part of the project, problems were encountered with data collection and an improved methodology was developed which is described below.

## Executive Summary

Section 251 data returns and analyses show differences between local authority spending caused by three different sets of factors:

- extrinsic factors external to, and not under the control of, the local authority
- intrinsic factors related to policy and practice decisions within the local authorities relating to the ways that services are delivered
- noise: variations that are neither extrinsic nor intrinsic but appear arbitrary depending on how the returns are completed

Evidence has been gathered through analysis of Section 251 guidance, Section 251 returns, fieldwork discussions with local authority staff, questionnaires completed by local authority staff, discussions with other agencies concerned with the costs of children's services, and through comparing and contrasting Section 251 returns with returns for the CIPFA Children Looked After Benchmarking Club.

The evidence leads strongly to the general conclusion that 'noise' in Section 251 returns and analyses is significant to the extent that the analyses are not fit for the purpose either of making valid assessments of total spending on specific areas or of making useful comparisons between local authorities.

The recommendations, if implemented, would much improve the reliability and effectiveness of Section 251 returns and analyses. The improvements would result in better and more useful information becoming available to local authorities with reduced 'noise'. This would help build a 'virtuous circle' such that local authorities would find it directly beneficial to invest time and effort in making Section 251 returns, an exercise which is at present often given low priority. Revisions to the Section 251 guidance should be developed in consultation with local authorities to ensure that there is improved engagement with the Section 251 process.

With improved Section 251 returns and analyses, local authorities will be much better able to assess their policy and practice, and the associated spending, against that of other local authorities, and so to work to improve practice and reduce costs. National government will be better able to assess levels of spending, and also to compare levels of spending and activity between local authorities. These are both attainable and desirable goals.

### Recommendations

1. Activity data should be included within the Section 251 return so that unit costs can be easily or automatically derived, strengthening the links between financial and activity data.
2. A section should be included in Section 251 returns to enable local authorities to describe their local context, and a small number of exemplar contextual analyses should be commissioned to illustrate the possibilities.
3. The Section 251 process should be extended to enable local authorities to review their data and analysis against that of other local authorities before publication, building in a further stage of sense-checking and error correction, thus improving the reliability of the published data and analyses.
4. Comparative analysis of the data should be developed in consultation with local authorities to improve data quality and deliver outputs that provide real benefits.
5. Discussions should be undertaken between local authorities and government departments about simplification of the overall reporting and data collection processes for children's services, including the areas and levels of aggregation at which it would be useful to report for local authority use and for government departments.
6. Separating out overhead costs within the Section 251 return should be carefully considered.
7. Further research should be undertaken with local authorities on alternative denominators, with the intention of adding them to the base denominator for specific metrics.
8. Comparative quantitative analyses should be made available online so that local authorities can carry out their own customised analyses, including comparisons with statistical neighbours.

## Project Outline

Phase 1 of this research identified areas for improvement in Section 251 data returns and analysis. The fieldwork for this part of the research involved interviewing strategic managers in a variety of local authorities as well as undertaking analysis of the degree of variability in their data returns.

The report from Phase 1 has been published and has been generally well-received, with comments and feedback focusing on potential extensions and improvements. The conclusion from Phase 1 was, in summary, that Section 251 returns were not fit for the purposes either of making valid assessments of total spending on specific areas or of making valid comparisons between local authorities. There have been no adverse comments on the general analysis.

Phase 2 was concerned with how Section 251 data returns could be improved so as to allow more meaningful analysis and learning. Perhaps inevitably, this has proved more challenging – it is, perhaps, always easier to criticise existing arrangements than it is to propose new and better arrangements.

The approach taken has evolved during the course of the work, in the light of discussions with local authority colleagues and within CIPFA. The initial intention was to ask the original sample of local authorities to re-assess spending in specified areas of children's services through completion of a questionnaire, and to use the data resulting from these returns to make proposals for improvements to Section 251 returns.

This approach required local authorities to carry out a substantial piece of work, comparable in scale with the initial completion of Section 251 returns. This would have involved several days of technical work requiring input from both accountants and children's services managers, and there was a limited response to this request.

Typical local authority responses during a telephone survey associated with this research included:

*"We just don't have the resources to carry out Section 251 returns as well as we would like, and to prepare a new return from scratch is just impracticable without a lot more notice."*

*"We already put our efforts into the [CIPFA Benchmarking Club] and find those comparisons of much more help in improving practice than the flawed Section 251 process."*

*"We have to complete a wide range of [financial and activity] returns for different departments and we would welcome a consistent overall approach that would encourage consistency between returns."*

Nevertheless, several local authority were able to make returns to the questionnaire. However, the evidence from the responses that were received was that underlying data was the same as had been used in the original Section

251 returns, and that the hoped-for *ab initio* re-analysis had not taken place. Notwithstanding these limitations, some important qualitative information could be extracted from commentaries, and this is discussed below.

Informal discussions have taken place with colleagues from a number of local authorities; especially those represented on the Association of Directors of Children's Services (ADCS) Resources and Sustainability Policy Committee, and these have proved helpful both in reviewing and extending the findings from Phase 1, and in considering the improvements for Phase 2.

In the light of these challenges, a review was undertaken to consider other evidence that could be used to inform Phase 2. Following positive comments from several members of ADCS, a decision was taken to use information from the CIPFA Children Looked After Benchmarking Club (the 'Benchmarking Club') and to compare it to Section 251 returns and analyses.

The Benchmarking Club includes more than half of the local authorities. These local authorities contribute financially and practically to a more detailed analysis of spending on children's services, with the aim of providing learning information about policies and practices to member local authorities. The working assumption was that local authority members of the Benchmarking Club have a direct and positive incentive to maximise reliability and accuracy of Benchmarking Club returns. Having voluntarily joined and paid a membership fee, they have already decided that there are benefits in having reliable and valid comparative data. The Benchmarking Club also has the major advantage that it comprises a substantial 'community of interest' with colleagues from across the country working together to improve analyses of comparative spending with the aim of informing improvements in practice.

The Benchmarking Club collects information on the costs of a local authority's looked-after children. This is split by residential and fostering, and by internal and external provision. Detailed information on costs per looked-after child is also collected. The Benchmarking Club focuses on financial metrics, but includes measures of workload, staffing, activity and performance. However, the Benchmarking Club does not (as yet) consider intrinsic, local policy and practice decisions and their outcomes.

The use of the Benchmarking Club data has enabled effective comparison with Section 251 returns, albeit only in the two areas of residential care and fostering. This analytical work has both ratified the earlier Phase 1 analysis, and enabled national extrapolation based on a sample of half of the local authorities, a much larger sample than had earlier been envisaged.

In the light of this work, we have concluded that the general approaches adopted by the Benchmarking Club would form a secure basis for improved Section 251 returns and analyses, and our proposals reflect this. The CIPFA Children Looked After Benchmarking Club, and the more recently-formed Adoption Benchmarking Club, would continue alongside the statutory Section 251 returns and analyses as they consider activity and spending at a finer degree of granularity than central government requires through Section 251 returns. There would however be a benefit in medium-term cross analysis of

Section 251 and Benchmarking Club data, as part of a quality assurance process for both pieces of work.

We recommend involving local authorities in both the methodological development and the learning from future Section 251 data returns and analyses. This should include assessment of total budget requirements and analyses of local policy, practice, activity levels, and children's outcomes. This would seem an obvious improvement on the present arrangements where, very often, the fieldwork evidence showed that Section 251 returns are made as a relatively low-level technical accountancy exercise without particular benefit or cost to the local authority.

Beyond improving Section 251 returns, we also recommend simplifying the present 11 annual activity and financial returns into a single unified return. If properly designed, this would have great benefits both for local authorities and for central government, as financial and activity metrics could be linked so as to provide pre-calculation and enable local sense-checking and analysis before submission. This is the general approach taken by the CIPFA Children Looked After Benchmarking Club. The 11 social care government returns are set out at Annex D.

We have considered the possibility of extending the existing Benchmarking Club into other areas of children's services spending, and making it universal, as either a replacement for the existing Section 251 approach or as a sector-led complementary approach. We have concluded that improving Section 251 returns and analyses as set out in the recommendations at page 21 is a more practicable approach, as shifting the Benchmarking Club from a voluntary to a compulsory basis would alter fundamentally the relationships that underpin the work, and, as stated above, Section 251 returns are designed to deliver a less-fine-grained analysis than Benchmarking Club returns.

We have considered further the Section 251 guidance to local authorities alongside the Benchmarking Club guidance and have come to the view that the guidance, which is based upon the CIPFA Service Reporting Code of Practice (SeRCOP), is sufficiently clear and explicit. The fieldwork leads us to conclude that significant 'noise' is introduced into Section 251 returns partly as a consequence of the lack of importance ascribed by local authorities to Section 251 returns and partly as a consequence of Section 251 return methodology, which does not provide immediate analysis and sense-checking or other quality assurance. The perceived lack of importance was linked to an expectation of lack of benefit, and the detailed Section 251 analyses provided to local authorities taking part in the fieldwork have been well-received and popular.

Our core conclusion, therefore, is that Section 251 returns need to incorporate preliminary analysis, for example of unit costs, and the aggregated analyses need to be made more informative and directly helpful to local authorities. The recommendations reflect these potential improvements. We believe that there has been a vicious circle of increased 'noise' as the limited utility of Section 251 analyses to local authorities has resulted in a reduced concern for the way in

which the returns are completed, leading to further reductions in the validity of analyses and comparisons.

The recommendations are designed to reverse this trend, putting in place instead a virtuous circle through which local authorities see a direct benefit in ensuring that Section 251 returns are reliable and valid, leading to improved opportunities for the development of policy and practice, and thus providing a motivation to further improve returns.

## Findings

In Phase 1, the findings revealed considerable variation in both the ways the Section 251 returns were completed and the ways in which they were used.

At the highest level, it was generally agreed that the Association of Directors of Children's Services (ADCS) position statement '*What is care for?*' (October 2012) provided a good rationale for wanting to better assess activity in, and spending on, children's services:

*"The range of approaches to the use of care between areas, and the very differing needs of individual children within the system all indicate the need to stop trying to conceptualise "care" as a single system, but instead to break down the picture and re-assess just what outcomes we are, as a nation, attempting to achieve through the use of public care and then to consider carefully the national and international evidence available to us to plan for a more coherent future."*

The Phase 1 research identified three sets of factors that impact on the usefulness of the comparative data:

**Extrinsic factors** – factors that impact on activity and spending but are outside the direct control of the local authority.

During the fieldwork the following extrinsic factors were raised:

- The number of children in the local authority (as a proxy for size)
- Deprivation levels
- Demography, including rate of population growth or fall, change in nature of the population, and an assessment of birth-rate and inward/outward migration patterns
- Difference in age profiles of children and young people between local authorities
- Ethnicity
- Supply demographics, for example, the availability of foster carers or social workers
- Levels of population churn
- Rurality, dispersion and homogeneity
- Rurality specifically linked to deprivation issues
- Property costs
- Salary levels, often linked to supply demographics

- Special factors such as the presence of armed forces bases and major changes in employment patterns.

**Intrinsic factors** – factors that impact on activity and spending and are under the direct control of the local authority, through either policy or practice.

Following the publication of the Phase 1 report, and during discussions with local authority finance officers as well as children’s services managers, it has become increasingly clear that the importance of, and variation between, these intrinsic factors are deeper than had been first thought. Since 2010, local authorities have been under intense pressure to reduce overall spending levels, at the same time as external accountability of children’s social care through inspection has had a high public and political profile. The publicity following a number of high profile cases has led to increases in the assessment of numbers of children at risk and associated spending, as well as significant changes in local practice.

As a consequence, there have been two sets of responses by local authorities, both present in almost all local authorities to varying degrees, and both tending to confound analyses based on data returns designed prior to 2010.

Local authorities have evolved their organisational structures more or less fundamentally leading to a much greater variation in structure than hitherto, and local authorities are adopting very different practices in response to these pressures.

For example, following an increase in spending on early intervention, some local authorities are reporting that early intervention is now being cut in order to meet immediate pressures. Some local authorities have increased spending on social workers following adverse inspections, while others have adopted more or less innovative solutions that require fewer social workers. Where local authorities have employed more social workers (for whatever reason) this has had the effect of increasing local competition for recruitment of social workers and the salary levels being offered, in some cases creating shortages elsewhere. There is therefore a generally increased level of instability in local authority policy practice.

There are also general methodological problems with analysis of activity and spending related to early intervention and prevention. Such spending is typically intended to lead to savings through improved outcomes in future years, usually over the medium and long term, and often in budgets not associated with the early intervention itself. These savings are difficult or impossible to predict reliably at the point of the initial spending decision.

This research work was not aimed at carrying out a detailed review of these areas, and the analysis above is necessarily tentative and anecdotal. However, these general views have been tested informally with a number of local authorities resulting in a general agreement of the issues.

**Noise** – factors that lead to apparent variations in activity and spending but which do not carry information that will inform policy or practice.

It has become clear since the Phase 1 report was published that noise can only be minimised if there is a clear benefit to local authorities in putting in the time and effort to reduce these arbitrary variations. The Benchmarking Club is a good example of an instance where local authorities have voluntarily decided to come together as a community of interest to improve reliability and reduce noise.

Phase 1 showed that the way that that Section 251 returns are completed varies from being seen as a relatively unimportant technical exercise to which little resource need be allocated, to being a significant analysis of local authority activity worthy of strategic input. Even in the latter case, the local authorities concerned are well aware that other local authorities have not assigned a high importance to Section 251 returns.

This research has not studied these variations in detail, but it may be assumed that local authorities which treat Section 251 returns as a 'minor technical exercise' are more likely to demonstrate arbitrary variations in their returns. However, an alternative interpretation with impact in the same direction (of increased noise) is that those local authorities that seek to use Section 251 returns to inform national funding decisions will (within the rules) attempt to paint a picture of both need and spending that they believe will be most advantageous.

The conclusion drawn from these tentative findings is perhaps not surprising: that minimising effort and maximising benefits for local authorities is necessary if Section 251 returns are to be dealt with properly. If the process is not seen as worthwhile and there is no external checking of returns even where there are obvious anomalies then local authorities will put less effort into the whole process, leading to increased noise and the vicious circle referred to above.

During the fieldwork, some local authorities were critical of the Section 251 guidance, ascribing lack of consistency between local authorities to variation in interpretation of the guidance. Since the Phase 1 report was published, as stated above we have reviewed the the Section 251 guidance to local authorities alongside the Benchmarking Club guidance and have come to the view that the guidance is sufficiently clear and explicit.

The guidance is based on the CIPFA Service Reporting Code of Practice (SeRCOP), which establishes proper practices with regard to consistent financial reporting for services and is reviewed annually through a consultation process to ensure that it develops in line with the needs of modern local government.

## Detailed Analysis - Comparison of Section 251 returns to CIPFA Children Looked After Benchmarking Club returns

The CIPFA Children Looked After Benchmarking Club operates within the areas of residential care and fostering, and sits alongside the more-recently developed CIPFA Adoption Benchmarking Club. Not all aspects of spend relating to children's social care are covered in CIPFA's Benchmarking Clubs. The full dataset for Section 251 is not therefore susceptible to the level of comparative analysis set out on the following pages.

Residential care and fostering are, however, two of the key areas of spending on children's services, with large sums being spent on very sensitive areas. The findings for these two areas will be of considerable interest both to central government and local authorities.

The Benchmarking Club rules preclude public identification of individual local authorities. However, the analyses below are matched such that the 77 member local authorities of the Benchmarking Club from 2013 are compared with the same 77 local authorities for their Section 251 returns.

There are four sets of graphical analyses in each section:

- Benchmarking Club returns
- Section 251 returns for Benchmarking Club local authorities

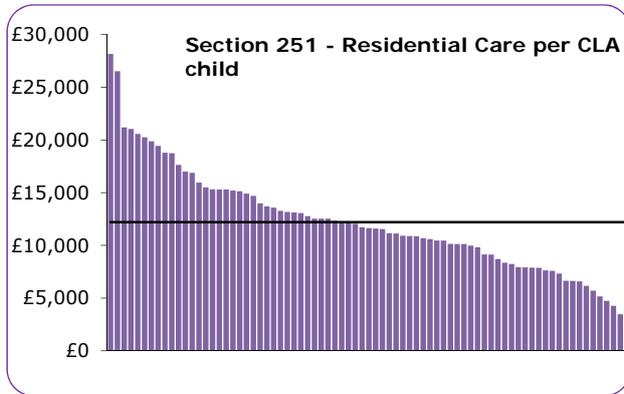
With the first two, differences between the Benchmarking Club returns and the Section 251 returns are shown. The data is based on 2013/14 budget figures.

The most obvious methodological differences between Section 251 returns and Benchmarking Club returns are that Section 251 returns do not have automatic calculation of unit costs as activity data is currently collected on the separate SDDA03 return.

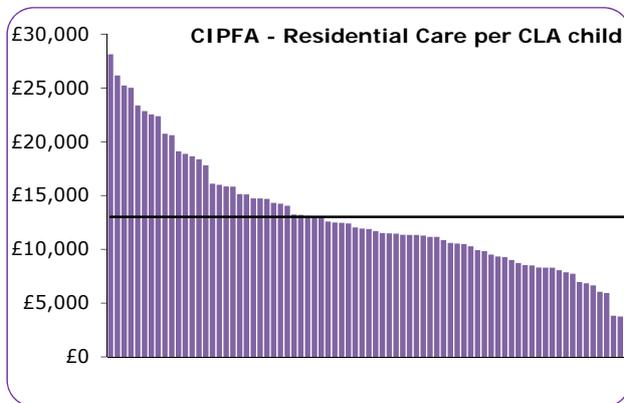
This means that the two sets of data, often completed by different people within the authority, are not brought together and have not gone through the same level of quality assurance, that is, no-one in the authority has had the opportunity to review the combined unit cost information, such as the cost per child per week. This lack of consistency and checking inevitably reduces the reliability of the data when used in subsequent research or to inform decisions nationally.

**In order to give the best comparative analysis, all the graphical presentations in this section are based on Benchmarking Club returns for the 77 local authorities in membership, as compared to the Section 251 returns for the same 77 local authorities.**

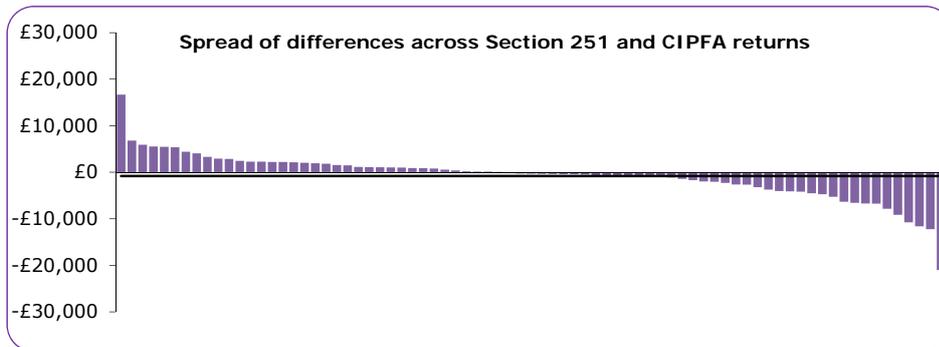
**Residential Care costs per child**



S.251 Average: £12,198

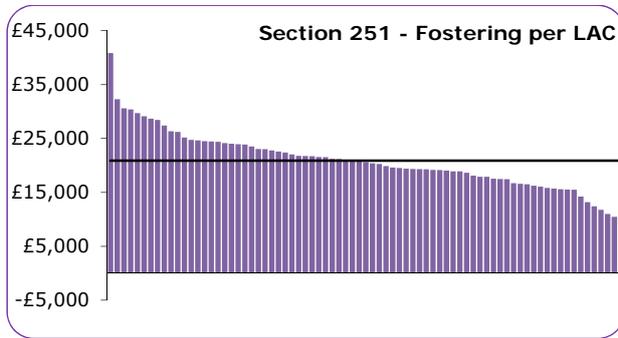


CIPFA Average £13,011

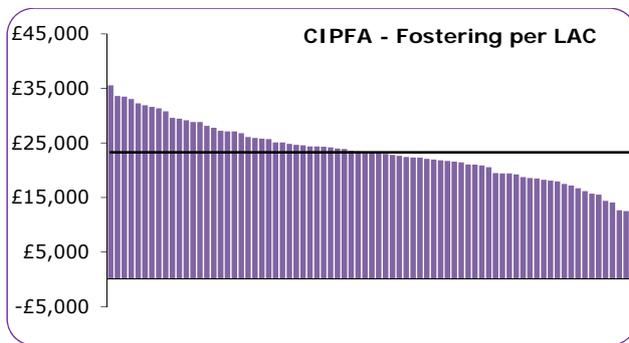


Sources: DfE Section 251 2013/14 Estimates and SDDA03, and CIPFA CLA Benchmarking Club

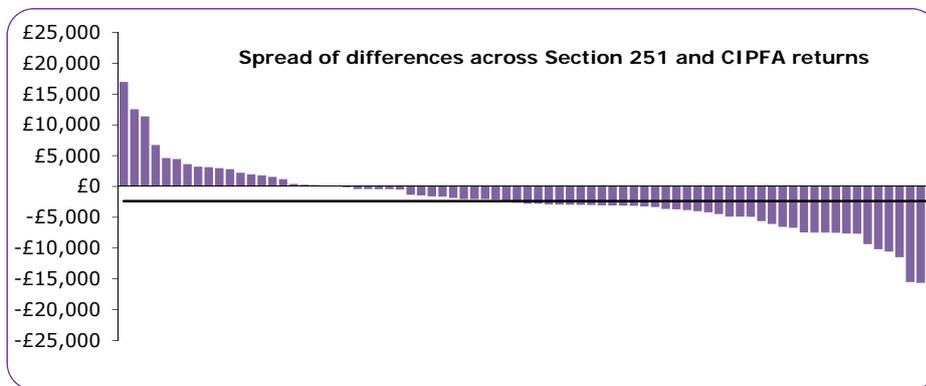
**Fostering costs per child**



S251 Average: £20,885



CIPFA Average: £23,279



Sources: DfE Section 251 2013/14 Estimates and SDDA03, and CIPFA CLA Benchmarking Club

## Discussion

The charts for residential care and for fostering show some important differences between the data reported in the Section 251 return and the Benchmarking Club. Although a small degree of variation would be expected, as the questionnaires may be completed at different times and by different people within individual local authorities, the degree of variation at the level of individual local authorities was significant and unexpected.

In all cases, the variations between local authorities show up as being substantially greater on Section 251 analyses, with more outliers at both ends of the distribution, and a steeper graph overall. The tentative conclusion is that noise is greater in Section 251 returns than in the CIPFA returns.

The Benchmarking Club evidence indicates that there is significant variation due to extrinsic factors but that noise can be reduced within Section 251 returns. However CIPFA recognises that there is more that can be achieved in this direction, and work within the Benchmarking Club on this issue is continuing.

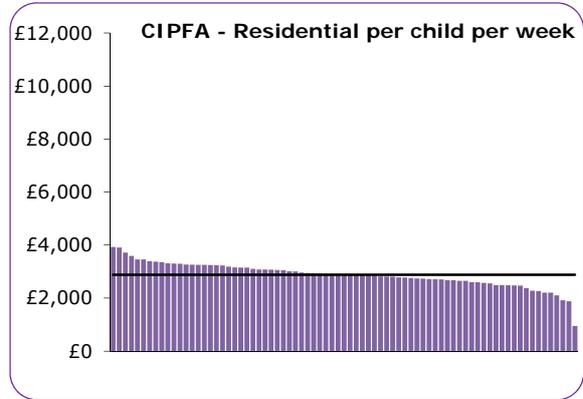
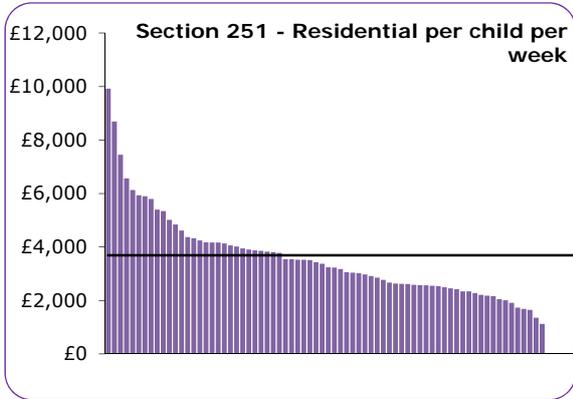
**Table 1 - Difference between Section 251 and CIPFA figures**

	<u>Average Difference</u>	<u>Maximum Difference</u>	<u>Minimum Difference</u>
Residential Care	(813)	16,662	(21,020)
Fostering	(2,395)	16,957	(22,058)

Table 1 shows that there are large unexplained variations in data reported when comparing Section 251 with Benchmarking Club returns.

A further analysis was undertaken of weekly costs in order to explore potential reasons for these variations. This analysis showed that the unexplained variations were even greater when assessed on a basis of weekly costs, as set out on the following pages. The variations are particularly significant for residential care, where the average costs calculated from Section 251 and the Benchmarking Club returns differ by £815 – a variation of more than 20% of the Section 251 average.

**Residential Care costs per child per week**



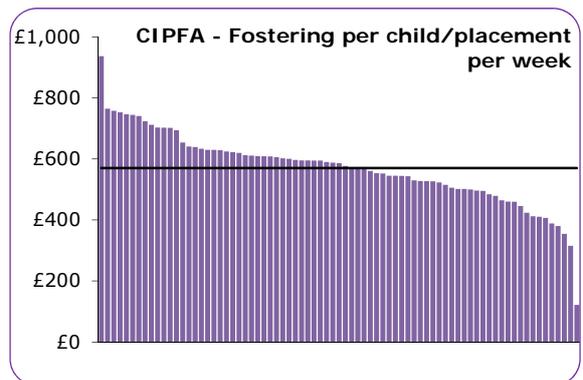
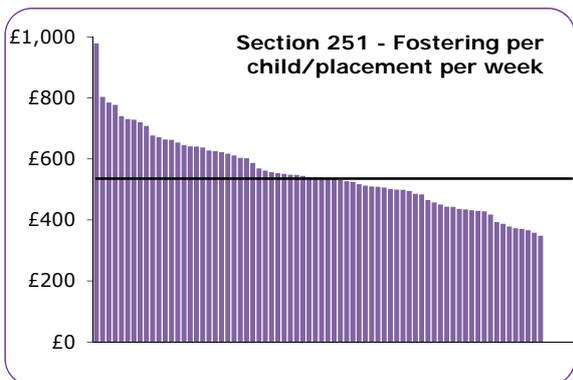
S251 Average: £3,696

CIPFA Average: £2,881

Sources: DfE Section 251 2013/14 Estimates and SDDA03, and CIPFA CLA Benchmarking Club

Excluding outliers, the Section 251 range for residential care varies from around £1,900 to £6,000 with a fairly even distribution, while the Benchmarking Club range on the same basis varies from around £2,000 to £3,500 – less than half the variation.

**Fostering costs per child per week**



S.251 Average: £536

CIPFA Average: £570

Sources: DfE Section 251 2013/14 Estimates and SDDA03 and CIPFA CLA Benchmarking Club

Excluding outliers, including a significant number of local authorities recording no expenditure at all, the Section 251 range for fostering varies from around £370 to £800 with a fairly even distribution, while the Benchmarking Club range varies on the same basis from around £380 to £750 – significantly less, and with no local authorities recording zero expenditure.

Table 2 shows the gross expenditure for the 77 authorities that were members of the Benchmarking Club for 2013/14 across both sets of returns.

**Table 2 – Gross Expenditure 2013/14**

	Section 251	CIPFA CLA	Difference between CIPFA and Section 251	
Residential Care	£463m	£522m	£59m	11%
Fostering	£745m	£820m	£75m	9%
<b>Total</b>	<b>£1,208m</b>	<b>£1,342m</b>	<b>£133m</b>	<b>10%</b>

The data reported on the Section 251 returns across residential care and fostering is typically 10% lower than the corresponding figures reported in the CIPFA Benchmarking Club.

**Whilst the comparative data suggests that authorities may have understated these figures on the Section 251 return, the difference in the timing of the two exercises should be noted. Additionally, the CIPFA return does not collect the full range of categories included in the Section 251 return, so we are not able to compare the overall spend on children’s services.**

**It should also be noted that the activity data issued by DfE is rounded to the nearest 5, which could lead to differences in the analysis.**

**In addition, as already noted, the CIPFA Children Looked After Benchmarking Club relates to only two of the key areas under discussion, residential care and fostering, though these are key areas. (A CIPFA Adoption Benchmarking Club is also operating from this year.) It is possible that Section 251 returns from these local authorities have (perhaps correctly, perhaps not) assigned costs to other areas of activity in children’s social care, or indeed to other areas of spending outside children’s social care. For this reason, it would be unwise simply to extrapolate Benchmarking Club cost analyses to a national level without further forensic fieldwork analysis.**

Notwithstanding these caveats, outside of the work with local authorities, we have met with an independent consultancy (Revolution Consulting) which has been working on the costs of children’s homes in England. The conclusions of their work are consistent with the thrust of this report, and are worth quoting:

*‘The [Revolution Consulting] report identifies discrepancies in the financial and cost data currently available. Costs tend to assume a disproportionately important role in policy and placement decision-making and so it is essential that robust financial information is utilised and thoroughly understood by those responsible for such decision-making. It is our opinion that the current scale of discrepancies*

*creates a very real risk that current financial and cost information is simply not fit for purpose.'*

This conclusion is entirely compatible with the general conclusions of our fieldwork, and suggests a specific area for improved reporting.

## Reissue of Section 251 Returns

As part of the research, we trialled a questionnaire based on the Section 251 data concentrating on the key areas listed below.

- Sure Start / Children's Centres / Early Years
- Residential care
- Fostering
- Adoption
- Targeted family support
- Leaving Care
- Unaccompanied Asylum Seekers

The questionnaire asked local authorities to review and re-submit the figures for the total costs within each of these areas. It also asked for local authorities' overhead costs across the seven categories, as the treatment of overhead costs had been identified as a key issue in Phase 1.

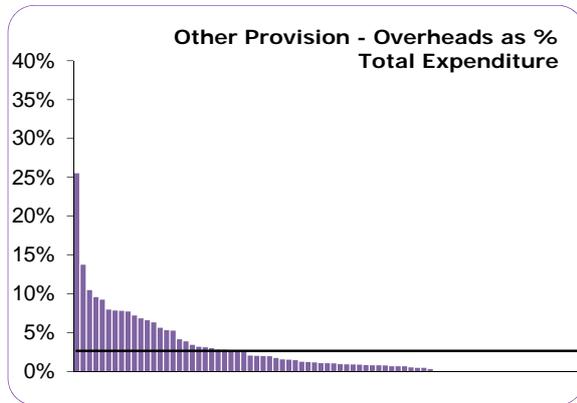
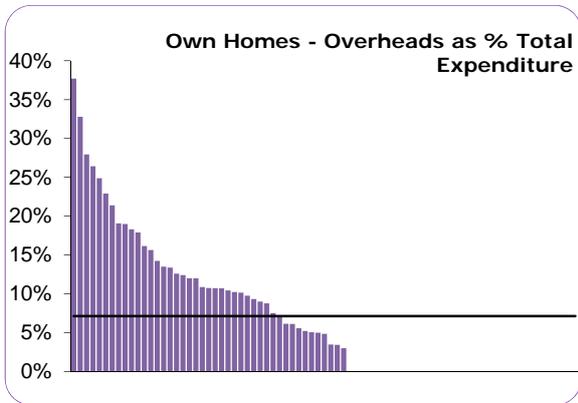
The questionnaire included a unit cost analysis and a graphical tool, which allowed each authority to see how their unit costs compared to other authorities. To date six authorities have responded to the questionnaire; Barnet, Bolton, Middlesbrough, Derbyshire, Surrey and West Sussex.

Surprisingly, no authority changed their original Section 251 data. This would indicate that either their form was completed correctly or authorities lacked time or resource to change it.

Of these six authorities, overhead costs varied from 3% to 21% as a proportion of the total cost. This is clearly a significant variation and the conclusion is that this is an important area of noise that should be avoided in future data collection, either through improved guidance or data checking, or both.

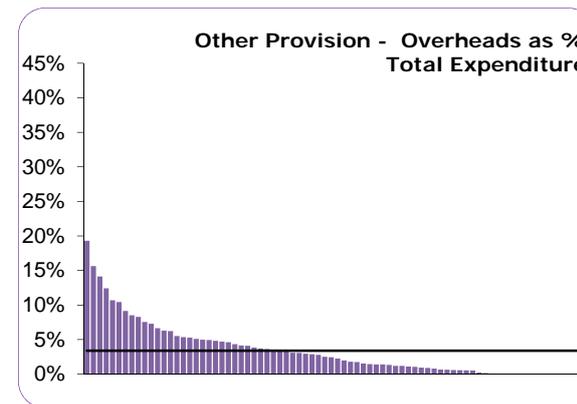
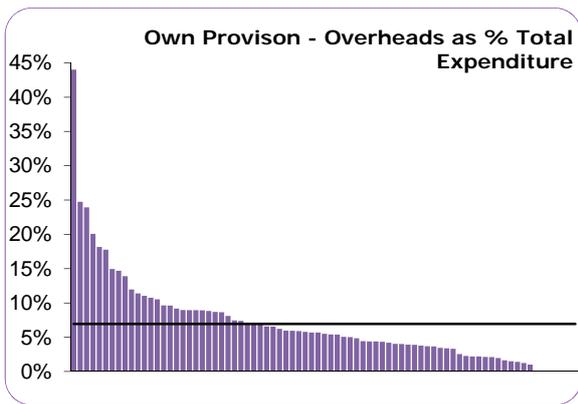
The Benchmarking Club data also show that there are significant variations in how authorities apportion overheads, as shown in the graphs below:

**Residential**



Source: CIPFA CLA Benchmarking Club.

**Fostering**

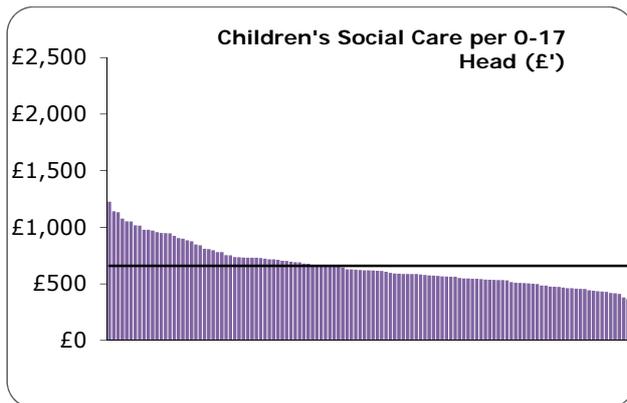
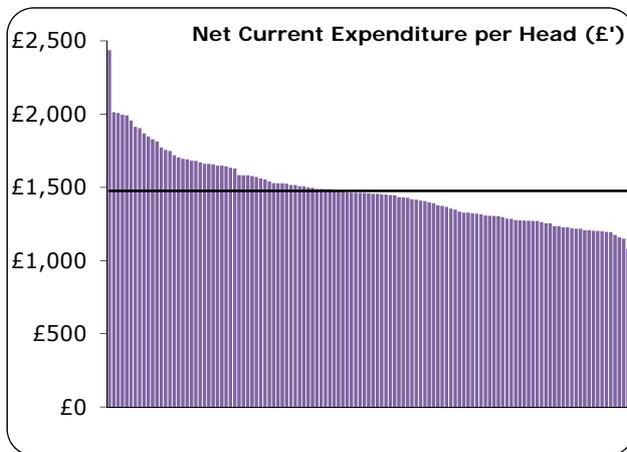


Source: CIPFA CLA Benchmarking Club

## Comparison with other returns

The DCLG Revenue Outturn (RO) and Revenue Account (RA) returns collect headline spending figures within an authority. This includes figures in Children's Social Care.

These figures show the same basic shape of curve, with most in the middle and a few outliers at each end. For example, the first graph below shows overall net expenditure per head for all services, whilst the second graph shows children's social care expenditure per child aged 0-17.



Source: DCLG RO and RA returns

## Conclusions and Recommendations

(For convenience, the conclusions and recommendations from both phases of the research have been brought together.)

### General Conclusion

**The general conclusion that can be drawn from the evidence of this research is that while Section 251 returns and analyses are not at present fit for purpose, they could be improved significantly by the range of measures detailed below, and that the CIPFA Children Looked After Benchmarking Club provides some useful pointers for improvement.**

- 1. Activity data should be included within the Section 251 return so that unit costs can be easily or automatically derived, strengthening the links between financial and activity data.**

Wherever possible, Section 251 returns should be cross-referenced to activity and outcome data, including unit cost data, both at local authority level when completing the returns (to ensure local sense checking and verification) and aggregated national level (to enable local and national policy makers to make decisions based on activity as well as finance.)

Section 251 returns should calculate unit costs automatically for local sense-checking before returns are completed, as happens with the Benchmarking Club returns. Consideration should also be given to circulating national analyses showing distribution based on preliminary Section 251 returns, with a view to encouraging local authorities to check data before final confirmation.

A similar process is already in place for the NHS Information Centre/CIPFA PSS Ex1 financial return covering adult social care, whereby activity data is referenced from other returns so that unit costs can be easily calculated and are fully visible to the respondent.

We recommend that appropriate denominators are incorporated within the return (possibly sourced from or referenced to other data collections e.g. SDDA03) with unit costs subsequently derived. This will enable returning officers to take greater ownership of the data being used and to more clearly see the link between financial and non-financial information.

2. **A section should be included in Section 251 returns to enable local authorities to describe their local context, and a small number of exemplar contextual analyses should be commissioned to illustrate the possibilities.**

Section 251 comparative analyses would be greatly improved by the inclusion of a contextual section, authored by the local authority, setting out the extrinsic (environmental) and intrinsic (policy and practice) factors relating to that local authority, including recent and short-term changes. These contextual analyses could be standardised in form and content and subject to peer review.

Further work, beyond the financial metrics, should focus on collecting information about local practice and the outcomes achieved, including outcomes that span more than one, or even more than several, financial years. This would encourage learning about early intervention, and provide the evidence for effective and cost-effective practice.

3. **The Section 251 process should be extended to enable local authorities to review their data and analysis against that of other local authorities before publication, building in a further stage of sense-checking and error correction, thus improving the reliability of the published data and analyses.**

This would be a straightforward way of securing improvement in the quality of Section 251 returns through encouraging local authorities to review their Section 251 returns, including activity levels and unit costs, against those of other local authorities.

4. **Comparative analysis of the data should be developed in consultation with local authorities to improve data quality and deliver outputs than provide real benefits.**

Comparative analysis reports on final Section 251 data such as those used in the fieldwork for this project should be made available to all local authorities in a straightforward presentation so that they can make better use of the information for strategic decision making. This would also have the benefit of encouraging local authorities to improve data quality, as variations would be more readily apparent, leading to more effective peer challenge and improving the effectiveness of engagement with national stakeholders.

The Section 251 methodology should be improved by bringing it more into line with CIPFA's CLA Benchmarking Club. One validation method used by CIPFA is sending a copy of the authorities' data back to them in both graphical and tabular format. This allows authorities to compare their data against other authorities and spot possible outliers in order to identify potential problems with the data return. An example of what this might look like is shown in Annex A.

This approach would encourage a virtuous circle whereby local authorities receive pre-validation and helpful and detailed analysis including benchmarking and unit costs based on appropriate denominators. This will also encourage local authorities to put in the effort in the first place. To incentivise LAs to make better quality Section 251 returns, the methodology needs to minimise effort and maximise benefits for local authorities, the LGA, DfE and other parts of central government, and/or to be quality assured and audited.

- 5. Discussions should be undertaken between local authorities and government departments about simplification of the overall reporting and data collection processes for children's services, including the areas and levels of aggregation at which it would be useful to report for local authority use and for government departments.**

As a response to the increased variation in local authority structures and organisation, consideration should be given to reshaping Section 251 returns and the associated analyses against more specific local authority functions.

Consideration should be given to bringing together DCLG RA/RO data collections and DfE Section 251 returns into a single form, thus simplifying and reducing the data collection burden. In addition, there are at least 11 annual data returns relating to children's services, as set out at Annex D, and consideration should be given to overall simplification.

Revisions to the Section 251 guidance should be developed in consultation with local authorities to ensure that there is improved engagement with the Section 251 process.

- 6. Separating out overheads within the Section 251 return should be carefully considered.**

Section 251 returns should be 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. As far as possible, overheads and front-line activities should be reported separately. The Section 251 guidance could be improved to minimise noise by separating out overheads from each spend category. 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.

- 7. Further research should be undertaken with local authorities on alternative denominators, with the intention of adding them to the base denominator for specific metrics.**

The most appropriate denominator for Section 251 analyses is generally the number of children in a local authority area. This denominator is simplest and easiest to explain to a wide audience. However, there are other

denominators that could be used for specific metrics, such as, for example, the number of children in foster care or the aggregate number of children-days in care.

These denominators would need to be developed with great care, as it would be unfortunate if the nature of the metrics unduly influenced practice. For example, the aggregate number of children-days in care would be reduced by increasing investment in family support, leaving only the children with higher degrees of need, and therefore higher costs, in the care system. Whatever denominators are used, the contextual statement should include relevant extrinsic and intrinsic information including, for example, deprivation data and the number of children in care, as well as policy and practice decisions, in order to allow further analysis. This will enable local authorities to compare themselves more readily with similar local authorities, and to strip out extrinsic factors.

**8. Comparative quantitative analyses should be made available online so that local authorities could carry out their own customised analyses, including comparisons with statistical neighbours.**

This recommendation cannot be taken forward until the general position has been determined. However, it should be kept in mind while the other research is being undertaken.

These recommendations would together have the effect of raising the profile of Section 251 returns and analysis, encourage and promote the strategic use of data and promote learning and development by local authorities.

Conversely, until these recommendations are implemented, the reliability and validity of underlying budget and spending figures are likely to be improved only at the margins. However, noise could be reduced though encouraging improved adherence to the existing guidance.

We would strongly recommend that these recommendations are taken forward as a matter of urgency by central government, and that local government should be actively engaged in making the improvements described.

Finally, we would like to thank all those in local authorities and elsewhere who have supported this research, either directly through the fieldwork or indirectly through conversation or commenting in writing. We are grateful to them all – without their freely-given input the research would have been much the poorer.

John Freeman CBE  
Sukhjot Gill

31 October 2014

## **Annex A – Example Benchmarking Profile**



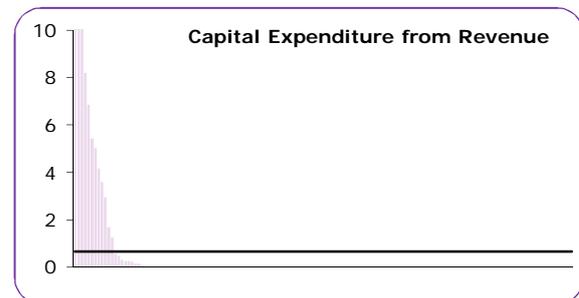
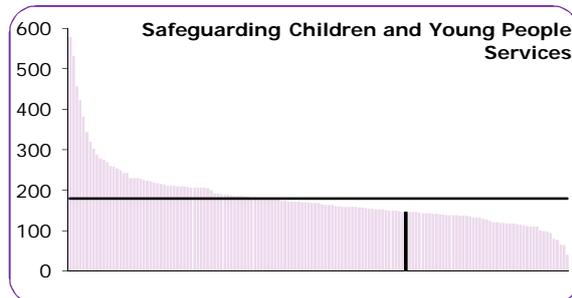
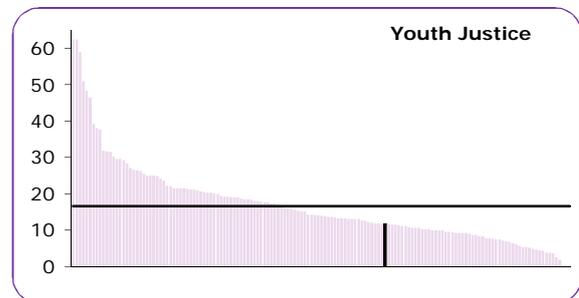
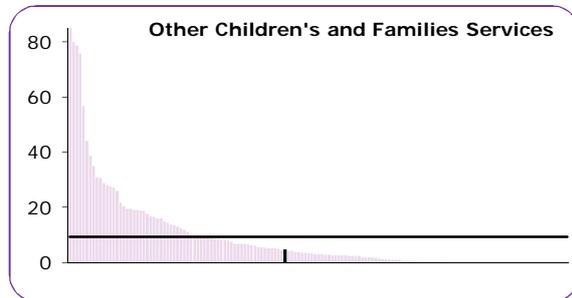
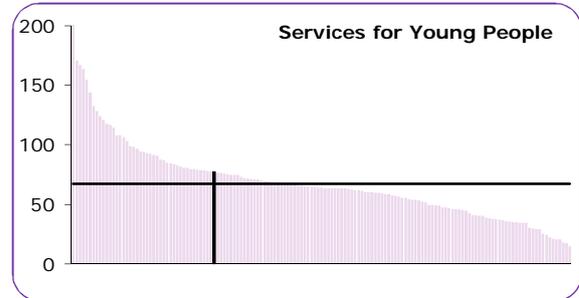
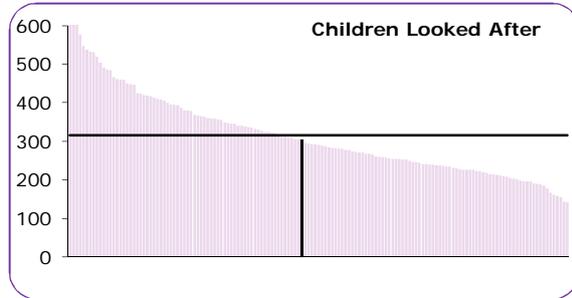
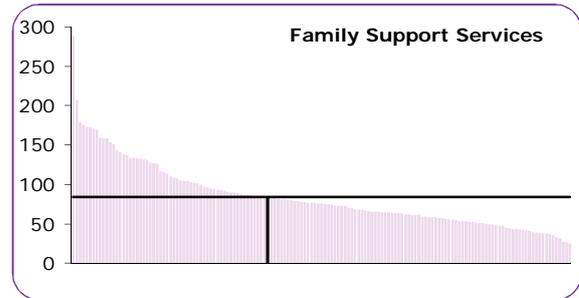
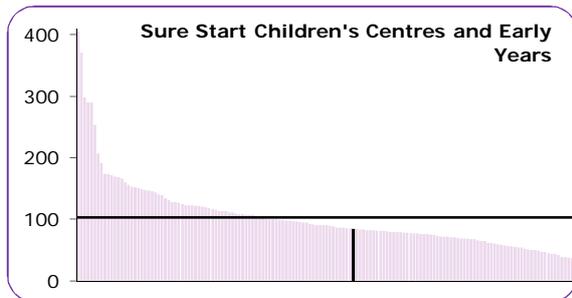
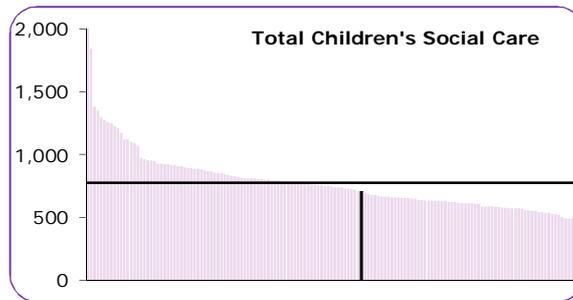
# DfE Section 251 Benchmarking Profile

2012-13 Outturn

# Financial Summary

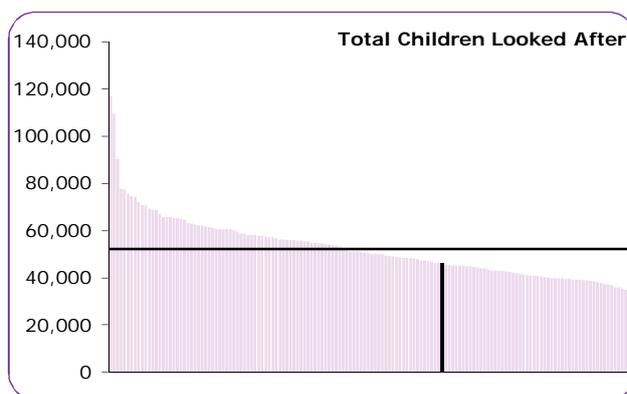
2012-13 Actuals	£	p/h 0-17	Average
Sure Start Children's Centres and Early Years	8,173,563	84	102
Children Looked After	29,468,828	303	316
Other Children's and Families Services	440,075	5	9
Safeguarding Children and Young People Services	14,214,647	146	179
Family Support Services	8,132,741	84	84
Services for Young People	7,492,675	77	68
Youth Justice	1,139,731	12	17
Capital Expenditure from Revenue	0	0	1
<b>Total Children's Social Care</b>	<b>69,062,260</b>	<b>709</b>	<b>775</b>

graphs shown per head  
aged 0-17 (£)



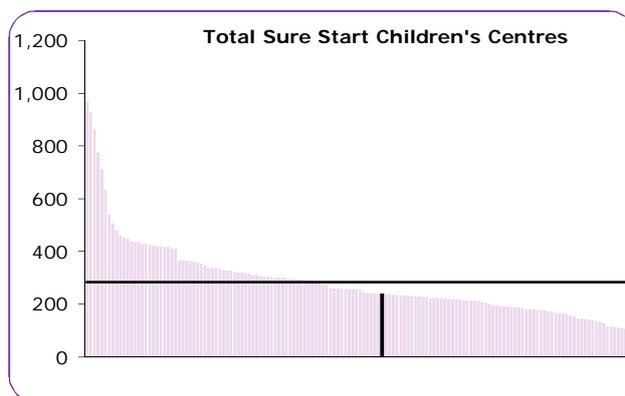
2012-13 Actuals	Total Children Looked After
£'000	£29,468,828
£ per child looked after	£46,045
<i>Average</i>	<i>£52,188</i>

per child looked after (£)



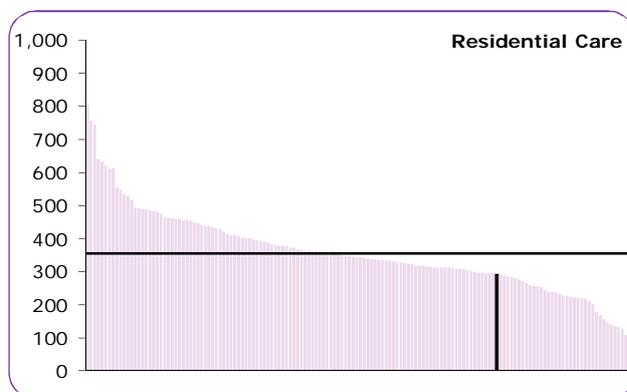
2012-13 Actuals	Sure Start Children's Centres
£'000	£8,173,563
per head aged 0-5 (£)	£239
<i>Average</i>	<i>£284</i>

per head aged 0-5 (£)



2012-13 Actuals	Residential care
£'000	£9,490,112
£ per day in residential placement	£293
<i>Average</i>	<i>£355</i>

per days in residential placement



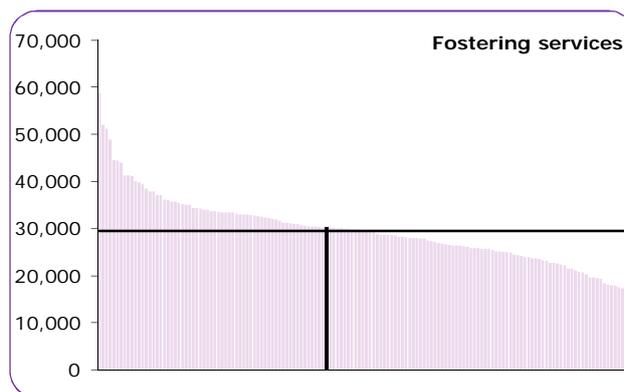
2012-13 Actuals	Residential care
£'000	£9,490,112
£ per child per week	£3,033
<i>Average</i>	<i>£4,101</i>

per child per week



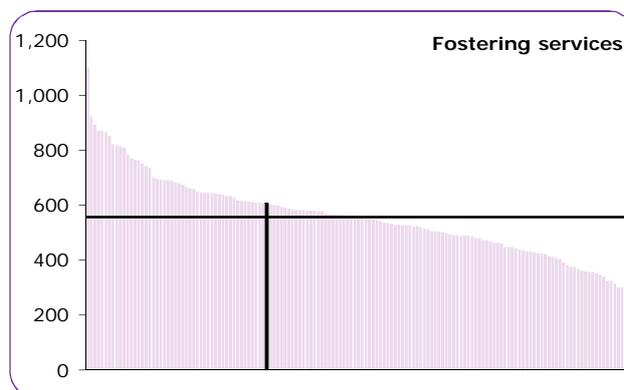
2012-13 Actuals	Fostering services
£'000	£13,129,067
£ per number of foster placements	£30,182
<i>Average</i>	<i>£29,430</i>

per number of foster placements



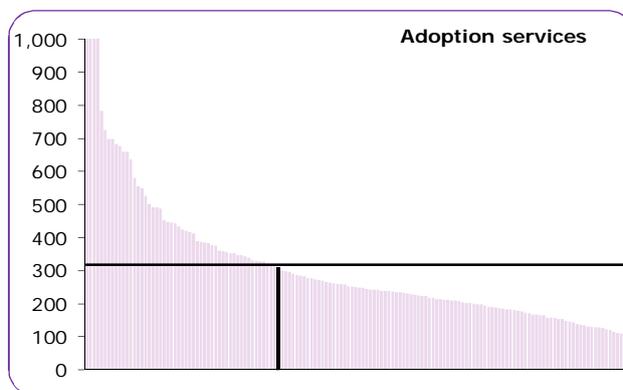
2012-13 Actuals	Fostering services
£'000	£13,129,067
£ per number of foster placements	£607
<i>Average</i>	<i>£556</i>

per child per week



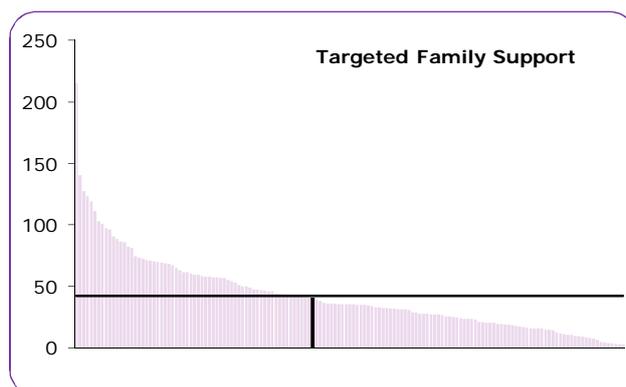
2012-13 Actuals	Adoption Services
£'000	£2,083,625
£ per day placed in adoption	£308.64
<i>Average</i>	<i>£318.78</i>

per day placed for adoption



2012-13 Actuals	Targeted Family Support
£'000	3,919,444
£ per 0-17 child	£40.27
<i>Average</i>	<i>£42.21</i>

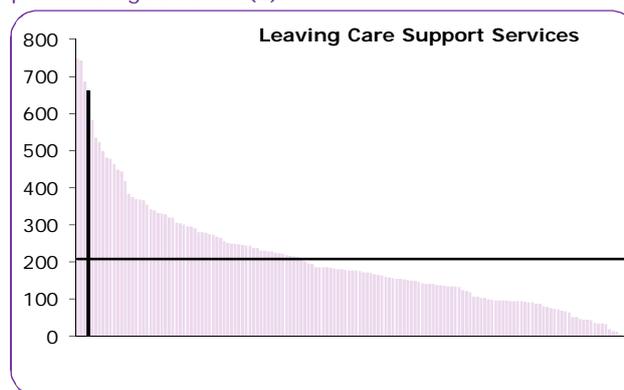
per head aged 0-17 (£)



2012-13 Actuals	Leaving Care support services
£'000	2,676,873

£ per 16-17 child	£659.14
<i>Average</i>	<i>£208.65</i>

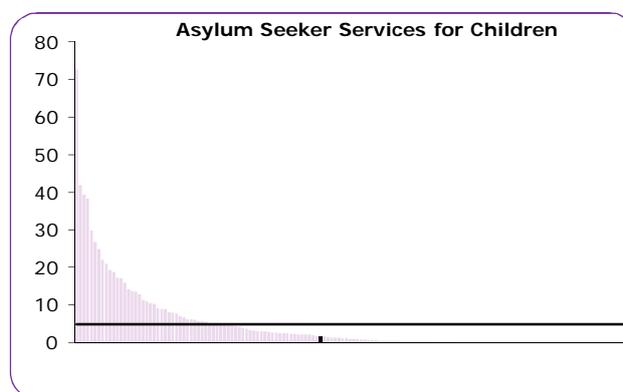
per head aged 16-17 (£)



2012-13 Actuals	Asylum Seeker Services
£'000	157,336

£ per 0-17 child	£1.62
<i>Average</i>	<i>£4.81</i>

per head aged 0 -17 (£)



## **Annex B – Overheads Guidance**

# Overheads

Total expenditure (col k) 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.

- |                                     |   |
|-------------------------------------|---|
| 1. Complete Recharging of Overheads | All overheads not defined as Non Distributed Costs or Corporate and Democratic 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. |
| 2. Correct Recipients               | The system used must correctly identify who should receive overhead charges.  |
| 3. Transparency                     | Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.   |
| 4. 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.  |
| 5. 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.   |
| 6. Predictability/<br>Stability     | Recharges should be as predictable as possible, although there will be practical limitations to this.   |
| 7. 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 please refer Service Reporting Code of Practice (SeRCOP) Section 2, 2.15

Below represents some of the areas that you may wish to include with overheads.

Please note that this is a guide rather than a definitive list.

## Central Overheads:

Property costs relating to administrative buildings  
Strategic / Policy costs  
Shared Service Centres / Contact Centres  
Communications  
Members Services  
Pension Team  
Audit

## Service Overheads:

Property costs relating to direct service provision (e.g. homes)  
Cost of Head of Service & Management  
Business Support  
Residential Management Team  
Fostering Management Team  
Procurement

## Other:

Legal  
Finance  
ICT

## **Annex C – Trial Questionnaire**

# Research on Children's Services Spendings and Budgeting - Section 251 Returns

Select local authority by clicking on the box below and using the drop-down button

For CIPFA Use

Name of Authority :

0

## Introduction

This research project has already identified that Section 251 returns are not fit for purpose and this stage of the research aims to develop an improved methodology for a small number of areas of activity.

This spreadsheet questionnaire has been designed to be as easy as possible to complete, with pre-population of cells from published data. The aim is to end up with data that can be compared between LAs as fairly as possible, with any brief explanation or commentary that you believe will be helpful.

The intention is not to reconcile the new analysis back to published data, as the evidence is that this would not be helpful. So where the pre-populated cells need to be corrected to give a fair view, please feel free to do that.

After this phase of the research is complete we will let you have a comparative analysis of the trial LAs.

Thank you again for agreeing to take part in this research. We hope that the outcomes will be both better information to feed into the Spending Review and to help LAs when they make policy decisions.

If you have any general queries, please contact John Freeman, or for technical queries, Sukhjit Gill.

Contact emails and telephone numbers

John Freeman	07795 153079	<a href="mailto:johnfreemanconsulting@yahoo.co.uk">johnfreemanconsulting@yahoo.co.uk</a>
Sukhjit Gill	020 3117 1856	<a href="mailto:sukhjit.gill@cipfa.org">sukhjit.gill@cipfa.org</a>

## Contact Details

Name :

Job Title :

E-mail :

Tel :

Please enter figures into the purple cells. The grey cells will calculate automatically, but can be overwritten if necessary.

1. Population	
	Population at 30th June 2012
Aged Under 5	<input type="text"/>
Aged 5 to 10	<input type="text"/>
Aged 11 to 15	<input type="text"/>
Aged 16 to 17	<input type="text"/>
<b>Total aged 0 -17</b>	<input type="text"/>
<b>Ethnic Composition</b>	
2011 Census Ethnic Group:	%
White: English/Welsh/Scottish/Northern Irish/British	<input type="text"/>
All Other	<input type="text"/>
<b>The All Other group is below the 10th Percentile.</b>	
Please comment on demography, including rate of population growth or fall, change in nature of the population, and an assessment of birth-rate and inward/outward migration patterns, as compared to other local authorities:	
<input type="text"/>	
Please comment on difference in age profiles of children and young people between this and other local authorities:	
<input type="text"/>	

2. Deprivation	
The English Indices of Deprivation 2010 - Rank of Average	<input type="text"/>
For the purpose of calculation, the most deprived area is given the rank of 1. The highest rank is 152.	

#### 4. Rurality

Defra's Rural and Urban Area classification 2001

Please comment on any specific supply side issues, for example, the availability of foster carers:

#### 4. Living Cost

DCLG House prices for 2012 for your authority

**100% below the average price in England**

Annual Survey of Hours and Earnings, 2013 Provisional Results

Average Annual Salary (median)

**100% below the average salary in England**

Please comment on any special factors such as the presence of armed forces bases and major changes in employment patterns:

#### 5. Other Costs

Other issues impacting on the costs of children's services identified by the local authority:

#### 6. Intrinsic factors

Please list below the top five policy and practice issues under the control of the local authority that impact on spending on this service area, such as decisions to maintain an internal service or to externalise, or decisions to prioritise or deprioritise types of activity.

1.

2.

3.

4.

5.



**SERVICES FOR YOUNG PEOPLE**

- 27 Universal services for young people
- 28 Targeted services for young people
- 29 Total Services for young people



**YOUTH JUSTICE**

- 30 Youth Justice
- 31 Capital Expenditure from Revenue (CERA) (Children's and young people's services)
- 32 CHILDREN AND YOUNG PEOPLE'S SERVICES BUDGET (Including CERA)
- 33 CHILDREN AND YOUNG PEOPLE'S SERVICES BUDGET (excluding CERA)



**Memorandum Items (Include below the part of the expenditure recorded in individual lines above)**

**Services for young people**

- 34 Substance misuse services (Drugs, Alcohol and Volatile substances) (included in lines 27 and 28 above)
- 35 Teenage pregnancy services (included in lines 27 and 28 above)


Please Select

The grey cells will calculate automatically, but can be overwritten if necessary.

### 1. Sure Start Children's Centres and Early Years

Total Sure Start Children's Centres and Early Years Gross expenditure - Line 4 Section 251  
Population Aged 0 to 5 - Contextual information Q1

Including  
Overheads

Excluding  
Overheads

**Total Expenditure per head**

### 2. Residential care

Total residential care Gross expenditure - Line 5 Section 251  
Number of days of care provided for children in residential placements - SSDA903 return

**Total expenditure per day**

### 3. Fostering services

Total fostering services Gross expenditure - Line 6 Section 251  
Number of days of care provided for children in foster placements - SSDA903 return

**Total expenditure per day**

### 4. Adoption services

Total adoption services gross expenditure - Line 24 Section 251  
Number of days of care provided for children who were placed for adoption - SSDA903 return

**Total expenditure per day**

**5. Targeted family support**

Total targeted family support gross expenditure - Line 24 Section 251  
Population Aged 0 to 17 - Contextual information Q1



**Total Expenditure per head**

--

--

**6. Leaving care support services**

Total Leaving care support services gross expenditure - Line 13 Section 251  
Population Aged 16 to 17 - Contextual information Q1



**Total Expenditure per head**

--

--

**7. Asylum seekers services - children**

Total asylum seekers services - children Line 14 Section 251  
Population Aged 0 to 17 - Contextual information Q1



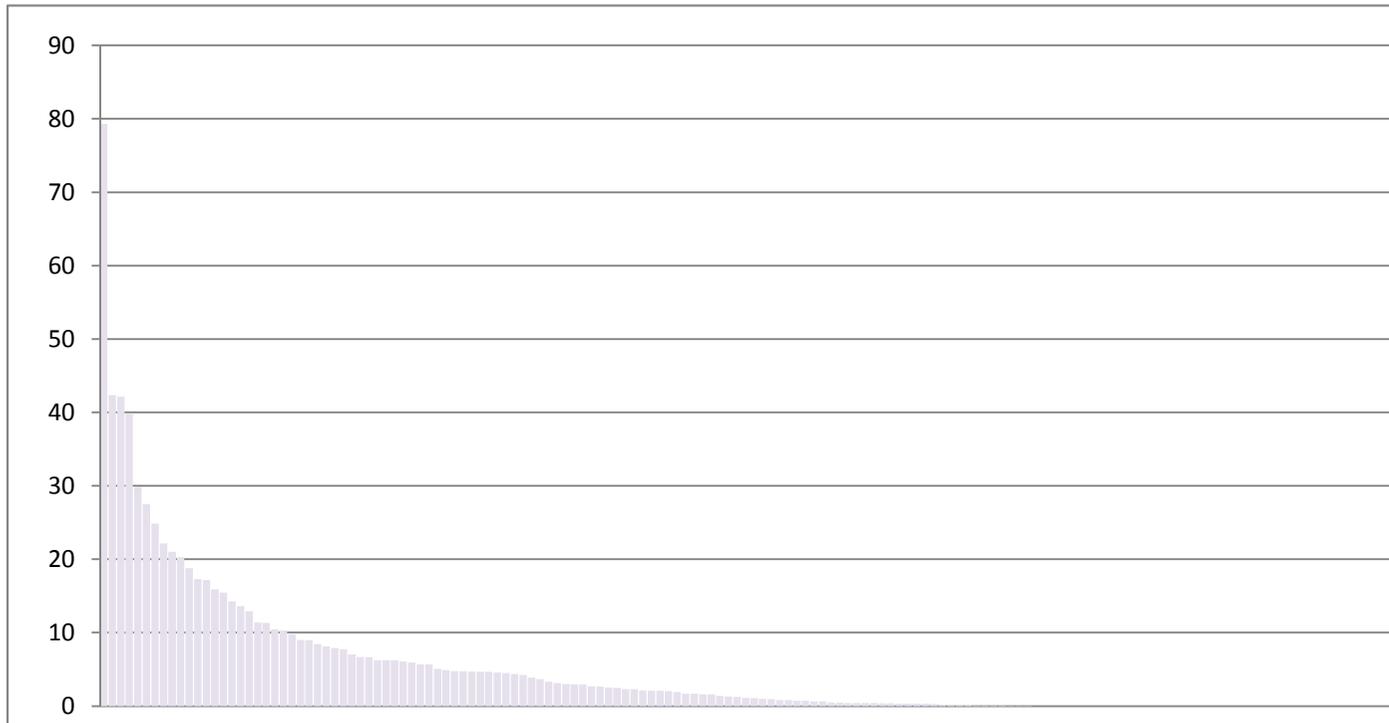
**Total Expenditure per head**

--

--

Select a unit cost by clicking on the box below and using the drop-down button

## Asylum seekers services - children per head Including overheads



Your authority's bar is highlighted in Red.

## Overheads

Total expenditure (col k) 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.

- |                                     |   |
|-------------------------------------|---|
| 1. Complete Recharging of Overheads | All overheads not defined as Non Distributed Costs or Corporate and Democratic 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. |
| 2. Correct Recipients               | The system used must correctly identify who should receive overhead charges.  |
| 3. Transparency                     | Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.   |
| 4. 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.  |
| 5. 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.   |
| 6. Predictability/<br>Stability     | Recharges should be as predictable as possible, although there will be practical limitations to this.   |
| 7. 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 please refer Service Reporting Code of Practice (SeRCOP) Section 2, 2.15

Below represents some of the areas that you may wish to include with overheads. Please note that this is a guide rather than a definitive list.

### Central Overheads:

Property costs relating to administrative buildings  
Strategic / Policy costs  
Shared Service Centres / Contact Centres  
Communications  
Members Services  
Pension Team  
Audit

### Service Overheads:

Property costs relating to direct service provision (e.g. homes)  
Cost of Head of Service & Management  
Business Support  
Residential Management Team  
Fostering Management Team  
Procurement

### Other:

Legal  
Finance  
ICT

We have been concerned to construct an analysis with and without overheads, but in a way that is as simple to use as possible. Please comment on any issues you have had in assessing overhead costs

## **Annex D – List of Social Care Government Returns**

**Annex d – List of social care government returns**

Data collection name	Dept.	Finance/Activity Return	Freq.	Short description	Link to return	Link to published data
Revenue Outturn (RO)	DCLG	Finance Return	annual	Collects figures on total revenue expenditure and financing across all services. RO3 collects expenditure on social care.	<a href="https://www.gov.uk/local-government/finance-revenue-forms">https://www.gov.uk/local-government/finance-revenue-forms</a>	<a href="https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-in-england-2011-to-2012-final-outturn">https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-in-england-2011-to-2012-final-outturn</a>
Revenue Account budget (RA)	DCLG	Finance Return	annual	Revenue budget summary by service and category including Social care	<a href="https://www.gov.uk/local-government/finance-revenue-forms">https://www.gov.uk/local-government/finance-revenue-forms</a>	<a href="https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-in-england-2012-to-2013-budget">https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-in-england-2012-to-2013-budget</a>
Children in Need Census	DfE	Activity Return	annual	Children who are referred to social services and children in need who receive a service from a social services department.		<a href="https://www.gov.uk/government/publications/characteristics-of-children-in-need-in-england-financial-year-2010-to-2011-final-figures">https://www.gov.uk/government/publications/characteristics-of-children-in-need-in-england-financial-year-2010-to-2011-final-figures</a>
Children Looked After (CLA) (SSDA903)	DfE	Activity Return	annual	Individual-level information about children who are looked after by local authorities, including placement, legal status, adoption from care, and education achievements.	<a href="https://www.gov.uk/government/collections/children-looked-after-return">https://www.gov.uk/government/collections/children-looked-after-return</a>	<a href="https://www.gov.uk/government/collections/children-looked-after-return">https://www.gov.uk/government/collections/children-looked-after-return</a>
Private Fostering (PF1)	DfE	Activity Return	annual	Children in private fostering arrangements.	<a href="http://www.education.gov.uk/research/statistics/stats/private">http://www.education.gov.uk/research/statistics/stats/private</a>	
Secure Children's Homes (SA1)	DfE	Activity Return	annual	Information on places and children accommodated in secure children's homes.		<a href="https://www.gov.uk/government/publications/children-accommodated-in-secure-childrens-homes-in-england-and-wales-31-march-2012">https://www.gov.uk/government/publications/children-accommodated-in-secure-childrens-homes-in-england-and-wales-31-march-2012</a>
Section 251 financial return	DfE	Finance Return	annual	Local authority school funding plans (budget statements and outturn).	<a href="http://www.education.gov.uk/children-and-young-people/strategy/finance-and-funding/section251">http://www.education.gov.uk/children-and-young-people/strategy/finance-and-funding/section251</a>	
Adoption data set and adoption self assessment	DfE/Ofsted	Activity Return	annual	Data to inform the inspection of fostering agencies and provide information about the agency and its performance.		<a href="http://www.ofsted.gov.uk/resources/adoption-quality-assurance-and-data-forms-2012-13-first-statistical-release">http://www.ofsted.gov.uk/resources/adoption-quality-assurance-and-data-forms-2012-13-first-statistical-release</a>
Placement data collection	DfE/Ofsted	Activity Return	annual	Data to inform the inspection of looked after children's services and provide information about the LA and its performance.		<a href="http://www.ofsted.gov.uk/resources/children-looked-after-placement-data-collection-31-march-2014">http://www.ofsted.gov.uk/resources/children-looked-after-placement-data-collection-31-march-2014</a>
Social Care data	DfE/Ofsted	Activity Return	as required	Pre-inspection data to inform the inspection of services for children in need of help and protection, looked after children and care leavers.		<a href="http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places">http://www.ofsted.gov.uk/resources/official-statistics-childrens-social-care-providers-and-places</a>
Foster care data set and self assessment	DfE/Ofsted	Activity Return	annual	Data to inform the inspection of fostering agencies and provide information about the agency and its performance.		<a href="http://www.ofsted.gov.uk/resources/fostering-quality-assurance-and-data-forms-2012-13-first-statistical-release">http://www.ofsted.gov.uk/resources/fostering-quality-assurance-and-data-forms-2012-13-first-statistical-release</a>