Department for Education

Section 251 data: testing accuracy and a proposed alternative

Research report

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Executive Summary

Over £40bn of spending and income related to education and children's services was recorded by Local Authorities in England in 2014-15.

Under section 251 of the Apprenticeship, Skills, Children and Learning Act 2009, Local Authorities are directed to submit detailed information about that expenditure and income, both on a planned basis (the annual budget) and the actual expenditure and income (the annual outturn) to the Department for Education.

Both sets of information are collected for the year from 1 April – 31 March.

Budget information is collected after the start of the year it relates to, and is typically published around 6 months into the year, thus becoming technically "out of date" within 6 months of publication. Outturn data is by nature historical and therefore representative of the year that has already expired.

Under current processes, outturn information is not available until 9 months after the end of the year to which it relates. The timing of returns means that for the first 6 months of a year there is no information available about the current financial year. Relative timing of the two returns also creates a 15-month period during which only the budget information is available.

Users see the information provided and gathered through section 251 reporting as important for a variety of reasons. The amount of spending is substantial and relevant to the lives of almost every child in England, and includes specific focus on some of the most vulnerable children in society. Users describe the functions of s251 as accountability and monitoring, policy development, and to inform Parliament and the public. As such, having an accurate prediction of current levels of spending and income is important to users.

As data providers, Local Authorities have mixed views as to the usefulness of the information. The processes of data collection under s251 are described as tasks that add to the load on Local Authorities. Local use of section 251 data for strategic purposes, for example with an authority's Schools Forum, is extremely variable. Whilst some authorities therefore classify section 251 reporting as a burden with little value locally, it is equally possible to encounter positive attitudes amongst Local Authority officers towards improving the utility of the information.

Section 251 reporting is made up of two different types of expenditure, each collected in its own Table. Education (e.g. schools-related) data are reported in Table A and Children's Services (e.g. Looked After Children and Safeguarding) data are reported in Table A1.

High volumes of detail are collected with an aggregate of over 100 lines of detailed reporting across the two Tables, with each line split across as many as 10 columns of further analysis. With 152 Local Authorities each submitting the two returns each year, this involves around 180,000 items of data.

Despite improvements in recent years in the guidance issued to Local Authorities, and in data validation and benchmarking, the Department for Education and other parties who use the published data detect variability in the data quality. Both the National Audit Office and the Chartered Institute of Public Finance and Accounting have previously drawn attention to the potential to improve section 251 information.

The Department for Education commissioned this project in July 2015 to extensively test the variability of section 251 data and, in conjunction with discussions with users, to look for ways to improve the accuracy and efficiency of reporting.

The primary task of the project was to examine the most recent s251 data and to focus on testing the relative accuracy of the budget and of the previous year's outturn as predictors for current year's stated outturn.

Outturn data for 2013-14 and 2012-13, and budget data for 2013-14 were already published at the outset of the project and Outturn and Budget for 2014-15 became available for testing in December 2015.

Substantive testing of these datasets detected and measured the variability of outturn compared to each of the two predictors, budget and previous year outturn. Variability in accuracy can be detected throughout the data and across several different parameters: between different local authorities, between different lines of the return and between column-based analysis of lines of the section 251 data.

Some column-based analysis within s251 reporting is seen by users to be of substantially lesser importance than uses of the other data, and by many Local Authorities as unnecessary additional detail that adds to the burden of preparing s251 information. The testing of relative accuracy during the project therefore concentrated on the Gross and Net Expenditure columns of reporting rather than the more detailed breakdowns by school phase or by type of service provider.

Despite commonality in systems and officers who produce both parts of the section 251 information, results of predictor testing for education expenditure and income differ materially from the results for children's services, suggesting that the nature of the underlying activity generating the spending and income data is contributing to the variability.

Local authorities identify the influence of external factors (e.g. unpredictable numbers of Looked After Children) as a key reason for the variability, alongside

other influences related to differences in structure between authorities and different approaches to technical aspects of accounting (e.g. overheads definition and allocation).

The key conclusions from the data testing were:

- For education information, the process of setting a budget produces the better predictor of actual outturn.
- For children's services information, the testing clearly shows that local authorities would have been more accurate simply using the previous year's outturn as a predictor of current year outturn rather than producing a budget.

At a minimum this would lead us to recommend use of most recently reported levels of outturn data to answer questions about current levels of activity, spending and income in Children's Services.

In conjunction with predictor testing, the project developed an alternative model for s251 reporting. Given the wide variability in accuracy encountered during the testing, a model was developed that aims to start with simple improvements compared to the current processes but also a model that can become more sophisticated as confidence grows in the results that it produces.

The new model proposes the discontinuation of the production of an annual budget and instead uses six-monthly outturn reporting as a basis for monitoring and prediction. The model has significant advantages for improvement in accuracy and timeliness of data and, as it involves just two data collections, would not add excessive burden to Local Authorities.

This report outlines the advantages and disadvantages of three different potential courses of action, ranging from making no changes to current practice, through to a wholesale move to the alternative model, with a partial implementation of that model for Table A1 (Children's Services) information as the third option.

Given the outcome of the predictor testing, this alternative model would have clearest application to children's services.

Deciding whether education information should follow the same route needs to be made against an evolving policy background and changing role of LAs in education.

The project activities also identified recommendations as to which parts of the s251 reporting could be reduced. Between 26% and 55% of detailed data items can be removed from the return. This reduction in burden on Local Authorities would help to counteract any additional work associated to the introduction of the new model. Once that model was embedded, an overall lower burden would be anticipated.

Report on testing accuracy of section 251 data collection

The Department for Education (DfE) commissioned Revolution Consulting to perform a study of the relative accuracy of financial reporting of Education and Children's Services spending by Local Authorities (LAs) in July 2015. In this context, "accuracy" refers to the ability to predict outturn data accurately. The project was not a study of whether that outturn data was, in itself, an accurate reflection of LA spending.

Accuracy of reporting customarily referred to as Section 251 reporting had been subject to some criticism prior to the inception of this study. Given the perceived importance of the information, the project was charged with examining if a different approach to Section 251 information collection is indicated. The primary evidence used in this examination is substantive testing of the accuracy of the Section 251 information submitted by all local authorities in the most recent years.

1. Project Aims

The aims of the project were:

- To use historic s251 outturn data in modelling to test how good a predictor of future outturn it can be.

- To also assess how good a predictor s251 budget data is of s251 outturn data

- Using the results of testing both outturn and budget data, assess the extent to which budget data or modelling from previous outturn is the better predictor of outturn.

- To identify key user needs for the s251 budget collection and whether there are any specific ways in which the s251 data collection could be rationalised.

- Based on all of the above, to make practical recommendations for the most cost-effective way to meet the user requirements currently met by the s251 budget collection.

2. Data analysis

This section outlines the methodology used for the data analysis and the main results.

2.1 Data volumes and the testing methodology

Local Authorities are required under Section 251 (s251) of the Apprenticeships, Skills, Children and Learning Act 2009 to prepare and submit statements of education and children's services spending and income. This data is collected by DfE and the Education Funding Agency (EFA) and published by the Department.

Under current processes each of 152 local authorities in England reports twice per annum, firstly with a budget statement for the year from 1 April to 31 March, and secondly, after the year has expired, with an outturn statement.

The processes involved in submitting, checking and aggregating data often result in publication of s251 budget information more than 6 months into the year it covers. Outturn data is published around 9 months after the end of the year it relates to. Timeliness of s251 information is therefore perceived to be problematic by several users. In responding to information requests related to current levels of expenditure, the budget data is most likely to be used since it is the most recent.

A typical budget return by a LA reports 105 lines of details and totals, with up to 8 columns of analysis for some of the lines, so a typical budget return has up to 490 data items reported.

Outturn is reported with Education data reported separately via a Table A format (69 lines, up to 9 columns of analysis) from Children's Services data that is reported via Table A1 format (36 lines, up to 10 columns of analysis).

A typical aggregated (Table A and Table A1) outturn return for a LA has up to 685 data items.

The total volume of data items made available for all LAs across the period studied during the two steps of testing was therefore over 460,000.

The core task of testing during the project was to compare the outturn data with both budget data and outturn data from the previous year to establish consistency (i.e. "accuracy") or variability. It was therefore essential that any two data items used in calculating accuracy be properly comparable.

Through examination of DfE guidance documents published with each annual data collection, and the accompanying pro-forma return formats, it was possible to detect factors that needed to be taken into consideration when comparing data:

- The formats of budget and outturn data collections differ in a number of ways. An example of this is the way in which the analysis columns for Children's Services data in the outturn return (split is shown between private sector provision, local authority provision, voluntary sector provision and other public sector provision for example) differ from the analysis columns for Education data in the budget return (split here is between early years education, primary education, secondary education, SEN education).

- Year on year the returns also experience changes in details, for example, expansion of the number of lines collecting data about home-to-school transport costs.

The testing model and method therefore mapped in detail every line and column of the return formats to one another in order to ascertain which data items could be fairly compared to one another when considering predictor accuracy.

The first consequence of this approach was that a wholesale reformatting of Table A (Education) data between 2012-13 and 2013-14 was encountered which prevented comparisons between these years. This meant that comparative accuracy calculations could only be performed for education data once the 2014-15 information became available as this enabled testing of 2014-15 data compared to 2013-14.

The second consequence of data mapping was to identify how many comparable data items were available for relative accuracy testing.

The process identified 366 data items that could be fairly compared between outturn, budget and previous year's outturn, for every LA. Each of those items allowed variances between outturn and budget, and between outturn and previous year's outturn to be calculated; so 732 variance percentages were calculated per LA when examining prediction of outturn 2014-15.

The non-comparable items were relatively scarce and included:

- Additional line items used to collect a more detailed split of data in the most recent returns but not in the previous year's return. Re-aggregation of these lines was therefore necessary to carry out testing. Examples include Supply Costs and Home to School Transport costs.

- New lines added in the most recent returns that were not present in the previous year's return. Examples include Additional High Needs targeted funding for mainstream schools and Academies, Falling Rolls Fund and the Other Items line in Table A.

Data for every LA was subjected to the full calculation testing; so over 110,000 variance percentages were calculated and subjected to further analysis in the 2014-15 based testing.

In addition, all lines in the s251 returns were examined to ascertain the levels of zeros returned by LAs. This was used to identify candidate lines for potential removal from s251 reporting based on the scarcity of information returned.

All occurrences of mismatched zeros were also counted. For example, if a budget data item had been completed by a LA with an expected value, but the outturn reported a zero for the same item then a mismatched zero was identified. All types of mismatched zeros, outturn vs. budget and outturn vs. previous year's outturn were counted.

This comprehensive and substantive approach to testing means that sampling (and potential errors therefrom) was not used in arriving at results and conclusions in this project.

More detail of the testing methodology is set out in Appendix 1.

The results set out in this report are based on straightforward variance comparisons. This approach gives clear indications in relation to this project and its aims. A simple, "first step" alternative model is proposed based on these results.

It is, however, possible that more complex modelling, based on individual line algorithms, and based on indicators gathered external to the s251 processes may be able to produce more detailed prediction models.

2.2 Key indicators

The initial testing combined with feedback from users of s251 information indicated that the Gross and Net columns of s251 reporting were considered most valuable by users.

The mathematics of s251 returns relates Gross and Net columns as:

Gross Expenditure – Income = Net Expenditure.

Hence an analysis of both Gross and Net information inherently includes analysis of Income.

Although substantive testing calculated every valid variance for every LA, results presented in this report were mainly drawn from the further analysis of Gross and Net variances, which effectively represent over 72% of all calculated results.

The starting point for key variances to be used as indicators, for any single item of data in the 2014-15 outturn returns of LAs were therefore:

Percentage variance outturn 2014-15 vs. budget 2014-15 = outturn 2014-15 divided by budget 2014-15 x 100

Percentage variance outturn 2014-15 vs. outturn 2013-14 = outturn 2014-15 divided by outturn 2013-14 x 100

Each LA file created during testing contains these percentages for every data item where comparable testing is possible. These variances give the most straightforward view of relative accuracy of budget and previous year outturn as predictors of current year outturn.

Percentage variances calculate as either less than 100% (where the outturn 2014-15 is less than the comparator), or greater than 100% (where outturn 2014-15 is greater than the comparator), so a **normalisation** of variance to show the degree of variance from a 100% match was then used in testing.

Each percentage variance was normalised as follows:

Percentage variance less than 100%:
Absolute variance = 100 - percentage variance

Percentage variance greater than 100%:
Absolute variance = percentage variance - 100

The percentage variances and absolute variances from each of 152 LAs for each single item of data were collected together for further analysis.

To compare the relative accuracy of budget and outturn as predictors of current outturn, key indicators derived from all of the LA calculations were:

Average absolute variance = arithmetic mean of the 152 absolute variances:
Used to indicate the straightforward average absolute variance across all LAs.

Standard Deviation of absolute variances:
Used to give an indication of the dispersion of the absolute variances

An additional set of indicators was calculated to test when zero amounts in the data may indicate unexpected or inconsistent results ("mismatched zeros"). These indicators were:

The number of data items in outturn 2014-15 with a positive value where the corresponding budget item was zero.

The number of data items in outturn 2014-15 with a positive value where the corresponding 2013-14 outturn item was zero.

The number of data items in outturn 2014-15 with a zero value where the corresponding budget item was positive.

The number of data items in outturn 2014-15 with a zero value where the corresponding 2013-14 outturn item was positive.

It is illustrative to view some examples of the variance data obtained in a graphical format and examples are included in the following section.

2.3 Graphical Illustrations

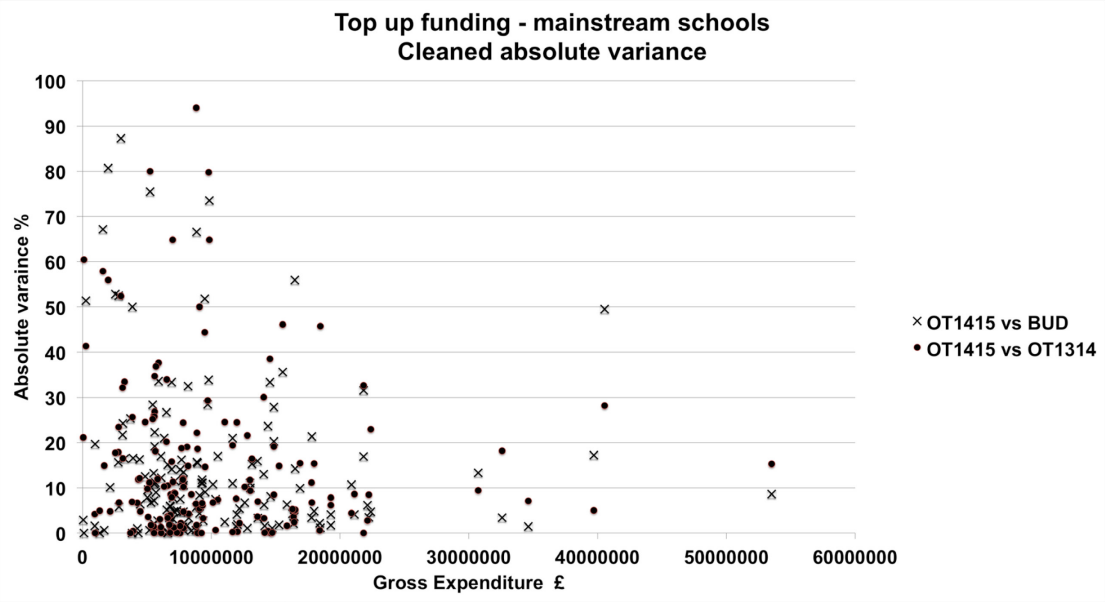
The figures that follow in this section provide graphical illustrations of the data.

Each figure plots the two key indicator absolute variances calculated during testing for all 152 LAs, for the Gross Expenditure data item in one specific line of s251 reporting. The lines selected for these illustrations are:

1. Top up funding – maintained schools, a detailed line from Table A
2. Total Children Looked After, a sub-total line from Table A1
3. Residential Care, a detailed line within the Children Looked After sub-total group from Table A1.

The lines were selected as they include some relatively material levels of spending in overall terms, and to show both detailed lines and a subtotal line from section 251 reporting.

Figure 1: Top-up funding – Mainstream schools (from S251 Table A)



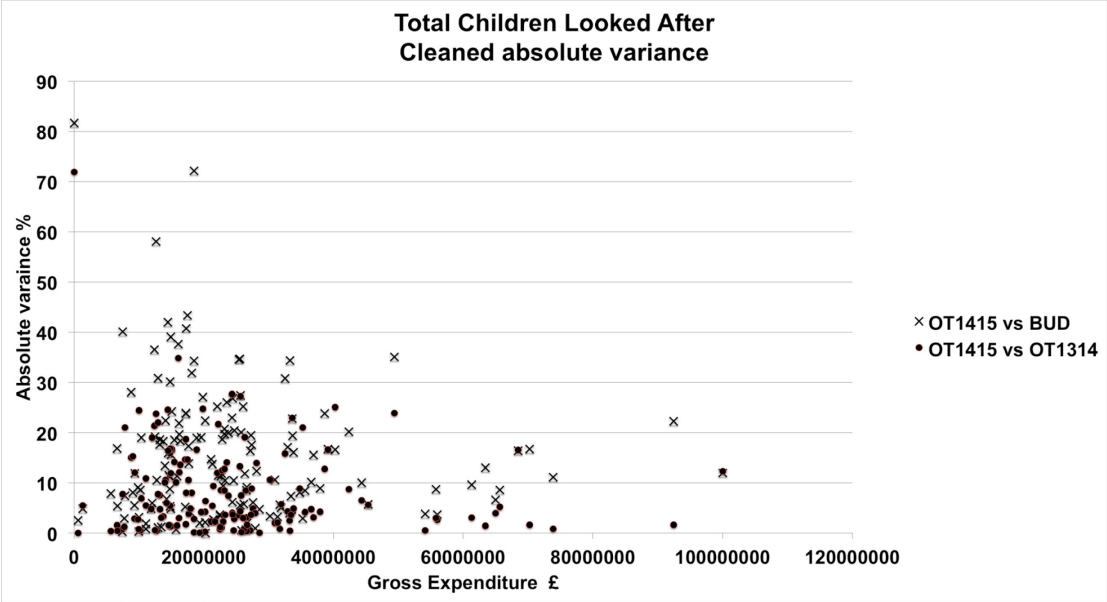
Each point plotted on these figures is one local authority's result, either showing the absolute variance compared to budget (crosses) or compared to previous outturn (dots).

Note that cleaned data (outliers removed) is used in all of the graphical illustrations; hence no absolute variance greater than 100% is shown.

Education based Figure 1 illustrates that both the budget comparisons and previous year's outturn comparisons have similar distributions. It is not possible to detect by eye if one of the two datasets is more, or less, scattered than the other. This

supports the need to adopt a purely mathematical approach to the comparison testing.

Figure 2: Subtotal line – Total Children Looked After (from S251 Table A1)



Compared to both of the other illustrations (Figure 1 and Figure 3.), this subtotal-based Figure 2 illustration appears to display a tighter grouping of results with reduced overall scatter.

It may also be possible to assert from a visual examination of this graphic that the budget comparison appears to be producing a greater degree of scatter than the comparison to previous year's outturn.

Figure 3: Residential Care (from S251 Table A1)

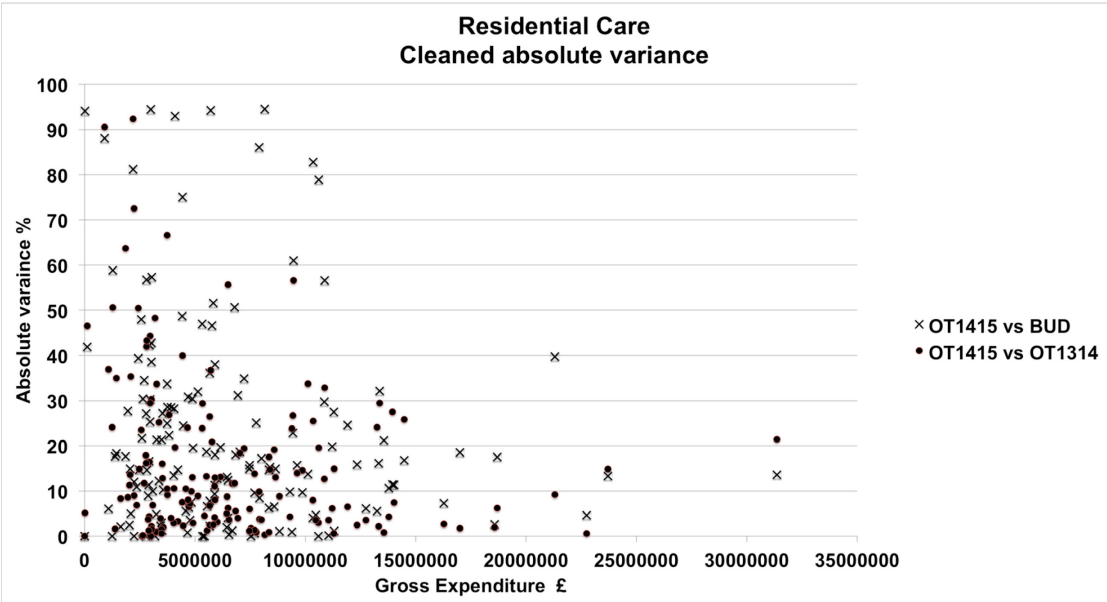


Figure 3 reporting is one of the detailed lines that sit within the Total Children Looked After line represented by Figure 2.

The scatter in Figure 3 appears to be wider than the subtotal Figure 2 version above.

Visually it may again be possible to assert from this example that the budget-based variances plotted look to be more scattered than the outturn based variances.

The primary aim of this project is to assess, for all comparable items of data in s251 reporting, whether the overall degree of scatter of the budget comparative points (the crosses on the graphs) is any greater or less than the degree of scatter of the outturn vs. previous year's outturn points (the black spots on the graphs).

Although the results can be illustrated graphically, as demonstrated above, the actual results used in this report are derived from calculations. Some subsidiary points arise when considering the graphical illustrations, however:

- The graphical illustrations used cleaned data that excludes the most extreme percentage variances. In some calculations throughout testing the absolute variances exceeded 100%. This can occur when an outturn 2014-15 is more than double that of the comparative budget or previous year figure. Up to 6% of all calculated percentage variances are eliminated if all outlying percentages over 100% are omitted from the data.

  The mathematically calculated results use both the full set of calculated variances and the cleaned set with these outliers eliminated.

- Figures 2 and 3 begin to suggest that, in the Children Looked After and Residential Care examples, the variances produced by comparison to budget appear to be larger overall than those produced by comparison to previous year outturn.

  These graphical illustrations also reflect a trend observed throughout testing, that detailed lines produce the largest variations, whereas subtotal and total lines in s251 formats produce smaller variations.

2.4 Results from data testing

The tables on the following pages are a summary of key indicators from the data testing.[1]

As described earlier, the indicators used in data testing were derived from substantive testing of all data in s251 reporting, for all local authorities, where valid comparisons can be made across the three key datasets (outturn 2014-15, budget 2014-15 and outturn 2013-14).

Users identified that Gross and Net expenditure columns of the s251 reporting hold the most valuable information. For testing purposes, Gross and Net expenditure percentage variances of outturn 2014-15 against budget 2014-15 and against outturn 2013-14 were calculated and collected for all LAs.

This enabled a calculation of two key indicators across all of the LA results:

- average absolute variances for each line of s251 reporting against both budget and previous year outturn, and
- the standard deviation of those variances for every line of the s251 reporting.

It is therefore possible to calculate if the average absolute variance across all LAs compared to budget is greater than or less than that for outturn 2013-14.

Table 1 takes the average absolute variance across all lines to give a first indication of relative accuracy of budget and previous years' outturn as predictors. Cleaned data with outliers removed is used in these overall calculations as the outliers can disproportionately influence results.

Table 1 uses an average of averages and, as such, can mask results at a more detailed level. It is therefore useful to also examine if the overall results hold at more of a line-by-line level.

[1] This report uses a narrow set of indicators to focus on the project aims. The underlying data and calculations could also be used to rank LA or regional accuracy, to identify the most accurate and inaccurate areas of returns for further investigation and improvement, and to identify other correlations that could assist in efforts to improve the quality of s251 reporting.

A count of the number of lines of s251 reporting for which budget comparison is more accurate than outturn 2013-14 (as measured by absolute percentage variance), and vice-versa, is then used in Table 2.

Similarly, the standard deviations for both sets of comparisons can be compared to enable a count of the number of lines for which the budget-derived variances are more or less scattered than their outturn 2013-14 equivalents.

The line-by-line tables include results for both the full dataset (including outlying absolute percentage variances greater than 100%) and a “cleaned” dataset (outlying absolute percentage variances greater than 100% omitted).

The final set of indicators tabulated below (Table 3) relate to the counting of data items where a potentially unexpected zero is encountered (as described in the “Key Indicators” section earlier). The absolute level of zeros encountered in s251 reporting is discussed later in the report, where it is primarily examined in relation to lines that are sparsely populated. In the context of assessing the relative accuracy of budget and previous year outturn as a basis for accurately predicting current year outturn, the proportions shown in the table below are based on counts of the number of instances where an unexpected zero was encountered.

2.5 Summary Results Tables

Table 1: Average absolute variance averaged across all lines of s251

Results Table 1: Average absolute variance averaged across all lines of s251		Table A (Education)			Table A1 (Children's Services)	
		Average absolute variance vs. Budget	Average absolute variance vs. Previous outturn		Average absolute variance vs. Budget	Average absolute variance vs. Previous outturn
Gross expenditure		21.7%	24.4%		25.5%	22.1%
Net expenditure		21.6%	25.3%		25.3%	22.5%

Table 2: Testing whether budget or previous outturn data are a more accurate predictor of subsequent outturn

Results Table 2: Testing of Gross and Net expenditure (72% of all variances)		Table A			Table A1	
		Budget more accurate	Previous outturn more accurate		Budget more accurate	Previous outturn more accurate
Average absolute percentage variance based testing:						
Gross expenditure: Full data. Number of lines where the **average absolute variance** is lower.		42 (76%)	13 (24%)		13 (37%)	22 (63%)
Net expenditure: Full data.						

Number of lines where the **average absolute variance** is lower.		45 (82%)	10 (18%)		12 (36%)	21 (64%)
Results Table 2: Testing of Gross and Net expenditure (72% of all variances)		**Table A**			**Table A1**	
		Budget more accurate	**Previous outturn more accurate**		**Budget more accurate**	**Previous outturn more accurate**
Gross expenditure: Cleaned data. Number of lines where the **average absolute variance** is lower.		32 (58%)	23 (42%)		5 (14%)	30 (86%)
Net expenditure: Cleaned data. Number of lines where the **average absolute variance** is lower.		39 (71%)	16 (29%)		8 (24%)	25 (76%)
Standard Deviation of absolute variances based testing:						
Gross expenditure: Full data. Number of lines where the **standard deviation** of variances is lower.		39 (71%)	16 (29%)		14 (40%)	21 (60%)
Net expenditure: Full data. Number of lines where the **standard deviation** of variances is lower.		40 (73%)	15 (27%)		12 (36%)	21 (64%)

Results Table 2: Testing of Gross and Net expenditure (72% of all variances)		Table A			Table A1	
		Budget more accurate	Previous outturn more accurate		Budget more accurate	Previous outturn more accurate
Gross expenditure: Cleaned data. Number of lines where the **standard deviation** of variances is lower.		24 (44%)	31 (56%)		7 (20%)	28 (80%)
Net expenditure: Cleaned data. Number of lines where the **standard deviation** of variances is lower.		29 (53%)	26 (47%)		8 (24%)	25 (76%)

Table 3: Testing for proportion of zero values

Results Table 3: Testing of zeros		Budget as comparator	Previous year as comparator
Percentage of all variances where outturn is positive but comparator is zero		6.2%	3.5%
Percentage of all variances where outturn is zero but comparator is positive		5.3%	2.9%

2.6 Conclusions from data analysis

- Taken from absolute average variances across all information provided in s251 returns, and having omitted outlying results that would otherwise skew results, outturn 2014-15 data varies from budget and previous year's outturn by between 21-26%.

- At this highest level of aggregated averaging of variations, the indication is that Table A (Education) and Table A1 (Children's Services) data produce different results in testing. However, this level of compounding averages masks a lot of detail within it, so the conclusion is also drawn from the more detailed testing.

- **Table A (Education) data testing indicates that the budget is a stronger predictor of current year outturn than is the previous year's outturn.[2]**

  This is based on substantive variance analysis for every LA, and both the average variance and standard deviation of variances in all but one of eight tests indicate budget as the better predictor.

- **Table A1 (Children's Services) data testing indicates that previous year's outturn is a stronger predictor of current year outturn than is the budget.[3]**

  This is based on substantive variance analysis for every LA, and both the average variance and standard deviation of variances in all of eight tests clearly indicate previous year's outturn as the better predictor.

- The tests for variance that encounter zeros where a positive value may have been expected (by inference from a comparative figure being positive) suggest that use of previous year's outturn as a predictor for current year outturn encounters fewer instances of these zero values.

  This strengthens the case for use of previous year's outturn as the basis for prediction of current year outturn for Table A1 (Children's Services) data.

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[2] Logically this is the expected result. LAs in setting a budget for the current year have local knowledge of historical spending and income and of policy changes being made and their intended impact.

[3] Logically an unexpected result and indicative that many variables must be influencing both budget and outturn for Children's Services.

However, the level of occurrence of zeros in this context, and the relative difference between budget and previous year's outturn is not large enough to alter the conclusion that for Table A the better predictor is budget.

- Financial information related to Academies is included in the 2014-15 budget return but is excluded in 2014-15 outturn reporting. This is in accordance with the instructions issued at the time. This creates an artificially large calculated variance between budget and outturn in the first and largest line of expenditure in Table A. The comparisons of the two outturns also show variance, but this is likely to be related to increases in the proportion of Academies in a Local Authority year on year.

  Elimination of the artificial discrepancy between budget and outturn would strengthen the conclusion that budget is the better predictor of Table A (Education) outturn.

3. Uses of s251 data

A review of uses of s251 information was carried out alongside the data testing, with particular focus on the potential to rationalise the amount of data collected.

Information was collected through:

- Review of previous reports (including internal DfE reports and external reports from CIPFA and NAO).

- Discussions with identified key users of s251 information within DfE, the Education Funding Agency (EFA) and the Department for Communities and Local Government (DCLG). Interviews were carried out with seven key users of s251 data.

- Feedback from Project Steering Group members.

- An online questionnaire completed by 23 LAs. The results of this survey are included as Appendix 2.

Section 251 information is the only detailed information about spending by LAs across England on Education and Children's Services. As such, users generally accept that it has several important roles. It was rare in all of the feedback from users to find anyone who would suggest that the s251 data does not have some utility or value.

Whilst the primary focus of this element of the project was to investigate potential reductions in detail, it is worthwhile to summarise some of the key uses of s251 information and consider the implications on finding efficiencies.

From the DfE and EFA perspectives three key uses are described:

- Monitoring and challenge

  Over 70% of the total (£42bn) of spending reported in 2014-15 s251 outturn returns relates to the Dedicated Schools Grant (DSG). Both DfE and EFA monitor how LAs allocate the DSG between individual schools and central expenditure.

  Other details reported in Table A relate to specific regulations and the information provided allows DfE and EFA to check compliance with those regulations.

- Policy Formation

  Several examples of how s251 information is used during policy development were encountered. These include the Education Services Grant, the use of information on Looked After Children spending used in the Children's Homes Data-pack, and the use of s251 information in research into the cost of Local Authorities in running education systems against a background of changing patterns of school provision.

  Most recently the DfE has also been examining the dataset's utility in setting baselines in preparation for anticipated changes to the national funding model for education.

- Parliamentary Questions, Freedom of Information Requests and other correspondence

  These uses tend to focus on the aggregate levels of information but, by their nature, could look to access any detail supplied in the s251 reporting process.

DCLG carry out a parallel collection of education and children's services expenditure as a relatively small element of a wide-ranging collection of data on LA expenditure. This operates at a much higher level of aggregation although it includes additional analysis (for example including a break-out of personnel related spending within the totals). DCLG officers interviewed recognise s251 information but reported relying on their own data collection for DCLG uses.

Officers involved in reporting education and children's services expenditure and income to both DCLG and DfE identify the potential for rationalisation of reporting across government departments. Some officers also identify that reporting in different ways to two central government departments brings about further work in reconciling between approaches taken.

DfE and EFA also describe ways in which value can be added to the s251 information through central or aggregating activities:

- As data is collected from LAs, it is subjected to testing by comparison to previous data received. Feedback from these automatic comparisons is provided to individual LAs who have the option of reviewing and changing data submitted.

- Once s251 data is collated from all LAs, a benchmarking tool is provided to allow LAs to compare their data to other authorities.

DfE and EFA users believe this data is also used when LAs discuss funding of schools with the local schools forum.

- The Local Authority Information Tool ("LAIT") produced by the Local Authority Information Unit of DfE utilises information from many sources, including s251, to produce information aimed at helping LAs look for efficiencies. This includes, for example, unit cost information partly derived from s251-reported expenditure.

- It is also clear that some external bodies rely on s251 information for further analysis, including, for example, the annual Unit Cost of Health and Social Care produce for PSSRU at the University of Kent.

The survey conducted with predominantly finance and accounting officers with s251 responsibilities at 23 LAs finds a variable picture as to how much LAs use s251 information. This is consistent with the findings of CIPFA in 2014.[4]

The survey results are included in full at Appendix 2 but the most important conclusions are summarised here:

- Almost half of LAs do not use s251 information in a strategic sense, tending to use their own internal management information that recognises the structure of the authority and its budgets more closely.

- Although a clear majority of authorities (65%) do not allow the way in which s251 might influence funding from central government to influence the way that the returns are completed, 35% of authorities do recognise this influence on their returns.

- Contrary to the perception of some DfE users, the s251 data is not used at all at a Schools Forum by over half of authorities. Only 19% of authorities reported s251 information being subject to challenge at Schools Forum.

- The LAs begin to find greater utility for s251 information once it is compared and benchmarked against other authorities' information. However, there are concerns amongst LA users about the comparability of information against that of other authorities' and the increased utility does appear to elevate the

[4] Research on Children's Services Spending and Budgeting – Section 251 Returns. John Freeman Feb 2014 and Oct 2014.

s251 information to a more strategic level of use.

- LAs do not distinguish between Budget and Outturn reporting when offering views on what might cause variability in results. External volatility factors (e.g. fluctuating numbers of looked after children and patterns of which services are purchased for them) are identified as the most influential factors, and these can influence both budget and outturn variability.

- LA officers did however recognise that different methods of overhead reporting and allocation, and different methods of allocating information to analysis columns in s251 reporting, restructuring of LAs and changes in personnel all could influence levels of variability between years and between different authorities.

- Although beyond the scope of this project, more detailed ideas as to the causes of variability were collated and reported in the survey (Appendix 2).

- The level of cooperation with the project by LAs and the responses gained would tend to indicate a grass roots desire to improve s251 reporting.

4. An approach to rationalisation of the data collected

The variety of actual and potential uses of s251 information, and the sometimes-differing perspectives between users of the information adds to the challenge of identifying potential for efficiencies.

LAs also follow different policies in relation to how much spending is delegated to schools and how much is centrally retained. An authority that delegates most responsibilities will report a higher level of zeros in Table A.

In the relative absence of clear majorities of users identifying the same areas for potential efficiencies in s251 reporting, a data-led approach was taken:

- In the first phase of data analysis, the outturn and budget data for 2013-14 were tested to identify lines in s251 reporting where high levels of zeros were identified.

  Figure 4 and Figure 5 below show that there was reasonably high correlation of the levels of zeros in a line reported in outturn to the levels of zeros reported in the same line for budget. This was more prominent in Table A (Education) data.

  This test allows us to have reasonable confidence that, if a line can be eliminated because it is rarely used in one version (budget or outturn) of the s251 reporting process, then it can also be eliminated from the other version.

  Although it was recognised that the simple fact of a high level of zeros is not conclusive evidence that a line is redundant, this approach identifies candidate lines for potential removal from the returns.

Figure 4: Percentage of zeros in lines of S251 Table A

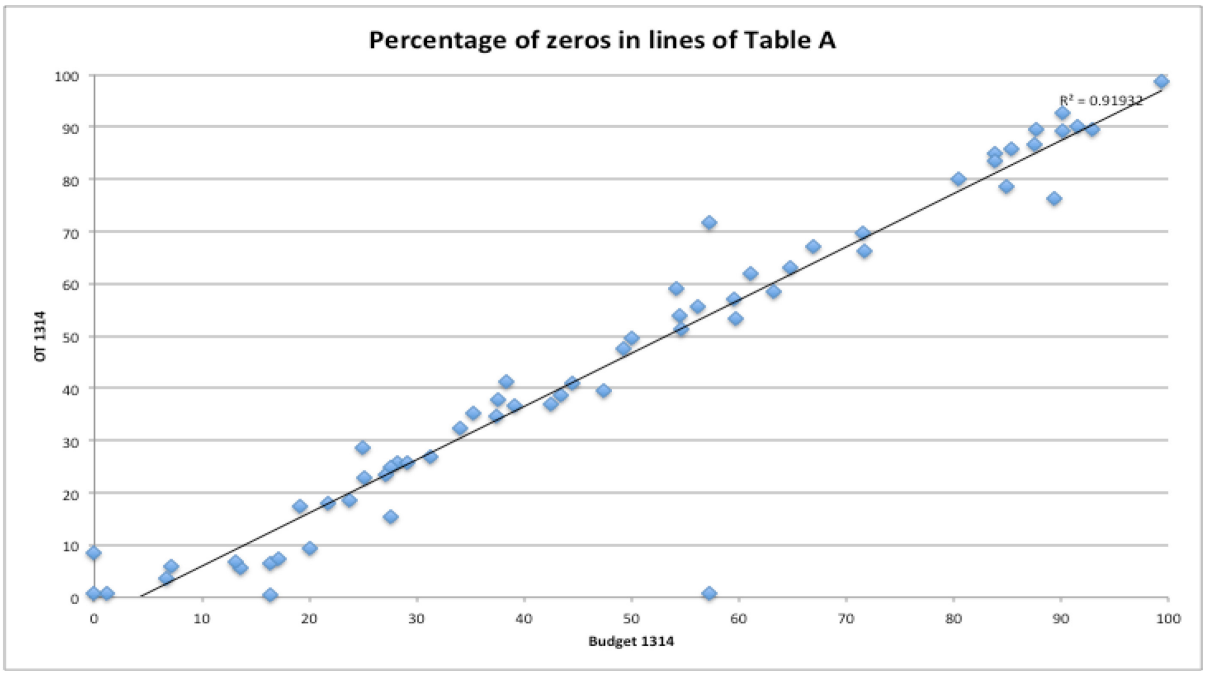
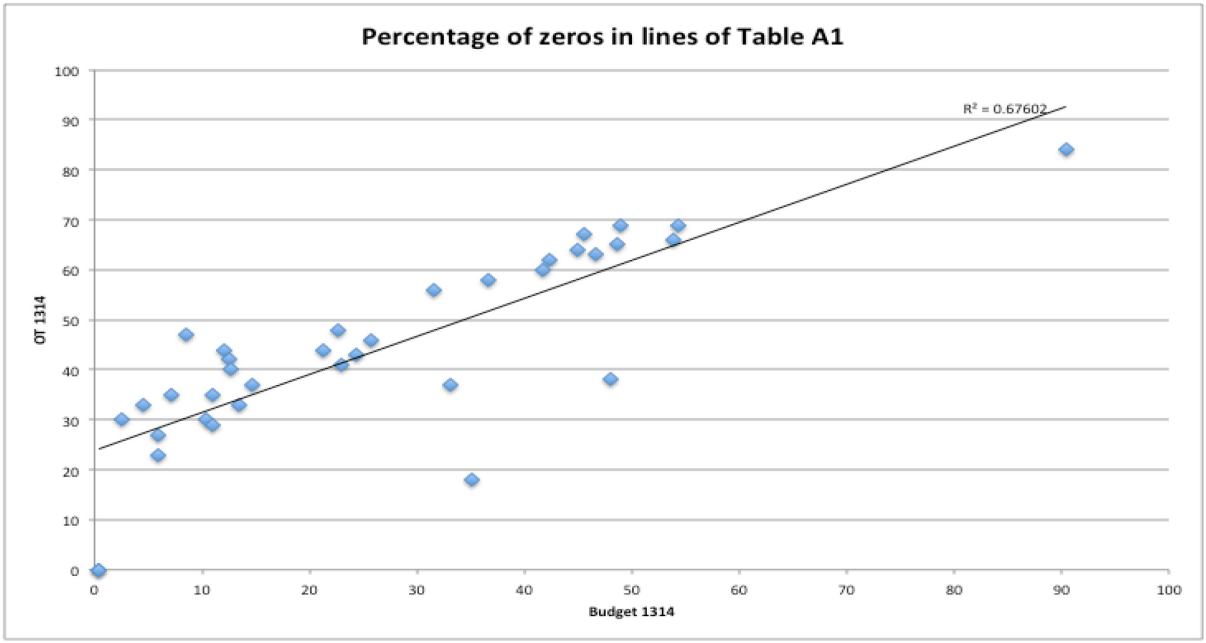


Figure 5: Percentage of zeros in lines of S251 Table A1



- During user interviews and surveys, suggestions were invited as to areas that could be reduced. The suggestions received tended to focus more on the analysis columns of the s251 returns than on individual lines.

- Both sources of input were incorporated into an alternative model proposal circulated to users specifically to obtain feedback as to whether proposed elimination of details is acceptable. The results of this element of the project are described in the following sections of this report.

5. Alternative model

The task of reporting and explaining how public money is spent on education and children's services is recognised by almost all users and other interested parties as being of importance in terms of accountability for large sums of money but also in terms of providing measurable information to policy makers and Parliament.

The existing systems of reporting, an annual Budget statement and an annual Outturn statement, give a view of the information twice per annum, and the information often refers to periods that have either wholly or partly expired as much as 9 months earlier.

The alternative model described below is a first step towards improving timeliness and utility of section 251 reporting as a source of strategic management information.

In recognition of the need to avoid adding to the administrative burden and cost of the system of producing s251 reporting, this model retains the requirement of just two reports per annum. However, we would advocate that, should the system proposed be adopted and be found to enhance utility and value of the information, that consideration be given in future to increasing the frequency of reporting.

The alternative model proposed is a generic model for the whole of s251 reporting, but one that could also be applied to only part of the return.

It has been possible to incorporate user feedback on the potential to reduce reporting detail, especially in those sparsely populated parts of the s251 returns identified during testing, but also through discussions with users.

The alternative model has also benefitted from feedback from 8 LAs, although wider consultation is recommended before any implementation.

Appendix 3 lists two Excel spreadsheets referred to in the alternative model described below.

5.1 Description of the main principles and issues

1. A reduction in the level of detail is proposed (see "Reducing the detail" section that follows). Data testing has identified that the inaccuracy of reporting increases disproportionately to the level of detail, and local authorities surveyed would largely welcome a reduction of the burden of the detail.
2. Local Authorities would report their Education and Children's Services Expenditure (and Income) twice per year.

3. Reporting would be six monthly, with each report providing new information on the actual results of the previous six month period.
4. The aim would be for Local Authorities to report within two months of the end of the six-month reporting period, with publication one month later, i.e. three months after the end of the six-month reporting period.
5. Reporting would cover April-September and October-March to fit with the existing fiscal year. Publication of results would therefore be by the end of June and the end of December each year.
6. Reporting will be driven directly by costs and income. Overheads will not be included in every cost cell. This is discussed further in the “Overheads” section later in this paper.
7. Lines 1.7.1 to 1.8.1 of current s251 budget reporting are memoranda items. They do not aggregate into any of the totals elsewhere in the report. The lines represent a form of reconciliation that indicates the levels of DSG brought forward into the period, and carried forward at the end of the period. In the current form of reporting these items reconcile an annual picture. For the purposes of this alternative model, the reconciliation would only be required annually. This would be the equivalent to the way the information is reported in the current s251 outturn returns.
8. Each report will automatically compare the most recent 6-month actual outturn to the most recent forecast for the same period. Previous returns will have generated the forecast through the model (as described below). Absolute variances and percentage variances will be automatically produced.

   Local Authorities will have the opportunity to examine the variances to forecast and to add commentary.
9. Each report will automatically compare the most recent 6-month actual outturn to the previous 6-month actual outturn. Again the model will automatically calculate variances.

   Local Authorities will have the opportunity to examine the variances to forecast and to add commentary.
10. The model will also hold the trend data covering the last four half-year actual outturns. This data will automatically generate forecasts for the next two half year periods.
11. Local Authorities will have the opportunity to comment on the forecast figures.
12. An overview summary of the report would be automatically produced on the Cover Page of the report. This would also allow the officer authorising the

report on behalf of the Local Authority to approve a summary commentary and to sign off on the return.

5.2 Reducing the detail

Appendix 3 references a spreadsheet that illustrates the potential reductions in detailed s251 data collection identified during the project.

Most significantly, user support for the analysis columns of either table is equivocal at best. Local Authority responses indicate that the approaches to populating such columns are extremely variable between authorities. Data testing shows that the greatest degree of variability of results is experienced at these detailed levels.

Some specific lines that often have over 80% zeros in current reporting are also to be removed. It is assumed that the amounts previously reported in these lines will fit within definitions of other retained lines (e.g. 1.4.13 “other items”) or into overheads.

Two exceptions to these overall amendments are Line 1.0.1, the Individual Schools Budget line of Table A, and the Looked After Children section of Table A1. Users have indicated a desire to retain the analysis of these lines (albeit a majority of LAs commenting would have been happy for the analysis to be removed). The areas are shown in yellow in the spreadsheet in Appendix 3. Those analysis items that remain could be reformatted into the Gross, Income and Net columns to simplify the presentation of the s251 return.

An indication of the significance of these proposed reductions to the detailed reporting is a simple cell count that shows:

Table 4: Numbers and proportions of proposed reductions

	Number of cells to be completed in current 2014-15 Outturn format	Number of cells after proposed removals	Percentage reduction (as % of first column).
Table A	433	197	55%
Table A1	314	232	26%

5.3 The alternative model spreadsheet.

A further spreadsheet containing the proposed alternative is referenced in Appendix 3. The model includes a **hypothetical** example using the new approach and format for a local authority.

a. The cover page includes the summary of key figures extracted from the whole model, showing the last 6 month figures, the percentage variances of those figures compared to the last forecast and to the previous six months, and the trend-based forecast for the next two half years.

The cover page is intended for a senior officer in the local authority to make overall contextual comments and to sign off and approve the submission.

b. The “ACTUAL vs. FORECAST” sheet contains the only numeric input section of the model (figures display in red). This is where LAs will input the last 6 months of actual outturn data.

The remainder of the page will have been pre-populated with the forecast for the same 6 months (taken from the previous submission).

Variances in absolute and percentage terms are automatically calculated.

LAs can comment line by line if they wish to explain variances at that level.

c. The “ACTUAL vs. P6M” sheet carries out the comparison to the same most recent actual outturn (information input on the previous sheet is automatically written to this page also). No numerical input is required to this sheet other than to pre-populate the previous 6-month actuals from the previous submission.

Variances in absolute and percentage terms are automatically calculated.

LAs can comment line by line if they wish to explain variances at that level.

d. The final sheet, “ACT TREND & CALC FORECAST” will show historical 6-monthly information for the last 2 years, including the most recent period reported.

When the model is first used the 6-monthly data will not be available, and it will take the first year after implementation to populate the history used to drive the forecast. As an interim measure, whole year information could be equally split between half years as a proxy. LAs are equally divided in their view as to whether or not this would be useful.

The final sheet also produces two simple forward-looking forecasts for the next two 6-month periods.

FORECAST 1 replicates the most recent 6-month actual outturn for both future half-years.

FORECAST 2 applies a simple trend calculation. The trend is that seen in each individual line when comparing the most recent 6 months to the 6 month period immediately before. The trend is applied to the most recently reported actual outturn 6-month result to calculate the next 6 months. The further 6-month period in the forecast is, however, the same as the calculated 6-months.

Effectively this is simply indicating that whatever trend has just been reported will continue for the next 6-month reporting period but will then plateau in impact.

5.4 Forecast methodology

It is recognised that the methodology described above is amongst the most simplistic methods that can be designed.

In areas of testing of annual s251 information, it was found that simply replicating the previous year outturn would have been a better predictor of current year outturn than a separate assumptions-based budget approach. That conclusion is the root of the simple approach suggested at the outset of the 6 monthly-based model.

It is, however, also evident that once the 6-monthly system becomes established it will provide the opportunity to become more sophisticated. For example, a trend across several half-years of information may provide a better calculation basis for a forecast.

At the outset this methodology also does not include a facility for the Local Authority to override the calculated figures. LA feedback strongly suggests that LAs should be able to overwrite forecast information. This has been resisted on the basis of the evidence found during data testing. However, after the initial implementation period has produced results it would not be a difficult technical task to re-introduce a LA-produced forecast section of the return.

5.5 Overheads

It is proposed that all cells of s251 reporting be populated only with direct costs and income and excluding overheads.

The rationale for this is the avoidance of compounding variability, and comes at least in part from Local Authorities themselves.

In the survey of Local Authorities carried out during this project the following key points were made:

- Section 251 data is most useful to LAs when it is compared between authorities, although they use comparative data with care. Clearly a positive spiral of improvement could be created by making s251 more accurate and believable, and most importantly, comparable between authorities.

- Changes to, and differences in, accounting approaches (including, specifically, changes in overhead allocations) are one of the top two or three reasons that LAs themselves identify as being the cause of the current variability seen in s251 reporting.

- Surveyed LAs described a widely varying range of different overhead allocation methods, with no overheads being allocated at one extreme and multiple drivers being employed line-by-line and table-by-table at the other.

- Our only conclusion is that the inclusion of overheads in current s251 reporting does little other than cloud the data further.

Our clear recommendation is therefore that overheads not be collected in the cells of the s251 return.

By separately collecting an overhead percentage to be applied (one per Table), the utility of the s251 is improved. Information users would be able to decide how they utilize the direct information and the overhead depending upon the specific use for the information at the time.

For example, when answering an MP’s question about the total cost of education, it may be most appropriate to add in the overhead figure.

Alternatively, an individual local authority wanting to compare their performance and spending patterns on looked after children to that of other local authorities may be able to get the clearest comparison without any overhead “noise”. The same authority may still be interested in the overall percentage that overheads represent

as a proportion of all children's services spending when reporting total costs to cabinet members.

It is noteworthy also that the separation of overheads from direct costs was adopted very early by the CIPFA benchmarking club members some years ago.

Feedback from s251 users and producers on the potential to report overheads as simply one addition cost figure (or percentage) per Table includes some reservations but is, in the main, supportive.

5.6 Introduction and Timing Issues

The model described in the preceding sections and in the spreadsheet is a core model built from the conclusions of testing during this project and from user discussions.

There are some other issues that arise which need consideration and consultation.

- Timing of introduction

  The process of changing to the proposed new model will have implications for both local authorities that prepare the data and for the collection and analysis of the information.

  Transition to the new system would need to be planned so as not to leave gaps in current data flow that could cause significant disruption to any ongoing work.

  Current s251 data is being used for baseline purposes in the development of a potential new funding model for schools, in combination with other sources of data, and with a considerable amount of adjustment and rework. This is one area where further disruption to baseline data from s251 reports would not be helpful.

  A suggested introduction schedule could potentially be as follows:

  Apr/Jul – DfE examination and publication of Budget 2016-17 information. Baselining can continue to use this information without disruption.

  Sept – LAs complete and submit the final annual Outturn for 2015-16 under the old format. Consideration should be given to requesting LAs to attempt a split of the submission into two half years where possible. Old format outturn 2015-16 would therefore also be available for baselining.

  December – LAs complete and submit the first 6 monthly return for previous April-September. First whole year forecast calculated (and allows comparison to budget to be made).

  June – LAs prepare and submit second half-year information in the new format (October - March) and second forecasts for calendar year are automatically generated.

- Introduction phase

  At the outset the new model can populate historical annual information by equally dividing annual data between half years, or consideration could be given to requesting the final annual data collection to be split by submitting authorities.

  Within the first 12-18 months of introduction, the model will begin to be driven exclusively by live half-year information. During this period the recommendation is not to alter the forecasting methods, but to simply monitor their respective accuracy.

  From 18-24 months it will be possible to further analyse the historical information to assess if a more sophisticated, multi-period algorithm would have better predicted outturns. If that is the case, then consideration can be given to amending the forecast method to reflect the findings.

  If, having reviewed the calculated forecasts, LAs feel they still need to be able to provide their own forecasts it would be straightforward to add a user-entered forecast facility to the model. Such forecasts could be tested for subsequent accuracy alongside the calculated forecasts. However, this would effectively be reintroducing many aspects of a budget data collection.

  Regular six- monthly review of the accuracy of the different forecast models would allow a steering group, in consultation with an active user-group, to mould the direction of each future iteration of the process.

- DfE level forecasting

  Once aggregated together, the LA information provides two national level forecasts (one replicating the most recently-reported 6 month's data into the forecast periods, and the other utilising the trend in 6-monthly data to project into the forecast for the next two periods).

  It would be straightforward for DfE users to read this aggregated data and use it as the basis for national (and potentially regional) figures (e.g. using line by line trend percentages) to reflect the anticipated impact of policy changes.

- Supporting the process of change

  There is evidence from our survey of Local Authorities that sufficient

numbers of Local Authorities are willing to invest resource into better understanding and benchmarking information in this area.

The CIPFA benchmarking clubs also illustrate that authorities are willing to take key elements of s251 reports and to enhance their use of that data through:

- Sharing of more detailed analysis, e.g. by stripping out overheads from s251 lines and showing direct costs and overheads separately.

- Benchmarking that information against data from like-minded authorities.

- Introducing activity measures to enhance and test information for reasonableness. Particular examples include the use of measures of care-days represented by spend. This allows unit cost calculations (e.g. Cost per week of foster care) that are of much greater use in benchmarking.

  The current Local Authority Information Tool ("LAIT") includes such calculations based on s251 data (amongst several sources). Our survey of Local Authorities showed that this tool is attracting a majority of LAs to look at the data (although a third have not yet accessed it), although the data is classified by most who access it as "good to have" but not strategically important.

  Liaison with the LAIT team over changes to s251 data collection and how information may be enhanced by reference to other sources is recommended.

- We would recommend that a steering group and working group be established to manage the process of continuous improvement in s251-reporting. Essential to the task will be enthusiastic engagement with authorities who clearly value the relevant information and who have already demonstrated a willingness to enhance the information and improve its utility.

- Although these matters are beyond the scope of this project, feedback received during the project would suggest that willing advocates could be influential in helping to bring about improvements in s251 reporting.

6. Three options

The alternative model was developed in parallel to the testing and consultation strands of activity during the project. In particular the model assumed application to both Table A (Education) and Table A1 (Children's Services) information, although it became clear that the model might justifiably be applied on a more selective basis.

During the period of consultation on the alternative model, two additional factors that require consideration evolved:

- As set out above, the results of the extensive data testing (based on 2014-15 outturn, budget and previous year's outturn) have shown that Table A and Table A1 data perform differently.

  In particular, for Table A1 (Children's Services), previous year outturn was clearly shown to be a more accurate predictor of current year outturn, and budget a poorer predictor (confirming results obtained from the first phase of testing using 2013-14 outturn, budget and previous year's outturn).

  However for Table A (Education) the result of data testing is the reverse. Here the budget is generally a stronger predictor of education outturn.

  If the outturn-based alternative model were applied to both s251 tables as an outright replacement for budget based approaches, this would introduce a risk of loss of accuracy in relation to Table A information. This is discussed further in the analysis of three options discussed below.

- Following the General Election in May, and the subsequent Spending Review in November 2015, there is awareness that the context within which education policy is now developing may lead to changes in the future role of LAs in education.

  Within that wider context the appetite for engagement of parties in efforts to change and improve s251 reporting (and in particular the Table A element of s251 reporting) will be an important factor to consider.

Three options are therefore possible:

1. Make no changes to current practice.

2. Implement the alternative model in full for both Tables.

3. A hybrid approach that implements the alternative model for Children's Services spending but leaves Education on the current budget based approach.

Table 5: Advantages and disadvantages of each option

	1. No change	**2. Alternative model** **Both tables**	**3. Hybrid solution** **Table A no change** **Table A1 move to alternative model**
Timeliness of information	No improvement. E.g. Outturn still published 9 months after end of year.	Information greatly accelerated compared to current processes.	Table A1 information greatly accelerated. Table A information on same timing as current process.
Accuracy	Continuation of current variability of information.	Table A1 information accuracy would be improved in relation to forecasts of current and next period information. This introduces a risk that current Table A accuracy could be impaired compared to current budget based approaches.	Table A1 information accuracy would be improved in relation to forecasts of current and next period information. Table A information would retain its relatively accurate budget based approach as currently operated.

	1. No change	2. Alternative model Both tables	3. Hybrid solution Table A no change Table A1 move to alternative model
Burden on LA	No increase. If reduced line and column recommendations implemented then some reduction in information collected (applies to all options).	Transition year increase but ultimately less work as forecasts are automatically produced. If budget were retained for Table A in addition then this would increase burden on LAs in the medium term.	Some partial additional increase in the transition year. Ultimately less work on Table A1 than currently. Some concerns that different processes for different Tables would be seen as adding work, but some LAs consulted are supportive.
Adaptability	Little flexibility	Alternative model can develop as real data is analysed. Introduces a process of collaborative continuous improvement.	Alternative model can develop (where applied) as real data is analysed. Introduces a process of collaborative continuous improvement.

7. Conclusions and recommendations

The core task for this project was use section 251 data from recent years to examine the accuracy of the budget data when it is used as a predictor for the outturn for the year, and to compare that prediction capability to the use of the previous year outturn as an alternative predictor for current year outturn.

Substantive testing detected that results for education expenditure and income differ materially from the results for children's services.

For education information the process of setting a budget produces the better predictor of actual outturn.

However, for children's services information, this testing shows that local authorities would have been more accurate simply using the previous year's outturn as a predictor of current year outturn rather than producing a budget.

At a minimum this would lead us to recommend use of the most recently reported levels of outturn data to answer questions about current levels of activity, spending and income in Children's Services.

The project was also charged with developing an alternative model based on the data testing results. An alternative model for s251 reporting that discontinues the production of an annual budget and instead uses six-monthly outturn reporting as a basis for monitoring and prediction has been developed for this project. The model has significant advantages for improvement in accuracy and timeliness.

Given the outcome of the predictor testing, this alternative model would have clearest logical application to children's services.

Deciding whether education information should follow the same route needs to be made against an evolving policy background in relation to the degree of involvement of Local Authorities in Schools funding.

In addition to the visibility that s251 information currently affords of total spending on Education and Children's Services by Local Authorities, other uses are wide and varied, with users often selecting specific parts of the information for particular tasks. However it has been possible in this project to identify some further potential reductions in detail to be collected through s251 reporting. This report therefore also includes recommendations (see Appendix 3) as to which parts of the s251 reporting could be reduced.

Appendix 1: Data Testing Methodology

DfE provided the data used in this project via Excel flat files. Separate files were provided for each of:

- 2012-13 outturn, Table A1
- 2013-14 budget
- 2013-14 outturn Table A
- 2013-14 outturn Table A1
- 2014-15 budget
- 2014-15 outturn Table A
- 2014-15 outturn Table A1

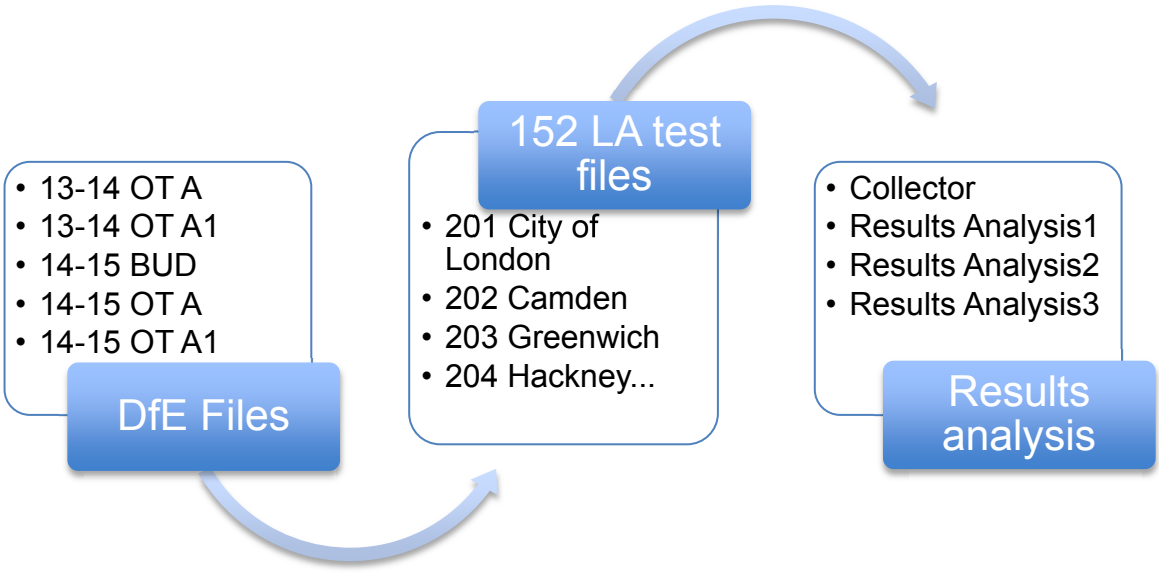
In the testing that produced the results for this report a test file was created for every LA. Each file contains an exhaustive set of calculations of variances between Outturn 2014-15 and Budget 2014-15 and also between Outturn 2014-15 and Outturn 2013-14. Calculations have only been performed where comparable figures are available.

The LA test files calculate the percentage variance for every cell of the s251 data where a comparison is possible, including all totals and detail lines, and all column entries in those lines.

In order to analyse results across all LAs and to summarise the same, a line-based approach was then adopted. This reads the variance data for the same line from all 152 LA files. It is then possible to look at the dispersion of the variances across authorities.

This analysis is possible for every line of s251 reporting where comparable data is available.

Figure 6: An illustration of possible analysis



Appendix 2: Local Authority feedback on uses of s251 information.

Analysis of questionnaire responses from Local Authorities

November 2015

1. Responses and respondents

The questionnaire survey was carried out through on-line responses between 16th and 30th October 2015. Fifty local authorities were contacted and we are grateful to 23 who responded.

One authority provided responses from two officers, one from an education perspective, one from children's services. Where logical to do so, the responses were treated as being from one authority only.

All but two respondents (92%) have the word "Finance" or "Accountant" in their job title.

There was at least one response from each region, although there were proportionately more London and South East region based responses (61%).

2. Local Authority use of s251 data

Section 251 reporting is of significant strategic importance and used to shape local policy.

Table 6: Response on whether s251 data are of strategic importance

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
No of authorities	0	5	7	9	2
Percentage	0%	22%	31%	39%	9%

53% of authorities do not indicate that they use the data strategically for local policy development.

Section 251 reporting is of significant importance to funding allocation and this influences the way local authorities complete the return.

Table 7: Does the importance of the link between S251 and funding influence completion?

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
No of authorities	0	6	9	6	2
Percentage	0%	26%	39%	26%	9%

33% of authorities agree that s251 is important to funding allocations and this influences how they complete the return.

Table 8: Relative importance of Budget vs. Outturn to authorities

	Budget of far greater value	Budget of some greater value	Budget and Outturn of equal value to us	Outturn of some greater value	Outturn of far greater value
No of authorities	1	6	11	4	1
Percentage	4%	26%	48%	17%	4%

No strong preference for budget or outturn.

Table 9: Does benchmarking data comparing against other authorities provided by the DfE have value?

	Make no use of it at all	Mainly just a burden explaining benchmarks	Good to have to support local decisions	Important and informative	Real strategic value
No of authorities	2	1	10	9	1
Percentage	9%	4%	43%	39%	4%

Once the data is available to compare to that from other authorities, it is considered of greater interest.

Table 10: Does the LA Information Tool data from s251 information have value?

	Make no use of it at all	Mainly just a burden explaining benchmarks	Good to have to support local decisions	Important and informative	Real strategic value
No of authorities	8	1	11	3	0
Percentage	35%	4%	48%	13%	0%

Almost half of authorities have some use for the data.

Over a third make no use of LAIT information however.

Table 11: Does section 251 information have a role in relation to Schools Forum?

	Don't use it at Schools Forum	We present information at Schools Forum but it is not challenged	Vigorous challenge at Schools Forum (e.g. re central monies retained vs. delegated).
No of authorities	11	6	4
Percentage	52%	29%	19%

Over half of authorities do not use s251 data at schools forum.

Less than a fifth of authorities undergo vigorous challenge of s251 data at schools forum.

Table 12: Does the accuracy and comparability of information constrain its use?

	It's too inaccurate to be of any use	It's inaccurate other than at highly aggregated levels	Neutral/ We don't use the information	Information can be used but needs some caution	All information is accurate and comparable
No of authorities	1	4	2	16	0
Percentage	4%	17%	9%	70%	0%

A clear majority of authorities feel comparison information is useable, but with a degree of caution.

3. Practicalities.

Seven authorities (30%) were unclear about who authorises the submission of s251 returns to DfE.

The returns are clearly seen as a financial exercise, with no authority reporting that a non-finance or resources officer as authorizing the return. That is, CEOs and AD of Children's Services do not sign off the returns.

A majority (61%) of respondents do not think the s251 returns should be audited.

Where authorities feel there should be audit of the return, they were equally split as to who should perform the audit between external statutory auditors, internal auditors or a peer authority.

4. Sources of variance

Preliminary analysis of s251 information for all Local Authorities indicated some significant variability, e.g. between Outturn and Budget for the same year, especially at the more detailed lines and columns.

Table 13: What are the causes of variation between Budget and Outturn in s251 reporting?

Rated as 5 = highly influential, 1= Little impact on variation	Arithmetic average of score	Standard Deviation of score
a. External variability (e.g. fluctuating demand for services for looked after children)	3.8	1.3
b. Changes in accounting approach (e.g. to overheads)	3.2	1.4
c. Different staff completing returns	2.4	1.2
d. Changing or complex guidance	3.0	1.1
e. Changes to formats year on year	3.0	1.4
f. Restructuring of Authority and how accounted for	3.4	1.1
g. Others	1.1	1.7

The reasons listed above are thought by respondents to be the major causes of variation between Outturn and Budget, with external factors being the most influential.

Table 14: The most relevant factors in explaining the differences year on year between successive Outturn statements

Rated as 5 = highly influential, 1= Little impact on variation	Arithmetic average of score	Standard Deviation of score
a. External variability (e.g. fluctuating demand for services for looked after children)	3.8	1.3
b. Changes in accounting approach (e.g. to overheads)	3.5	1.2
c. Different staff completing returns	2.3	1.1
d. Changing or complex guidance	3.0	1.2
e. Changes to formats year on year	3.0	1.4
f. Restructuring of Authority and how accounted for	3.4	1.0
g. Others	1.0	1.6

Scoring was very similar indicating that the same causes of Outturn vs. Budget variability also influence variability of Outturn vs. Outturn in the opinion of respondents.

There was no dominant additional item amongst the “other” reasons, with grant changes, time constraints and issues of staff not setting realistic budgets being mentioned.

5. Table A vs. Table A1

All respondents (100%) confirm that the same accounting system in their authority is the source of data for both Tables of the s251 returns, and that the same people produce both Budget and Outturn in all but two authorities (i.e. in 92%).

Nine LAs use SAP, six use Oracle, and four other systems are named in completing the returns. Respondents also point out that data has to be manually manipulated into the s251 formats after it has been extracted from core accounting systems (typically using Excel spreadsheets).

Almost all (95%) of those completing the returns have at least an AAT qualification and in a majority of cases have a recognised accounting qualification (CIMA, CIPFA, ACCA).

Nine authorities (39%) have seen a change in officer completing the s251 returns since 2013-14.

6. Overheads

Respondents were asked to describe the basis used in allocation of overheads in s251 reporting. A mixed reply was returned (note some authorities listed multiple drivers and may appear more than once in the table below):

Table 15: Basis used for allocation of overheads

Overhead driver	Number/Percentage of authorities mentioning
Pro-rata to direct cost	9 (39%)
FTE/Staff number basis	7 (30%)
Variety of drivers including pupil numbers, floor space	4 (17%)
No or minimal overheads allocated, or “an enormous struggle due to reorganization”	3 (13%)
Question not completed	3 (13%)

The variety of answers returned by authorities suggest that this is an area that could cause variation in s251 results at a number of levels.

Six authorities indicate that the approach to overhead allocations differs between Table A and Table A1 in s251 reporting. The other 70% of authorities confirm the same approach is used across both Tables.

Where different approaches are used, they can be as extreme as one authority who finds it cannot allocate overheads to Table A1 at all, one that uses pupil numbers for pro rata Table A allocations, and another LA that allocates to DSG pro-rata to direct spend.

Over 90% (21/23) of authorities do not agree their overhead allocation with the schools forum.

7. Column analysis

Only 12 of 23 (52%) responding authorities collect information to directly assign costs to the column based analysis in Table A.

(I.e. Between Early Years/Primary/Secondary/Special AP/Post School).

Where authorities use an allocation method, it is often in conjunction with some direct costs. Allocation bases most often mentioned were numbers of schools and pupil numbers.

Table A1 (Children's Services) appears to offer a marginally easier task when it comes to assigning costs directly to the column based analysis (between own provision/Private Provision/Other Public/Voluntary), with only 7 of the 23 authorities (30%) indicating they do not do so.

Where allocations are used instead of direct methods, a variety of approaches are indicated, including: use of historical ratios, high-level information from management accounts, and "discretionary opinion from cost centres".

8. Improving s251

Respondents were asked to provide free form comments about how they think s251 could be improved.

Most mentions (11) call for the information to be more consistent between authorities, which reflect the area where authorities think s251 has most value (see section 2 above).

Two factors were mentioned specifically in this context - the need for even clearer guidance and the separate reporting of overheads.

Four respondents call for more information, including activity data, contextual information and other statistics, and one calls for a split of line 1.0.1 (Individual Schools Budget)

A further respondent also suggests DSG is dealt with as a separate exercise.

More than one authority mentioned two further suggestions, to harmonise budget and outturn by eliminating the ways in which they differ (for example different column based analysis in Table A1) and to map changes year on year more clearly, without the re-use of line numbers for different costs as this adds confusion.

On the subject of whether s251 reporting could be reduced, the respondents split with 57% believing it can be reduced, 43% not of that opinion.

Three areas where at least 5 authorities suggest reducing the return arise:

- Reduce the transport analysis
- Remove the column split on Table A (Primary/Secondary/PRU etc.)
- Remove the column split on Table A1 (sector analysis).

When it comes to adding information, 65% of authorities indicated they would not add any information. Of the minority who would add information the only consistent theme to that suggestion is to include additional statistics (for example about activity levels) that would allow contextualisation of the financial data.

Appendix 3: Spreadsheets integral to the alternative model

The following two spreadsheets are available in addition to this report:

This file shows the columns, cells and lines that are proposed to be removed from s251 reporting (compared to the 2014-15 outturn format)

New model vs 2014-15 outturn format.xlsx

This file contains a mock example of the proposed alternative model

ALTERNATIVE s251 MODEL.xlsx

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