

Levelling Up, Housing and Communities Committee

Oral evidence: The Office for Local Government, HC 64

Monday 19 February 2024

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Mrs Natalie Elphicke; Kate Hollern; Tom Hunt; Andrew Lewer; Mary Robinson; Nadia Whittome.

Questions 1 - 99

Witnesses

I: Lord Amyas Morse, Interim Chair, Office for Local Government; Josh Goodman, Chief Executive, Office for Local Government.



Examination of witnesses

Witnesses: Lord Amyas Morse and Josh Goodman.

Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Select Committee. This afternoon we are going to look at the Office for Local Government. It is a new body being set up by the Government to explore particularly certain matters to do with local councils. This afternoon, hopefully, we will find out more about how it is going to operate and what activities it is going to engage in.

I will come in a minute to our witnesses. Before that, I will ask members of the Committee to put on record any interests they may have that may be directly relevant to this inquiry. I am a vice-president of the Local Government Association.

Kate Hollern: I employ a councillor in my constituency office.

Bob Blackman: I am a vice-president of the LGA and I employ councillors in my office.

Mrs Elphicke: I am a vice-president of the Local Government Association and I employ councillors in my office.

Tom Hunt: I employ two councillors in my office.

Andrew Lewer: I am a vice-president of the LGA.

Q1 **Chair:** I thank colleagues for that. Could I go over to our two witnesses this afternoon? You are very much welcome. Perhaps you could just, for the record, introduce yourselves and give your name and your position now within Oflog.

Josh Goodman: I am Josh Goodman, chief executive of the Office for Local Government.

Lord Morse: I am Amyas Morse, the interim chair of the Office for Local Government.

Q2 **Chair:** Thank you both very much for coming. As I say, you are a new organisation, so we are trying to explore what your remit and role is and what activities you are likely to engage in. There are a lot of people in local government asking the same questions at present. Could I just ask a simple question to begin with? What are your priorities? What are the things you are going to give particular attention to? Are they your priorities or the Department's priorities?

Lord Morse: Yes, certainly. Josh, why don't you tackle that?

Josh Goodman: In terms of our priorities, the fundamental motivation for Oflog existing is that the Government are still committed to localism and self-improvement as being the fundamental way that local government should improve, but there are three gaps that we and the Government see in the current set up. We give those three labels, which



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are “inform”, “warn” and “support”. There are three motivating problems for us.

First, on “inform”, it is currently just too hard if you are a citizen to know how good your council is. We are not saying we should go back to the old Audit Commission and give everybody an Ofsted-style rating, but we should make it easier for citizens to be able to see key data on their council and how that compares to other similar councils. That is on “inform”.

Then, on “warn”, you will all be aware of a series of council failures over the last couple of years, in places like Woking and Thurrock. In all cases, the Department, DLUHC, ended up dealing with those cases but only once the decisions were made and the die was cast. The Department was doing more palliative care than prevention with those councils. We want to create an early warning system that goes further upstream and tries to spot where there might be emerging problems in leadership, governance or culture well before they happen.

Thirdly, on support—our third priority—if you speak to councils, you see hundreds of them doing similar things, and yet, when you talk to council leaders and chief executives and say, “Do you feel you are learning enough from each other?” the answer tends to be, “No. We would like more opportunities to do that. We would like more best-practice advice”. Also, when you ask them, “Do you feel you are making the best use of data in your own management and governance?” they tend to say, “No, not really. We wish we could. We wish we had the resources”. We would like to help them with that.

Finally, when you say, “Do you have enough access to data from other public services?” they tend to say, “No. We wish we could get our hands on data from the NHS, the Home Office or DWP”. We would like Oflog to play some kind of brokering role there.

As to whether they are our priorities or the Government’s priorities, they are both. Lord Morse and I have worked with Ministers over months, since we were appointed, to try to craft what the priorities are. You will see a golden thread that runs through from the levelling-up White Paper two years ago, which is well before either Amyas or I were appointed, which speaks about these themes, but we have been refining these in discussion with Ministers and in heavy discussion with the sector over the last few months.

Lord Morse: That is right. If it is acceptable, Chair, I will add something about the style in which we want to pursue these. Our choice is to be deliberately collaborative and to be deliberately trying to develop influence rather than command, control or anything of that sort. We want to be able to look at the success of the sector as being our success, not something where we are seeing ourselves taking a strong-arm approach.



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That is because self-improvement by the sector is really important and needs to be supported by Government. Our style is one of support, collaborate and work with, but also tell the truth to.

Q3 Chair: In terms of priorities, which way around was it? Did the Department decide on the priorities for your working and then appoint you, or were you appointed and then did the Department discuss with you the priorities?

Lord Morse: For most of it, it was the second of those. There was an interest in improving the data environment and providing more selected data. That was clearly there from the very beginning but, for the rest, we have been spending a lot of time talking to the sector about what the issues are. What we are coming forward with is a response to that.

Q4 Chair: For any organisation, the first thing you will say is, "In a year's time, how will you measure how you have been successful?" I searched around and I could not find any metrics that would measure your success. Is that deliberate or an oversight?

Josh Goodman: We have started to think about how you would do formal key performance indicators and that kind of thing. It is genuinely tricky and we are very open to suggestions from the Committee, because we are clear on the objectives but it is quite hard to come up with quantitative indicators for how you get there.

On "inform", on making citizens more informed, there are possible metrics such as how many people have engaged with our tools and, if we can find a metric of people actually using them and deploying them out in the real world, that would be good.

On "warn", over time, I would hope we get to a place where we can count how many councils we have successfully identified emerging problems in before other people have. That would be a good metric.

On "support", it is harder to know what the metric would be. Those are some ways that you might come up with metrics. It is difficult, though, to set those. We are at such a young stage as an organisation, it is difficult now to come up with really hard, meaningful metrics.

Q5 Chair: Looking ahead, what do you see as the biggest potential risks or concerns? Is it that local government sees you as irrelevant or local government sees you as an enemy?

Josh Goodman: We have shared with the Committee the draft corporate plan that we put out last week. We have listed in there four key strategic risks that we think are the biggest risks to us, although no doubt there are others. The first is the risk that the sector do not trust us and do not collaborate with us.

The second is the risk that the world for LAs, the operating environment for local authorities, changes in a way that makes it hard to do our jobs.



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For example, if the economy suddenly changes or there are big changes in migration, that changes the way that the world operates for local authorities, so could make our jobs harder.

Thirdly, if there is Government policy change in the way that local government is overseen by other bodies, such as by Ofsted or by the CQC, that is a risk to us.

Fourthly, we put resourcing, meaning we need enough resource to do what we need to do. In practice, we think we are fairly well mitigated against all four of those, but that is what we see as our top four risks.

Lord Morse: I will just add one on. It is really important for us to move forward to being visibly independent. We are working hard to build our credibility with the sector at the moment and we have features like having me as chair, coming from running an independent organisation and so forth, but all of those will provide a sense of assurance to the sector over a period of time. What will give them more satisfaction will be to see that they are interacting with something that is arm's length in nature. It is important to keep the momentum towards that going on.

Q6 **Chair:** We will come back and explore some of those issues in due course, but you have enough resource, have you? You must be one of the few public bodies that says it has at present.

Josh Goodman: We are constantly revising our estimates of how many staff we will need. That is because we are designing functions that we have not done before. It is very hard to estimate in advance exactly how many people you need to do an early warning function or exactly how many people you need to do the various support things I have talked about.

On our current estimates, we are recruiting towards slightly more than 100 staff over the next few months. As of today, we are at 60, so we are recruiting quite rapidly towards somewhere over 100, but do I know that is definitely the final answer and that is definitely enough? I am not sure, because we are continually revising our guesses.

Q7 **Chair:** I will make one point before I move on to the next question. You talk about independence and everyone can see that is very important, but you cannot lobby. If you are truly independent and you have views on something, why can you not express them?

Lord Morse: When you say "you cannot lobby", you mean—

Chair: That is in the Government's remit to you.

Josh Goodman: We think it is important—and a lot of people in the sector are saying it is important—that we act as and are seen as independent in the other jobs we have been given, which do not include lobbying. The remit letter that we have from the Secretary of State says



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we should work on “inform”, i.e. putting out data in a way that is easily accessible to citizens.

It is important to the sector that our judgments about how to do that are taken with a degree of independence, but then, more importantly from the sector, on the “warn” function we have had a lot of noise from the sector saying, “If you are going to go out and approach councils and do early warning reports on them, is the choice of councils going to be politically motivated? Even worse, is the content of the report you write about a council going to be politically motivated?”

Chair: We are going to come back and ask some questions about that.

Josh Goodman: That is fine. That is I think, Lord Morse, where you are saying the need for independence is.

Q8 **Chair:** That is fine but, if you cannot lobby and you cannot express your own views in that way, how can you be truly independent?

Lord Morse: Having run the National Audit Office for 10 years, you know at the beginning that it is deliberately a completely independent organisation. Any body that is ultimately controlled by Government has a degree of independence, and I think a high degree of independence. Realistically, when I look at what is in the letter from the Secretary of State, he is saying, “Agree your plans with us and then you are free to carry them out over a period of three or four years.”

That is a significant degree of independence. You say, “Can you lobby?” What I suspect will actually happen is, over the next years, if we are successful and we are to build up our credibility with the sector and therefore with Government, although we may not be lobbying explicitly as we would do if we were an independent lobby group or something of that sort, I suspect our voice will be heard quite significantly in Whitehall.

Josh Goodman: Just to add, we are being asked to be independent on the job that we have been given, not to go and be independent and do other jobs. You will find the same is true of all sorts of bodies that are part of or at arm’s length from Government. We are not an inspectorate or a regulator, but Ofsted, for example, is expected to be independent on its judgment on an individual school or social care service. That is not under the influence of Ministers, but Ofsted does not therefore have a remit to go and lobby the Government on policy.

Q9 **Mrs Elphicke:** Just picking up on that, you are not an inspector and you are not a regulator. How would you describe what this body is to the ordinary citizen who you are hoping to inform?

Lord Morse: If I was going to describe it, let me start for a second with what we are addressing. If you do not mind, Chair, in answering the question, “What is Oflog?”, which is essentially what you are asking, we just need to expand a little bit from how we might otherwise, if you can bear it, because we have been asked this question quite a few times—



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Mrs Elphicke: My Lord, the public know what an inspector is; they know what a regulator is; they know what an auditor is. If you were to describe it very shortly, what would you say Oflog is? Is it an adviser? Is it a self-improvement tool? Is it a guide? What is it?

Josh Goodman: The shortest version is that Oflog is a performance body for local government. Then, if a member of the public stared and said, "What does that mean then? I know what an inspector is and what a regulator is. What is a performance body?" I would say we are doing those three things. We are trying to make sure citizens understand how well local government is doing—

Q10 **Mrs Elphicke:** Your "inform", "warn" and "support".

Josh Goodman: Yes, exactly.

Q11 **Mrs Elphicke:** You would describe it as a performance body. You do not have performance indicators yet, but you will be working on them.

Josh Goodman: That is right.

Q12 **Mrs Elphicke:** In judging that performance, you said "inform". Who is it that you are informing? You talked about the citizen, but then you talked about comparative performance and you have talked about best practice. Is this an organisation for the citizen, for our constituents and residents? Who is it for?

Josh Goodman: There are slightly different audiences across "inform", "warn" and "support". On "inform", the primary audience is the citizen, because the primary problem is that an ordinary citizen struggles to find out how good their council is relative to other councils. That is the primary audience. There are other audiences as well for "inform", because if you speak to local authority officers, councillors, local media or local civil society, they often say, "I do not know how good my council is compared to other councils".

The comparison bit there is that, on the online tool we have designed—it is not quite there yet, but we are improving it—the idea is that you type in your postcode, it shows you your council and then compares it to statistically similar councils. You can see, for example, on waste management or social care—on these various different indices—how your council compares to statistically similar councils. That is not then us passing judgment on a council, but it is us saying, "Isn't it interesting that your council scores there relative to other similar councils?" On "inform", the primary audience is the citizen.

Q13 **Mrs Elphicke:** I have two relevant councils: Dover District Council and Kent County Council. If I am a citizen who has gone in on a Sunday afternoon and looked up my council, I first have to know what council deals with those services.

Josh Goodman: At the moment, if you typed in "Dover", it would bring up Dover and Kent, and then would tell you the difference between them.



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Within a few weeks, we are building in the function where you can type in your postcode.

Q14 **Mrs Elphicke:** When this has been informed and I am comparing it to other similar councils, what would you say is a similar council to Dover or Kent?

Josh Goodman: I am not going to remember, off the top of my head, all of the relevant measurements. We take the quite well-tested and respected measures from CIPFA of statistical similarity. It is things such as size, density, plurality and that kind of thing.

Q15 **Mrs Elphicke:** Is there added value in you doing this rather than CIPFA? Would it not have been better value for taxpayers just to expand the range of what CIPFA do?

Josh Goodman: We think so because, at the moment, of the tools that are available, not many are very friendly to the non-expert citizen. For example, the LGA has a really impressive exhaustive database of information on local government called LG Inform. It has thousands of metrics on there. It has really impressive functionality, which is really helpful if you are an expert user.

That is not the case if you are a non-expert user; I include the vast majority of council chief executives I speak to in that. I say, "Do you use LG Inform?" and they say, "No. I send off somebody in my data team to look at it". If you are a non-expert user, at the moment, there is not the kind of tool that we are trying to create, which is friendly to the non-expert users. Our tool is not quite there yet, but we have hired people who have made similar citizen-friendly tools before. That is where we are trying to get to.

Q16 **Mrs Elphicke:** If I am the informed citizen and I want to invite you to go into "warn", am I able to do that? Am I able to contact Oflog and say, "I have looked at these metrics and I have compared my council, as I am invited to on your tool. I am very concerned about my council. Will you open an investigation into how they are doing?"

Josh Goodman: The idea is that we will collect in "warn"-type information from anywhere, including from ordinary citizens. There is no guarantee that a heads up from anyone, whether it is a citizen or even a Minister, will then trigger an early warning conversation, which is where we go and talk to the council to dig deeper. Certainly, we expect people to be able to write in and we will add that to our growing pile of information and potential red flags about an individual council.

Q17 **Mrs Elphicke:** Do you see your role as overseeing local government or just assisting?

Josh Goodman: We see it as light-touch oversight.

Lord Morse: We are trying to influence local government. When we are engaging with local government in early warning conversation, the choice



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of conversation is important. We talk to them. We say, "We see these things, these indicators, that we are concerned about. Can we talk about whether they indicate a problem or are significant?" If the answer to that is yes, then we need to go further and start doing work on the side but, again, the objective in all of this is that the issues remain with the council. We are helping the council to understand what they may be able to do about it.

Q18 Mrs Elphicke: Given that the Government's position has been that recent failures of local government have been a result of management failures, largely, what confidence do you have that they are going to listen to you?

Lord Morse: We work through it with them. We agree the issues and do all the work. We expect them to commit to a plan of action to deal with it. If, at some point, that does not happen, we do not have legal power to compel, but we do have our friends in Government who will be the next port of call if we are not able to be effective.

Frankly, if we found ourselves with a council saying, "Yes, we agree that all these issues are there. There are problems, but we are not going to do anything about it", or, "We are going to be extremely slow in addressing it", we would turn to our stewardship colleagues and make sure they understood that fact. It is likely that, if things continued to get worse, they would hear from them quite quickly.

Q19 Mrs Elphicke: If we look at the Government's particular levelling-up agenda, there is a new Department. If we go back a few years, there was no such thing as the levelling-up Department. It is a new concept within Government. How do you see your role as an independent organisation in relation to that sort of priority? How are you going to compare performance against achieving a Government priority when you are not Ministers and you are not the Department? What is the role of Oflog in that?

Lord Morse: Essentially, we do not own the overall policy and we are not primarily responsible for putting it into effect, but we are a part of it. Part of the levelling-up agenda is to see an organisation that encourages and tries to build, for the long term, greater management confidence, greater understanding of data and a forward-moving approach towards sector self-improvement. That all fits very well with the levelling-up agenda, but it is not the whole of the agenda. It is what we are concerned with.

Q20 Mrs Elphicke: This is my last question. Are you part of the Government's expert panel in relation to local authority productivity plans?

Josh Goodman: We will be.

Q21 Mrs Elphicke: You are not at the moment.



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Josh Goodman: I do not think the panel exists yet. It has been announced that the panel will exist and that the LGA and Oflog will be on it.

Q22 **Chair:** Were you consulted about the idea of productivity plans before they were announced?

Josh Goodman: It was discussed with us, yes.

Q23 **Chair:** Was that before it was discussed with local government?

Josh Goodman: I am trying to recall. The notion of it was discussed, yes. We were certainly asked if we were okay to be on the panel.

Q24 **Chair:** You were not consulted about the details of what the productivity plans would entail.

Josh Goodman: No.

Q25 **Chair:** You were given those.

Josh Goodman: Yes.

Q26 **Tom Hunt:** In correspondence to us, Minister Hoare said that Oflog is not a finger-wagging, naming-and-shaming entity. How will you ensure that this is the case and that it is not a finger-wagging entity?

Lord Morse: It is not finger-wagging but, on the other hand, it is gently persistent and firm. There is a balance between being effectual and not being finger-wagging. When we come and have a dialogue with a council, it is likely to result in a published report at the end of it. Whether that is finger-wagging or not, it is something more than simply gentle persuasion.

Q27 **Tom Hunt:** That report would be public.

Lord Morse: Yes, it would.

Q28 **Tom Hunt:** Without getting into the ins and outs of whether finger-wagging is a good thing or a bad thing, or whether naming and shaming is a good thing or a bad thing, whether it is necessary or not, if you are deliberately choosing local authorities to look at, that you have concerns about, you are then publishing reports publicly detailing those shortcomings. That does sound a bit like naming and shaming to me. It might be right that we do that, but I am struggling to see how you would balance that.

Josh Goodman: I agree that the part of our activities—and it is only part of it—that might come closest to a perception of finger-wagging is publishing reports on individual councils. It is then all about the style of doing it, in a way that does not come across as finger-wagging and certainly not as shaming. The goal is to do it in a way that is supportive—objective, clear and uncompromising, but supportive, saying, “Here are the risks that we have seen and here are our recommendations for what



you, the council, do about it". We must always do that with an ethos of not trying to catch people out or score points; we are trying to help.

Q29 **Tom Hunt:** What challenges are central Government facing when quantifying or understanding the issues facing local government and how will Oflog help to overcome these challenges?

Lord Morse: We will help because, frankly, we will have a more consistent understanding of what issues do arise in local government. We will be able reflect those back into the Department.

Josh Goodman: I agree. In terms of what challenges central Government is facing, you should ask them. I agree that, over time, as we develop expertise through our work on "inform", "warn" and "support", we will slowly build a picture of the challenges to the sector that adds to the picture central Government already has.

Q30 **Tom Hunt:** I have a quick question on devolution. I am specifically referring to mayoral combined authorities here. We have seen lots of different varieties of mayoral combined authority. We are now seeing county combined authorities being proposed as well. Do you plan to do any comparative work on combined authorities? In addition to just looking at each one in isolation, if you see themes in your research that indicate, "This type of organisation works. That type of organisation does not work", would you look to publish a comparative piece on that?

Lord Morse: That is quite a long way down the road. Certainly, what we have already in our forward-thinking is trying to help combined authorities to baseline their own activities. If I am looking at how I am doing now and comparing it with how things were before, how do I get a valid baseline for comparing that? We see that discussion going on.

We see that developing into comparing genuinely comparable authorities, but we recognise how difficult that will be, because so many of them will be diversely structured. I am not going to say, blithely, "We will just dance into it all". We will go as far down that road as we can credibly go.

Josh Goodman: Just to add, it is a thing that, over time, we are going to try to do. It is really hard to do. There are so many local authorities and it is easier to find statistically similar ones. Combined authorities have different powers acquired at different times and so on. Nevertheless, I have set a bunch of analysts going on this question of how you could compare them. I am not going to promise that it will succeed, because it is hard.

Q31 **Tom Hunt:** This is to Lord Morse, in relation to an interview you gave with *The Times* where you said that, in your experience, most of the examples of councils getting in trouble were because of bad management, not issues to do with finance. Do you accept that, over time, this could change? Do you accept that there is an element of funding here as a factor and that, over time, even well-run councils may begin to struggle because of the different pressures put on their budgets?



Lord Morse: Let me comment on it like this. First of all, I said that, where there are existing failures, we have had strong feedback, both from the sector and from Government, that failures in governance or in management played a big part in their getting into difficulty. I made that quite clear. I suffered from somewhat distorted reporting. The emphasis was that—I am generalising—every failure in the future, if there is a failure, is bound to be to do with bad management or failures of governance. That is not what I meant to say at all.

Q32 **Tom Hunt:** For example, look at SEN budgets, which have just skyrocketed; they have gone up hugely. I have personally spoken to leaders who are very competent. They are saying that they are okay at the moment, they have built up reserves, but they fear, because the demand is only going in one direction, that even they, as well-run authorities that have been prudent, could in three or four years' time be in a really difficult position.

Lord Morse: Can I answer it like this? We are not going to blame people or find reasons in our work for problems that councils have. If it is a money problem, we are not going to describe it as something else. We will describe it straight, as it is.

Q33 **Tom Hunt:** There are going to be some other questions asked about this later. I will move quickly on to a question about the LGA. Is there anything the LGA has not been doing that it could have been doing to try to make more powerful interventions earlier on? Your very existence, in a sense, is saying that there may have been things that it has not been doing enough.

As a corollary to that, is there a slight problem in the fact that the LGA is funded by local authorities? That may mean that it is not entirely neutral and impartial.

Lord Morse: Before I pass that to Josh, I would say just one thing. Because the LGA is a membership organisation and we are something that has been set up by Government, however independent we may be, there is an inherent difference in where we start those discussions. With that, let me pass the ball to you.

Josh Goodman: It is no criticism of the LGA to say that there are some intrinsic limits on what a political members' body can do. You will have to ask the LGA itself but, in conversation with the LGA, I have the LGA moving towards a position of saying, "Yes, there are intrinsic limits, especially in the 'warn' space". For example, the LGA runs a very wide programme of what they call corporate peer challenges or peer reviews. The LGA acknowledges that sometimes a council just is not up for being reviewed. The LGA has said, when it is worried about a council and the council does not want to be reviewed, it quite welcomes the opportunity of sending us in. That is one intrinsic limit on LGA work.

It is also worth saying that, when I speak to lots of people in the sector, a number of them will say that sometimes peer reviews and peer



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challenges are not quite as tough as they could be, especially in what they say publicly. To be honest, most people I speak to say, "My peer challenges are very tough, but other people's are not." There seems to be a very widespread perception that not all of the peer challenges are as tough as they could be and that Oflog can—

Chair: We will come and explore this issue.

Q34 **Tom Hunt:** I have a very quick final question. As somebody who has dyspraxia, I could not help but notice on your tool—the user-friendly tool that you are going to be creating—that dyspraxia had been specifically mentioned. You want it to be user-friendly for those who have dyspraxia. I was quite interested to know what specifically has been done that makes it dyspraxia-friendly. As somebody interested in that area, I would be interested to know what you have done.

Josh Goodman: I do not know. Those were done by the team. I am very happy to write to the Committee to outline specifically what has been done.

Q35 **Kate Hollern:** If I can turn to Lord Morse first, Tom raised the issue of your interview with the *Times*. Do you think that interview has damaged the relationship with the sector? Do you think it will make them a bit more cautious in working with yourselves?

Lord Morse: First of all, I am just going to repeat something. The interpretation through the media of what I said was inaccurate. I made that quite clear to the sector, with help from Josh, and I made it clear in the sector press. I would say that, for the majority of people in the sector, they understand perfectly well what happened and they are sympathetic to that.

To be honest, if you just think about the logic of it, what I am supposed to have said is that, in the future, no matter what happens, it will always be caused by a failure of management. That is a really odd thing to say, is it not? I would like to think I would come up with something a bit better than that, if I was going to say something intemperate.

Q36 **Kate Hollern:** Do you think it has caused damage or a loss of trust in the sector?

Lord Morse: Can I put it this way? The question is not whether there was a loss of trust. There were plenty of people who were annoyed by it at the time. I acknowledge that. What I would say in slight difference to that is it about whether they were permanently annoyed by it and felt that their trust had been destroyed.

Josh Goodman: There is a bit of a residual effect, particularly among people who are slightly less engaged with the sector press. The most engaged players in the sector saw the *Times* article, but they also saw our very quick response in the sector press and that neutralised it for them. We do still now sometimes do events where some councillors in



particular—more councillors than council officials—will say, “Hang on”, and they have heard of the *Times* article but not the response. The effect still has a half-life.

Q37 Kate Hollern: That could still make those councillors reluctant to rely on your services. It has been reported that only 8% of local authority officials think that Oflog will be effective. Given that, how do you intend to ensure that local authorities have trust in Oflog and engage in good faith with your Department? We spoke about reports being published. That headline will still be there. We all have experience of being misquoted in the press. Trying to overturn that is very difficult and can take a long time. Given that, as I say, only 8% think you will be effective to begin with, it is an uphill challenge, is it not, to get that trust?

Josh Goodman: It is definitely an uphill challenge. I think that 8% figure comes from a survey done from the Solace conference, which is now a few months ago. If you speak to most people in the sector, they would agree with my perception that it is an uphill battle, but we are going uphill. When I joined Oflog back in June, there was fairly heavy hostility from some parts of the sector and I perceive generally that that is slowly diminishing.

It is different in different parts of the sector. Some were more hostile to begin with. Some are more engaged with the change that is happening. In general, the direction is towards more trust. You will have to hear from others to see if they agree. How do we keep building the trust? We just keep plugging away. We are putting hours and hours in every week to meet people from the sector in every possible combination and, slowly, over time, we see that having an effect.

We are open to suggestions. We do not know what else to do, other than keep engaging, and keep engaging with a spirit of honesty and openness to criticism.

By the way, our move last week to consult on our corporate plan was deliberately part of that. Many Government offices or even arm’s-length bodies do not consult on their corporate plans. We wanted to, because we wanted another way of saying to the sector, “We really want to know your views. Here is yet another opportunity to tell us what you think”.

Q38 Kate Hollern: Some of the feedback I have had from councillors is that there are already a number of organisations where councils and councillors can share best practice, the LGA being one of them, and they do not really want to be reviewed by Oflog. There are other measures through which you can test how well your council is performing.

My understanding is that Oflog has no budget and has no performance targets. You can understand why councils and councillors may be a bit reluctant to actually engage when they are really not clear on the main aim of Oflog, alongside the damaging headlines that are there.



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Lord Morse: I have a couple of things in response to that. First of all, Oflog does have a budget, but we are small and we are growing rapidly. That budget is growing rapidly but not exponentially. In other words, we are intending that Oflog will be a small organisation and an influencing organisation, rather than a very large organisation with a lot of boots on the ground.

As far as having reviews done or having conversations with Oflog as opposed to the LGA, Josh talked about that a few minutes ago. It is a bit different. We will look at councils that appear to have risk factors of various kinds that we need to pick up with them, to understand whether they agree and explore those risk factors. We will see if they really add up and then do a review and a report if those risks are real. That is a different approach to the LGA approach. It is similar in some ways, but different in that it is likely to be somewhat more direct and possibly a little bit tougher.

Q39 **Kate Hollern:** From LGA, SIGOMA or any of the others, when there is a measurement or a challenge on performance, factors such as levels of deprivation within the authority, the number of elderly, the number of disabled and the number of young people who require support are taken into account. It is not quite black and white, measuring each against another.

Lord Morse: That is fundamental, particularly to our use of data. We make it absolutely clear that, where we see disparities in data and apparent performance differences in the data where we compare authorities, that is a signal to start a conversation, not to make a judgment. We will approach it in such a way that, whatever we see as we are coming to engage with the council, we are trying to have a discussion with the council about what that evidence means. Does it mean something? Does it mean something significant or not? We are not jumping to conclusions. We are starting a conversation at that point.

Q40 **Kate Hollern:** Communicating that to councils will help build that trust and hopefully get to the desired position.

Lord Morse: I shall communicate it then.

Q41 **Mary Robinson:** Josh, you have described the difference between LG Inform and Oflog, with LG Inform being for expert users and this new iteration being really for ordinary citizens to use. Apart from that, what are the main differences and what will Data Explorer add?

Josh Goodman: As I said, the thrust of it is to be something that is friendly to non-expert users. I should qualify that the LGA is clear that LG Inform was originally intended to be for the use of citizens as well, but we and many people I speak to think there is room for something that is more friendly to a non-expert user.

How do we do that? As I say, we are not there yet. It should be a tool where you can go, type in your postcode and it very clearly presents to



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you, for the council or councils that are relevant to you, a curated set of metrics—not thousands, but a deliberately shorter and selected, curated set of metrics—that say, “For the key services, here are the ones that we recommend you pay attention to”. Then, automatically, for a local authority, it is compared to statistically similar ones.

Then it should also have really clear, plain English labelling about the limitations of that data, relevant to what we were just talking about, explaining, “Do not judge your council just because it appears at the bottom of the list of 10 statistically similar ones. Here are a whole number of reasons as to why that data could be higher or lower”. There are all sorts of reasons why it could be higher or lower.

The idea is that is then enough to arm an interested citizen, councillor or the local media to ask more probing questions, to then turn to their council and say, “You explain it. Why are we ranking here against statistically similar councils?” That is something that a very interested expert user could do now, but it is quite a lot of work.

Q42 Mary Robinson: It has been described as clunky and clumsy, so presumably this is the work that is going to be ongoing, to make it a little bit easier to use. Going on to it for the first time, I noticed that you had used a standard deviation model for your data and the metrics that you were using. Why did you choose that, rather than just a list? A lot of ordinary people want to just see a list for how they are doing on waste management. I know that the 10 Greater Manchester councils, including Stockport, had 89% for recycling; they may be top of that list. Would that not be easier?

Josh Goodman: Without getting too into the technicalities, we want to have the spirit of the standard deviation model without using the phrase “standard deviation”; I agree that is exceptionally off-putting to a non-expert user.

The basic idea is just trying to show how relevant these differences are, so that you do not just say, “Compared to the other nine statistically similar local authorities, you are ninth on the list or eighth on the list”. We are trying to give a sense of whether you are a big outlier or a small outlier. We need to keep working at ways of showing that in a way that is intuitive, compelling and makes sense to someone without a degree in maths.

Q43 Mary Robinson: It is in its beta stage at the moment. It is being built. When do you expect the Data Explorer to publish data from the next tranche of areas you have set out that you want to be looking at?

Josh Goodman: In the next few weeks, and certainly before the end of March, we should publish the next set of draft metrics for views from the sector.

Q44 Mary Robinson: Looking at Stockport, it is a metropolitan borough council. It sits within a 10-council local combined authority area. It is in



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Greater Manchester, which is devolved. How will you look at those types of differences? Some of the areas that you might want to compare will be under the mayoralty.

Josh Goodman: It is a great question and one we are wrestling with. If, for example, you are under, let us say, a district, a county and a combined authority, we want to show you, when you type in your postcode, all of those three levels of authority. We have been around all sorts of interesting internal debates about the best way of visually presenting that, in a way that is comprehensive but not too confusing. We are coming up with our best guess on that.

I have people in the team who are much better at it than I am, because they have actually created tools for non-experts before. They are experts at creating this kind of web tool. Crucially, we are going to do user research, which is best practice for this kind of thing. That is why it is in beta. We will come up with ways of doing it, keep testing with users whether it makes sense and tweak as we go along.

Q45 **Mary Robinson:** What about other local public sector partners, which the local authority do not currently have access to, such as the local hospital? Particularly in the spirit of joint working and local authorities working in a pooled resources way with hospitals, how are you going to get that data and make it meaningful?

Josh Goodman: I expect we will get there over time. It is not the primary goal. We are the Office for Local Government. The primary focus is starting with things about the performance of local government. The performance of other public sector bodies in the area is really helpful contextual information, to help you understand the performance of your local authority. We will get there, but we are starting with things that are more directly attributable to local authorities.

Q46 **Mary Robinson:** It would be really crucial for adult social care, for instance. If people are not being discharged on time from hospitals, that is going to impact on the local authority. These outside, other bodies are going to impact on the data that is going to be used and judged by local citizens.

Josh Goodman: As I say, we will get to considering that in time. The priority is stuff that is more directly attributable to the performance of the local authority. We also want to be careful not to add everything and crowd it out, because then it becomes less user-friendly.

Lord Morse: You are quite right. I used to be a chair of a couple of hospital trusts. There is a finger-pointing battle that can occur between a local hospital trust and local social services, with questions about whether packages of care have been put together in a timely fashion and so forth. That is why we say, if you produce statistics that look as if they are raising a question mark, that should be a point for a discussion, not a conclusion.



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Quite clearly, if you have a conversation with a local authority and they show you, "The reason for this is because of difficulties in interaction with the health service", you have to take that in. You cannot just ignore that and say, "I am going to judge you by the raw numbers". We do understand that. That is why we keep calling it a conversation.

Q47 Chair: How do you stop misuse of your data? Think of the junior reporter looking for their first big scoop, and the headline is, "Council watchdog says council is bottom of the league". You can see the headlines now. Irrespective of what the data says, it is a good story.

Josh Goodman: You can never fully stop misuse of data, but we can do our best in two ways. One is that, when we are showing the data, we put all the relevant caveats and explanations on it.

The other, which would be an extension of Oflog—we are not planning it right now—is we could start to have some kind of role in spotting where data is being misdescribed and actively correcting it. Some statistical authorities do reach into that. At the moment, we are not resourcing up for that, but that could be something that we could do in time.

I want to be clear that you can never fully stop misuse of data. One response to that is to say, "Do not put that data out there", but that is a counsel of despair. It is better to put the data out there, with the right health warnings on it, and then correct it when needed.

Q48 Nadia Whittome: What additional data does Oflog need to collect? What do you need to collect to identify serious financial issues in local authorities in advance of those issues happening?

Lord Morse: Let me start off. We do not have a standard checklist. We are looking at a combination of significant measures. They could vary significantly from one council to another. Take soft data. If we find ourselves looking at a council with a suddenly accelerated turnover of senior officials, we would look at that. If, on the other hand, you saw a council with no turnover of senior officials, you might look at that. Another example is if you saw sudden movements in reserves happening.

In each of these cases, you are looking at them in combination and saying, "Does this add up to a pattern that we may have seen before, which might be worthwhile inquiring into?" When you do inquire into it, you may turn up and talk to a council and get the answer, "No. There is a perfectly good explanation for all of this", in which case, we will happily go back to head office and look at something else. I just want to emphasise to you that the fact that we see suggestive points of information does not mean that we are making a judgment. We are making an inquiry on it.

Q49 Nadia Whittome: That makes sense. What I am getting at is what more data you need to be collecting in order to do that more effectively. For example, that might include tax collection rates and methods, levels of arrears, reasons for arrears and that sort of thing.



Lord Morse: I will hand over to Josh in a moment. What I would say about that is this: there is a lot of potential live data out there that could allow us to have a much deeper understanding of what is happening in local government. Jumping ahead a few years, we will be looking at a data landscape that is much richer than the one we have now, which is why, notwithstanding people's fears about unfair use of data, data really is a pathway to helping to improve management in the sector. It is not the only thing, but it is an important thing. We just cannot abandon it because of that.

Josh Goodman: We are not currently planning to collect more data formally from local authorities. That is because we do not want to increase the burden on local authorities. We might create our own datasets in a way that does not add to the burden for local authorities. The example Lord Morse raised of senior staff turnover is a good one. We have some data scientists who think you might be able to just scrape the websites of councils to build a dataset on senior staff fluctuations in a local authority, without any burden on local authorities at all. That is great, because then we have added to the sum of knowledge and we have added to the warning signs without creating an extra burden for local authorities.

It is also worth saying that a lot of the most useful intelligence will not come in the form of quantitative data; it will come in the form of soft intelligence. It is really striking, if you speak to people who worked in local authorities surrounding Woking, Thurrock, Slough and places like that, how many will say, "We all knew for years that there was a problem going on there". Some of that may be 20:20 hindsight but, to the degree that that might be true, the service we want to provide, just quietly collecting in and gathering in the soft intelligence on where there might be problems with a council, is probably one of the more effective tools for trying to spot problems with leadership, governance and culture that could lead to financial problems.

When you speak to the sector about the root causes of the kind of failures that we have seen in the last couple of years, there tends to be a consensus that there is always some underlying problem of leadership, governance or culture. You cannot often see it just in the financial numbers. You hear it through that soft intelligence.

Q50 **Nadia Whittome:** It is good to hear about not placing additional burdens on local authorities. Stakeholders were keen to stress to us in their written evidence that Data Explorer should be looking to use data that is already available. Do you plan on building on or replicating existing data collections? For example, would you be looking to use artificial intelligence?

Josh Goodman: Yes. Some of it is just taking data that is already collected, of which there is a fair amount, and trying to work out from that what is the best predictor. I have analysts at the moment looking at the recent cases of failure and trying to do clever regressions and things



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that show what things in the data would have predicted those. I do not know if that will work, but it is definitely worth trying.

On top of that, as I say, we are going to try to create more relevant datasets that people tell us would be useful. For example, people say that senior staff turnover can be an indicator, so let us try to create a dataset that might help to predict that.

Q51 Nadia Whittome: Have you identified any local authorities that are in danger of serious financial failure by analysing Data Explorer statistics?

Josh Goodman: No, we have not. We are not yet at that stage in developing our early warning system. We are piloting doing an early warning conversation with the council. We are, at the moment, building the desk-based bit of our early warning system, which is trying to identify which councils to have a conversation with. No, it has not yet spat out answers.

Lord Morse: To be clear, we are not using the data dashboard for that purpose. We are doing that as a separate exercise. As we publish data, we are not using that on its own, nor is it designed, to help us identify early warning conversation councils.

Josh Goodman: That is because most people in the sector tell us that the best ways of predicting problems with leadership, governance and culture are not the metrics we have on the Data Explorer. It is more metrics that are not collected at the moment, such as senior staff turnover or soft intelligence, which of course does not appear on the Data Explorer at all. Most wise heads in the sector say that is where we are going to get the best predictors from.

Q52 Nadia Whittome: You said that the early warning system is not yet at that stage. Do you anticipate when it might be at that stage?

Josh Goodman: We have said we hope to do the first real—rather than piloted—early warning conversations in the middle of this year. I hope we will get there. We want to launch them only if we are sure enough that we have identified the right people.

Lord Morse: We have to get it right.

Q53 Nadia Whittome: What do you think some of the problems might be, to getting there?

Josh Goodman: There are risks around developing the system of identifying councils to look at, and also we need to be sure that we are good enough at running an early warning conversation.

On the first of those, we are building it at the moment. I would hope that the soft intelligence itself might be enough and that the private worry lists of CIPFA, LGA, CQC, Ofsted and others will triangulate enough that it points to a couple of councils that everybody is worried about, but I do not know for certain that will happen yet.



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The other potential risk is around whether we are ready to conduct an early warning conversation competently. I hope we will be and we are piloting that at the moment, but that pilot has not finished. We definitely do not want to go off half-cocked. We do not want to do it until we are sure we are going to do it well.

Lord Morse: That makes sense, does it not? Of course I would love it to all be happening a little sooner, but it does make sense to do that. We have to get it right the first time.

Q54 **Nadia Whittome:** Is the problem not that, for an increasing number of local authorities, the cause of financial difficulties is simply that the funding that they are receiving is unable to meet demand? How would Data Explorer help with that?

Lord Morse: The one thing I will say about that is, if we are doing an early warning conversation, we are not going to blame something on another factor if it actually relates to money.

Josh Goodman: If a council thinks it does not have enough money, it should continue to go to the Department and have a conversation with the Department about applications for exceptional financial support. We are not seeking to replace that system and we are not seeking to get involved in that system. We are not going to become a court of appeal if there is a dispute between the council and the Department on that.

As we have tried to make this clear in the corporate plan, we are interested in spotting risks in councils that have not raised the alarm. Where a council has raised the alarm and it has worries about money, that is for the Department to deal with. We are trying to spot councils that either do not realise that there is an issue or are keeping their heads down and not telling anyone that there is an issue.

Q55 **Mrs Elphicke:** I am very interested in this issue of data. I probably should have gone for one of these questions. In my previous life I set up an 18-metric database to look at housing business readiness with my Housing & Finance Institute. It was not straightforward in analysing the performance of every individual council. I completely agree that data is a useful tool to conversations, but I am mindful that, if you were looking to the robustness of data, the sources, then you would want to be drawing it from certain parts of Government resourcing and perhaps not others.

Listening to the conversation so far there are a couple of brief thoughts in my head. The first is that, as a data information stream, this is something that a number of people, including me, can see value in, in terms of bringing together data sources, but why do you need to be a separate body to do this? Is this not just something sensible that Government do to inform?

Aligned to that, ONS is usually going to be your master controller of reliable data, to the extent it can be. A lot of data is fed up from local government, so it is only as good as the source information that you are



inputting. Sometimes, if there are issues over management and so on, there might be questions about the reliability of the information veracity that you have.

As Josh just alluded to, the conversation needs to happen with the people who can actually make a difference to that, and that is the Department. Do you need to be a separate body? Is not this just really about good collection of information, having the right conversations, and then making sure that the people who are able to have those conversations in terms of making the difference, whether it is nudge, intervention or money, are having those conversations? Is the creation of Oflog actually because of failures in how DLUHC works?

Lord Morse: It is a very good challenge. It is very clear to me that the thing the sector asks of us the most is to be demonstrably independent. We were talking earlier about trust; to be in a position to get trust for whatever we bring forward in terms of data or in terms of early warning conversations, we have to be in a position where we can show that we are taking decisions, as far as possible, without fear or favour, and being independent really helps that a lot. It would not all be the same if we were producing it usefully from a Government Department. I really do not think it would.

The other thing that would not be the same would be the interaction between the elements we talked about—the fact that, as you have early warning conversations, you are learning more about what tends to go wrong and what data flows there are as you examine councils or work with councils that may have difficulty. Equally, as you produce data for publication you get a feeling for what is really going to work and what is not going to work against the actual practical problems of the council, and then supporting the council and working with them and trying to help councils improve will inform those other two.

As it happens, it is a very effective combination. We can get focus through doing this. When I thought about whether I wanted to do this job, I looked at the concept and I believe it is doable, and very successfully doable. That is why I am here.

Josh Goodman: Can I just build on the “Why us?” and why Oflog needs to do it?

Q56 **Mrs Elphicke:** That was not what I was asking. What I was asking is about the fact that there is a need for Oflog reflecting the fact that there are failures in the Department. There is an argument about independence of information, but that is answered in other ways across Government. Data is dealt with as an independence issue. There is data collection and dashboards. We have planning dashboards. This is not a new concept within Government.

Josh Goodman: Something really striking to me has been talking to seasoned and senior council leaders and chief executives. We have described these plans, and they have said, “Oh, yes. On soft intelligence,



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we would tell you things, and we would tell you things we might not tell the Department". I have said, "That is surprising. Why would you not tell the Department?"

Q57 **Mrs Elphicke:** That does surprise me, Josh, because when the Department gave evidence it said, "How we find out the councils are in trouble is because they talk to us". That is what it said.

Josh Goodman: That is true.

Q58 **Mrs Elphicke:** Is it not better that the councils talk to the people who actually have legal responsibility for helping them achieve their objectives?

Lord Morse: The problem with talking in that way is that you are talking very late in the day. Frankly, when most of these conversations are taking place the die is cast. It is just a question of how long it is going to take for them to go into special measures of some kind. We are trying to get to councils where there is a realistic possibility of steering away from trouble. That is the area we are focused on.

Josh Goodman: To be clear, lots of councils do give soft intelligence directly to the Department, and that is good. I am not endorsing the councils who have said to us, "We would not tell Government but we would tell you"; I am observing that they say that. That indicates that there is some added value to having Oflog at some degree of arm's length from Government, or perceived to be, which then allows more soft intelligence to be gathered. That is what councils have told us.

Q59 **Mary Robinson:** I am very aware that there are going to be questions on early warning conversations. On soft intelligence, I am wondering what that will look like, because it sounds to me like a scenario where somebody could be in a local authority, the figures could be out there, the metrics could be published and they will say to you, "However, we actually know that this has been inflated, or that there is a problem with this", or there could be a suggestion of fraud within the Department. That sounds like soft intelligence that could be coming your way.

From a whistleblowing point of view, that person making a protected disclosure would expect to be protected. You are not a regulatory body. As far as I can see, you are not a prescribed body. How would you see yourself in respect of those bits of soft intelligence that might come your way that stray into whistleblowing and would need to be treated in a different way?

Lord Morse: I am answering this because I have actually done quite a lot of work with whistleblowing in the past. Notwithstanding that we are not a designated body, I think you would find we have legal obligations under the whistleblowing legislation. If somebody makes a statement to us that comes within the definition of whistleblowing, they are entitled to expect us to discharge our duties in a way that does not put them in trouble.



That is where we are, but you also said this to us when we had a preliminary meeting and we took it very much on board. We recognise that we need to think about how we protect people who make revelations to us of that sort. It has to be a part of our forward plans. I just want to say that we were listening very closely to you the first time.

Q60 **Mary Robinson:** Of course, part of that will be putting in place a whistleblowing process and ensuring that you can give all the protections that are needed to any person who gives you that soft intelligence, and does not want to lose their job because they have disclosed to you.

Lord Morse: I have every sympathy with that.

Q61 **Andrew Lewer:** We have touched upon this a bit already, but I just wonder if you can, for the record, just make it as clear as you can what you are hoping to achieve from early warning conversations and how it actually differs from the LGA's corporate peer challenge.

Josh Goodman: What we are hoping to achieve is to spot risks of emerging problems of leadership, governance or culture in a council at an earlier stage than is currently happening. That is what we are trying to do. How might we add value to the existing corporate peer challenge system from the LGA? As I said earlier, there are a couple of limits on what the LGA CPC system can achieve. By the way, the CPC system was not established in order to spot every possible risk. In the case of the failures that we have seen over the last couple of years, it definitely did not spot every possible risk.

Q62 **Andrew Lewer:** Can you spot every possible risk?

Josh Goodman: There is no way we can guarantee we will spot every possible risk. Our goal is to try to spot more risks. It is to try to spot some cases that the CPC system might miss. There are two advantages we have over the CPC system. One is that we have a little bit more heft to approach a council and say we are worried, and if the council does not want to do an early warning conversation with us, they know that we will go directly to the Department's stewardship team. The Department's stewardship team carries the heavy stick of the best value regime.

The other is that, when we employ a review team we hope to avoid the problem that people talk about with the peer review system, in terms of the "peerness" of the system meaning that sometimes the reports are a bit too gentle or do not quite hit the point.

Q63 **Andrew Lewer:** You talked about the framework, which is statutory, where the Department can step in. We talked about the LGA, where it is the softest of soft intelligences, because you are talking to fellow leaders, or fellow leaders and others are not talking to you, which is, as we have already touched upon, more of a signal in some cases that some things are not right.

You just seem to be in this very tiny sliver between the two. I am just



wondering, in a time of straitened resources when there is a lot going on and a lot for local authorities to try to cope with, why we are generating another body to cover that little gap, when either the best value framework could move that way a bit or corporate peer challenge could move that way a bit. Why does it take something that is standalone?

Lord Morse: I honestly do not think it is a little bit. There is a significant difference. I do not want to bore you by repeating what we have said, but there is a significant difference. For us to be effective, if we stop one or two councils a year getting into difficulty, that will be a substantial return. Generally speaking, when bodies get into difficulty there is a great deal of cost attendant on it, not only for the bodies themselves but for Government as well. It is not a small price. We are setting up a small body to pursue what is really quite a big benefit. Josh has the numbers on this. You can shock us by telling us what the numbers are.

Josh Goodman: What I would add to that is the costs of failure fall most heavily on citizens. If you look at the well-known cases of the last couple of years, you have citizens either suffering cuts to services and/or increases to council tax. If we can stop even a few of those happening, then the significant value to citizens is great.

On the question about why we do not just extend the best value regime, there is a really interesting policy question about the right balance to have between the regime that has heavy powers and the lighter-touch, upstream Oflog regime, because they induce different behaviours from players. As I was saying earlier, I am not saying it is right, but councils have said to us, "We would be quite careful about what intelligence to share with the Department, because we know that triggers heavy best value regime action. We would be more open with you". We are trying to get the right balance between the two regimes, and hope they complement each other.

Q64 **Andrew Lewer:** Why would they be more open with you, an offshoot of Government, than they would with another offshoot of Government, in contrast to being prepared to talk to colleagues and peers at the LGA who are actually on their side and want to help?

Josh Goodman: We would hope they would speak to the LGA as well.

Q65 **Andrew Lewer:** Just like the LGA cannot compel a local authority to take a corporate peer review with it, you cannot compel a local authority to take on your early warning conversation.

Josh Goodman: That is right.

Q66 **Andrew Lewer:** When those recommendations emerge, would they be available to the public? Would people be able to see what an early warning conversation contained?

Josh Goodman: Our plan is for a report for early warning conversations to be public.



Q67 Andrew Lewer: Local councillors who express some concerns would be able to see the result of their making an inquiry. In order to produce information that you could rely upon, how would that not be a cost to the local authority that you were having that conversation with, to produce the information that you needed at a sufficiently robust level?

Josh Goodman: For a local authority the process of going through an early warning conversation will definitely involve a bit of resource and time, in the same way as for a local authority going through a corporate peer challenge, an inspection from Ofsted or an inspection from CQC. Any of these things involves a bit of resource and time.

We will conduct these things in a way that minimises unnecessary calls on their resource and time, but we think it is worth it if, in enough cases, it turns up an emerging Woking or a Thurrock. As Lord Morse says, if we can prevent even one or two of these things happening, given the huge impact that has on the citizens in the local area, plus the cost to Government, we think that is worth it.

Q68 Andrew Lewer: Would the lack of corporate peer challenge take-up from an authority that had not taken up any corporate peer challenges from the LGA or turned them down constitute a significant soft intelligence factor for you to have an early warning conversation?

Josh Goodman: Yes, and on our emerging dashboard that we were discussing earlier, the emerging desk-based system, it is a clear early warning sign if you have had a CPC and it is has turned up concerns. It is also a clear early warning sign if you have not had a CPC for a very long time.

Q69 Ian Byrne: Josh, I am glad of what you just said there about the cost to the citizen. In Liverpool at the moment we have commissioners in. We have had them in for a number of years, with the cost and also the consequences of some of the findings and the actions that follow. We have seen that across the board now, across the country; certain councils are potentially going to have to sell off services and buildings and assets, which, again, will impinge on the citizen.

Would you class yourselves as a failure if you end up in a situation like Birmingham and Liverpool? Is this what you are supposed to be doing, heading off the cost of commissioners? In a nutshell, is this what you want to do?

Josh Goodman: Yes. I do not think anybody thinks it is a success if you end up having commissioners in. What we are trying to do, through everything, through "inform", "warn" and "support", is to help councils not get into that situation.

Q70 Ian Byrne: Will we get another Birmingham, Liverpool or Cheshire East, over the weekend, potentially? How long are you going to judge yourselves in terms of whether it has been a success?



Lord Morse: Let us wriggle off a bit. It is too early to say that. I am quite sure you will have us back to challenge us on the actual results, but, to be fair, we are at the stage where we are devising the approach. It is a bit tough to say, "You must tell us—"

Q71 **Ian Byrne:** I am glad you said that, because that leads me into my first question. Give us an idea of what an early warning conversation would sound like. How are you going to decide which local authorities warrant those conversations?

Josh Goodman: It is all being developed. We are piloting it at the moment. I want to be really open: we are shaping this as we go, and this might change, but the current thinking is that we will have a review team for the early warning conversation composed of experts from the sector, so a recent or serving chief executive, a recent or serving political leader, a recent or serving section 151 or finance officer, all from different councils. A bunch of experts who know what they are talking about will go in and do the review. The precise shape is yet to be determined, but there will probably be a series of gateways, probably a one-day conversation or a one-day visit to establish whether we then need to proceed to a five-day visit. If we proceed to a full five-day visit, at the end of that there will be a report.

Q72 **Ian Byrne:** How are we going to ensure that that has teeth? As Andrew pointed out, there is no statutory obligation for them to listen. How are you going to ensure that it is not just cast aside? How are we going to make sure that all the effort, time and the expense you put in to setting up this new body is going to actually do what we want it to do?

Josh Goodman: There are two things. First, there is a lot of impact just from publishing the report itself, we expect. Secondly, we might have Oflog following up with the council on how it has responded to the report, although we are still working out exactly how to do that.

I would not underestimate the first of those, though. Simply publishing the report should immediately come to the attention of local scrutiny such as local councillors, local media and local civil society groups. It also will not escape the attention of the Department's best value stewardship team, who might decide, "The risks here look serious enough that we are going to move this council into the best value regime", or they might not.

Secondly, as I say, we are considering whether to follow up with an individual council to check whether it is implementing or following up our recommendations. I suspect we will end up tailoring that to the individual council, depending on how bad the risks look.

Lord Morse: I will just add one thing. Whatever is being proposed by the council, there has to be a timescale on it and they have to adhere to the timescale. We are not going off into the middle distance on this. I have actually published an awful lot of reports in my life, so if I sound a bit hard-nosed about it, I am sorry; I am a professional. You cannot give



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way on that. You have to make sure that you spend the time necessary to agree the issues, the action plan is put forward by the council and they commit to a timescale to implement it. I am quite sure that, if it is not us, they will be hearing from someone in Government if they do not carry it out.

Q73 Ian Byrne: Do we have a shortlist of local authorities that we would like to have a conversation with at the moment? Have we gone that far?

Josh Goodman: No. As I was saying earlier, we have not got to that stage yet.

Q74 Ian Byrne: You touched on the pilot before. Are we still on course, time-wise, to conduct that first early warning conversation?

Josh Goodman: The pilot is under way. We are yet to decide whether to do a second pilot, which will depend on how confident we feel after the first pilot. Yes, we are hoping to launch the first real early warning conversation.

Q75 Ian Byrne: Time is of the essence at the moment, because we are seeing lots fall into it. You really need to get a move on with the early warning conversations.

Lord Morse: There is definitely time pressure. We are conscious of it. I worked that out almost on day one when I arrived in the job. We realise it is important to get something done.

Josh Goodman: We need to balance that with getting it right the first time, because if we go in and do that first conversation and get it wrong, or do it unprofessionally, you will rightly be asking us a bunch of tough questions about why we messed it up.

Lord Morse: He is the guy who has actually got to deliver it, you understand.

Josh Goodman: Whereas he just tells me to do it faster.

Q76 Bob Blackman: You have told us a lot about what you are not going to do, and some of the things you are going to do. The most important question we are looking at now is how independent are you going to be of the Department itself? Will you be independent or will you be under the instruction of the Ministers?

Lord Morse: I know the draft business plan has been sent round, and so has the letter from the Minister. I was enormously encouraged by it, if I am honest with you. If you can bear me just quoting a little bit from it, it said, "Once I have agreed your final corporate plan for 2024 to 2027, Oflog will be free to deliver the plan as it sees fit". Earlier on, it said, "I want you to act with a spirit of independence" and that, "We committed in the levelling-up White Paper that the new body, now named Oflog, will be independent".



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Everywhere in what we have received from Mr Gove—what you received from Mr Gove, to be accurate about it—is the idea that we should be independent. I have seen nothing since I joined that contradicts that. They want us to be an independent body. There is nothing wrong with progressing quickly towards that.

Q77 **Bob Blackman:** What happens if the Minister says, “I want you to go and have a look at council X or council Y?” What happens then?

Lord Morse: Anyone can raise issues about a particular council to us. Any body or person can do that. We will look at that information and weigh it up, and we will make a decision based on the merits of all of the information and what other councils we think we need to be looking at. There would be nothing special about a Minister saying that. They are allowed to do it, but would absolutely not just have to act on what the Minister says.

Q78 **Bob Blackman:** If an MP says they would like you to have a look at council A or council B because of—

Lord Morse: We would ask you for what evidence you could help us with, just as we would with anyone else. It is quite likely that MPs will be interested in these things.

Q79 **Bob Blackman:** That is what is likely to happen in our email inboxes as a result, but that is another matter. If a citizen of a borough or a council says, “I am really worried about this”, and then relays this to you, often it is very hard for citizens to get the data and the information, but there may be a concern about what is going on. How do you deal with that?

Lord Morse: If it is a citizen, you might need to work harder to support them. Quite often in the past I have found citizens having their hand held by the local MP when they want to bring an issue into public. By whatever means, if we find a citizen saying to us, “We have a concern and I would like you to take this up”, we need to be willing to do that and we need to be supportive of it.

It may be that, at the end of the day—I have seen this a lot with people with whistleblowing—the issue does not carry all the way through; you look at it again and you find it does not add up to quite what the person thought it did. You have to deal with that very diplomatically as well. Citizens are able to have concerns and raise them with us. We will do our best to deal with them properly, and to test whether there is something substantial in there that we can actually investigate or not.

Q80 **Bob Blackman:** Coming back to the independence issue, do you see yourselves being an arm’s-length body from the Department and therefore able to act completely independently, if you so choose, without any ministerial interference, if a Minister came to you and said, “I do not want you to look at that; I want you to look at someone else”?



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Lord Morse: When I was asked to do this job, it was mentioned in the letter of instruction from the Minister that he hired me on the basis that I would provide an independent focus in this. I know what I mean by that. If it was not upheld, I would have to leave, to be quite blunt with you. Having been recruited to support independence, I will support it, but the independence is not infinite. For example, on a dataset, Ministers are entitled to say, "Are we comfortable with that?"

Josh Goodman: Yes. As you will have seen, the remit letter from the Secretary of State says that, once the corporate plan is agreed, which I hope will be some point in the coming weeks when we finish consulting, Oflog will then be free to deliver the corporate plan as it sees fit, with the explicit exception that, on the choice of metrics, Ministers will need to countersign the recommendations that they get from Oflog.

If the spirit of the question is, "What guarantees that Ministers will actually respect the degree of independence promised in the remit letter?", at the moment the safeguard against that is having an independent chair and his integrity.

Lord Morse: If you are arm's length, of course, you are not just relying on me; you are relying on a much more embedded structure, and I would be very happy to see us in that position.

Bob Blackman: That is very helpful.

Q81 **Chair:** When you are investigating a situation in an individual council and having conversations with them, you identify a problem that you believe is caused by a result of a Government decision or a Government policy. Are you entitled to criticise that in your findings?

Lord Morse: Since I am Mr Tactless, I will answer that. Our job is to look at the problems and the sustainability of the council, not to go into saying what I think about the Government policy. Just to complement that to what I said earlier, clearly what we are not going to do is to attribute money problems to some other reason. If a council is in difficulty because it does not have enough funding, we are not going to write a report saying it is all of these other things. We will have integrity about that.

Q82 **Chair:** It might be that Government have made a policy change that has put a burden on a council that is not then properly reflected in new burdens.

Josh Goodman: When we actually do a report from an early warning conversation, it will try to say two things. First, what are the risks to the sustainability and success of the council? Secondly, what do we recommend the council does about those things?

On the first of those, what are the risks? It is possible that, in outlining the risks, we will say where those risks arise, which could be from all sorts of external factors, including Government policy. The primary point of pointing out the risks to the council is just to observe, "This council is



at risk of its governance not being strong enough because of X, or its finances not being strong enough because of Y”.

For part 2, we make a set of recommendations about what the councils should do about it. Neither of those is explicitly about critiquing Government policy, because it is set out explicitly in our remit letter that we ought not to do that.

Q83 Chair: That comes back to the issue of independence. You can criticise councils and how they are managing the resource they are given, but you cannot criticise Government for the way they are asking councils to act, creating new burdens for them that are not properly resourced.

Lord Morse: Let me be clear. There is a difference between quantifying what a new burden is and showing that that is a cause of a problem and getting on to a soapbox and saying, “I do not agree with this”.

Let me take an example. You get a new burden imposed on you that is not in your original budget. We are not going to turn around and criticise you for getting that wrong. If there is a new burden being imposed on you, we will be explicit about the fact that that burden is there, but that is different from being drawn into critiquing the policy.

Josh Goodman: It is possible that one of the recommendations we might make is, “You should talk to the Department about exceptional financial support”.

Q84 Chair: When we looked at the financial issues in local government recently, one of the challenges is the education, health and care plans and the pressure that is putting on councils, which probably was not totally foreseen back in the 2014 legislation. It has clearly now been identified as a particular problem. If that was causing such difficulty for a local authority that it literally did not have the resources to continue and balance its budget, would you be prepared to identify that as an issue?

Josh Goodman: Yes. First, we will not come across most councils who are facing serious financial pressure, because most councils facing serious financial pressure will raise the alarm themselves, go to the Department and start the conversation about exceptional financial support, in which case we will not get involved. We are getting involved with councils—or we plan to get involved with councils—who have not raised the alarm, either because they know there are serious financial problems going on but they do not want to admit it, or because they have not realised it.

In those two cases I strongly suspect our report would be primarily saying, “You have not realised you have this financial problem, and/or you have realised it but you have not broadcast it and you are not taking the right steps”. Those are the main recommendations of the report, rather than getting into critiquing the Government policy that may or may not have put the council there in the first place.

Q85 Chair: Are you concerned that what you have explained to us might be



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seen by many councils as, "You are on the Government's side, not ours?"

Josh Goodman: Why?

Q86 **Chair:** You are prepared to go in and criticise councils where you think they are not behaving properly with the resources and situation they have, but in the end you are not prepared to criticise Government for setting up the situation where councils are struggling.

Lord Morse: To be quite honest, we do not want to be on either side of it. That is why we are trying to be independent. I know it may sound a bit flippant, but I really mean it. We are trying to be in a position where we do not get dragged in one direction or the other. We actually record what is going on as clearly and honestly as possible, without getting drawn into partisanship.

Q87 **Tom Hunt:** On this point, I take the point in terms of the early warning conversation reports and whether you would or would not raise concerns about Government, but once you have done a large number of these reports and you have acquired even more expertise than you have now, you are really up close and personal with the issues affecting local government. I imagine you will begin to see some patterns and some themes impacting different councils, and a lot of that will probably come back to central Government, financial support and the way that councils are structured.

In terms of your role in terms of the reports, surely if you were seeing all these patterns and themes you would want to communicate these things back to Government, and that might involve saying to Government, "Look, you are not providing enough support to local councils. It is not working. The system is not working". Would you be looking to do that privately or publicly?

Lord Morse: What you are pointing at is an area that we are thinking about, which is doing more wide-reaching reports, sectoral reports, that are talking about effects in the sector. It is entirely likely that we will do that in the future. It is not necessarily where we are going to be saying, "You are wrong. You are this; you are that", because we do not know what those factors will be, but as we begin to see patterns, it would be a mistake not to make use of it and share it.

Q88 **Chair:** A bit like the Audit Commission used to do.

Lord Morse: I think you will find there would be quite a substantial difference in cost and size.

Chair: I could not resist that.

Josh Goodman: Just to add for clarification, because it is helpful, in our minds there are not going to be that many early warning conversations every year. We are anticipating doing maybe four to six over the next year, and, in steady state, still single figures. It is a small warning layer on top of the LGA doing regular CPCs.



Q89 **Chair:** When is the first early warning report likely to be produced?

Josh Goodman: As I said earlier, we are hoping to do them in the middle of 2024, but only if we feel we are ready and that we have found the right councils to do it with. We will not do that many of them, and I do not think they will be representative of all councils. They will be the few cases where we think there is a council that might be in trouble but is not raising the alarm itself.

There will be all sorts of other councils that are raising the alarm themselves; a number of councils are doing that already at the moment. There will be all sorts of other councils that do not have trouble and are not heading towards it. Might we start to spot patterns between the ones we do early warning conversations with? Yes, but it is going to be a small and relatively unrepresentative sample of the sector.

Q90 **Tom Hunt:** You are going to be selecting the authorities you are going to be having these early warning conversations with, and it is going to be on the back of soft intelligence, etc. With the LGA you do these voluntary peer-to-peer challenges where they invite them in. If you are a local authority and you thought, "I saw one of these early warning conversations happen with another council nearby and it actually worked out quite well for them; they have improved and it was quite helpful. I might not think that as a local authority we are really in a bad place, but it might be quite helpful if they come in", could you initiate the process yourself, even if you are not in that bad a place?

Josh Goodman: You absolutely could ask us. It does not put you to the top of the queue, though, because we will prioritise those we are most worried about.

Q91 **Mary Robinson:** I do not want to stress the theme of the Audit Commission too much, but we have had a look at what happened in Croydon and other authorities and the role of auditors when they actually do point out that there is a problem but the local authority does not do anything about it. Would an adverse audit opinion automatically trigger an investigation from Oflog?

Lord Morse: It would not necessarily trigger it, but it would certainly be significant. By the way, I completely recognise what you say, because when I was at the NAO we did a report. I was absolutely shocked to see how many qualified opinions there had been in local government that the council basically did not appear to react terribly strongly to. I come from a world where qualified audit opinions tend to involve people getting their P60 in the finance team, so I am a bit surprised by that. That is a challenge that needs to be addressed.

Q92 **Chair:** It is a great job you have there, Amyas, as chair of Oflog.

Lord Morse: I think so too.

Q93 **Chair:** You do not want it permanently. Why have you turned down the



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opportunity to do it permanently?

Lord Morse: I have not turned down anything. I have not been asked the question yet.

Q94 **Chair:** The indication to us was that you did not want to do it permanently.

Lord Morse: No, I am not saying that.

Q95 **Chair:** That is different information. You might be interested in doing it.

Lord Morse: Yes.

Q96 **Chair:** The second question, then, may be even more pertinent. The chair of the Office for Budget Responsibility is appointed by a parliamentary committee. Would it not give Oflog the same degree of independence as the Office for Budget Responsibility if the chair of Oflog was appointed by a parliamentary committee as well?

Lord Morse: Thank you for the question, Chair. As you know, it is a matter for the Department, not for us.

Q97 **Chair:** Do you not see that independence might be enhanced by at least some independent observation of the appointment process, and maybe the scrutiny that is given by select committees on a confirmation hearing?

Lord Morse: I was wondering about this question. I wrote down, "It is more than my job's worth". That is my answer, in fact.

Q98 **Chair:** You are too good a politician to answer it up front. Finally, you have 60 staff at present. Ofsted has 2,000 staff. Can you really do the amount of work that is necessary with the staff you have?

Josh Goodman: I cannot say for certain, because we are guessing and working it out as we go along. The current plans are to recruit to slightly north of 100 over the next few months. We think that is enough to do the "inform" and the "warn", and then to scope the "support", but to do some of that "support" stuff really heavily and in earnest would take more.

Also, as we build some of those functions we might find we need fewer, because we have guessed how many people we are going to need to, for example, run an early warning conversation.

Q99 **Chair:** The key measure of your success is how many authorities do not get into section 114 difficulties. That is an impossible measure, is it not, because you will never know?

Josh Goodman: It is absolutely true that you can never prove the counterfactual. What we will be able to show is how many early warning conversation reports we have done on councils that flag some serious risks that nobody else has spotted. That will be serious evidence of value added.



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Chair: On behalf of the Committee, thank you both very much. You have come and answered a lot of questions today. I hope we are a little wiser now about what Oflog is, what it is going to do and what it already has done. I am sure we will be coming back and having further conversations with you in the future. You have indicated you might come back when you are up and running and have something to show us in terms of output, so that we can have further conversations with you. Thank you very much for coming today and answering our questions.