



Department for Levelling Up,
Housing & Communities



Office for Local Government

Simon Hoare MP

Minister for Local Government

Lord Morse

Chair (Interim), Office for Local Government

**Department for Levelling Up, Housing and
Communities**

2 Marsham Street

London

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Clive Betts MP
House of Commons
London
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19th

December 2023

Dear Clive,

Thank you for your letter to the Secretary of State on 24 November 2023 concerning the Office for Local Government (Oflog) and your committee's inquiry. We are replying on behalf of the Secretary of State as the Minister responsible for Oflog, and its interim Chair.

We have great respect for the work of your committee, and we welcome the opportunity to answer your questions.

What are Oflog's main priorities and what problems is it seeking to solve?

Since 2010, the Government has taken a localist approach to monitoring and managing local government performance, with a focus on a system of sector-led improvement. We remain committed to an approach centred on localism and sector-led improvement, however it has become clear that the sector-led system needs some strengthening, in three respects. First, we have seen several high-profile local authority failures, with significant implications for both local citizens and public money. Second, local authorities have told us that they do not spend enough time learning from each other, or from data. Third, it is clear that it is too difficult for local citizens and civil society to know how their local authority is performing relative to others.

Oflog's aims are therefore in three domains: inform, warn, and support.

- **Inform.** Oflog will enable citizens, local government, central government, and civil society to be better informed about the performance of local authorities. Oflog's initial action on this front is the [Local Authority Data Explorer](#). This will help:
 - citizens and civil society to hold their local authority to account;
 - local authorities to identify where and how they might need to improve;
 - central government to understand which local authorities might need more support.
- **Warn.** Oflog will seek to spot potential failure before it becomes inevitable, which in turn will help avoid or reduce the significant financial and service implications of failure on local citizens and the taxpayer. This will involve both a new desk-based early warning system (using quantitative data and soft intelligence) to spot potential risks of failure, and

subsequent 'early warning conversations' with councils and combined authorities identified as at risk. The output from these conversations will include a report setting out the evidence, conclusions, and recommendations for the council. Oflog will not spot every potential failure but should help reduce the number of serious failures we see. Alongside setting up its own early warning system, Oflog will work with Government and the LGA to shape the overall ecosystem of warning mechanisms (including those led by Government and the LGA) to be as effective as possible.

- **Support.** Oflog will, over time, identify, celebrate, and propagate good practice by local authorities, and provide expert support to help them use data to improve performance.

What degree of independence does the Office for Local Government have from the Department for Levelling Up, Housing and Communities? Please set out this response in detail with examples, if necessary.

The Secretary of State has been clear that it is important for Oflog to be able to act independent of central government, not least so it can carry credibility with the sector. It is for this reason that Ministers appointed an independent Chair at an early stage of its development to provide independent advice, support, and challenge to its strategic vision, functions, and delivery priorities. The Chair has built a reputation for independent and constructive critique of Government, driving improvement and performance during his time leading the National Audit Office, and it is through this lens he approaches building Oflog and offers guidance on how it undertakes its work.

To help establish Oflog rapidly it has been set up *initially* as an office of DLUHC, which means Ministers retain accountability for the organisation. The Secretary of State has been clear that he wants Oflog to act independently, as soon as possible. Over time, the Department's aim is for Ministers to set the objectives for Oflog through an annual remit letter and then for Oflog to deliver those objectives however they see fit. The intention is that Oflog will be free to decide independently how data is presented and interpreted, and any views reached about local areas.

How will Oflog contribute to the work of the Spatial Data Unit (if at all); or how will the Spatial Data Unit support Oflog?

Oflog and the Spatial Data Unit (SDU) have different areas of focus but work closely together to ensure work is complementary. The purpose of Oflog is to help the improvement of local government performance as set out in answer to your first question, while the SDU was set up to help maximise the impact and value of spatial data across DLUHC and the Government.

SDU works to improve subnational data and statistics to promote the understanding of social and economic features of places and patterns of public spend, improving the knowledge of local areas and the context in which local government operates. This includes working in partnership with ONS to improve the granularity of existing data sets, making new data available, and supporting public interactive tools to inform place-based decisions. The SDU and ONS partnership also delivers the ONS Local service which provides local leaders with tailored analytical services, with dedicated analysts based across the UK.

The close working at official level helps reduce risk of duplication. The work of SDU and ONS helps Oflog understand what data is available at different levels, and it will help Oflog to develop both the warn and support functions set out above.

Oflog, SDU and ONS will work closely to ensure that any lessons on improving data capability are shared with each other, and more importantly are shared with local authorities.

Will Oflog support the Government's Levelling Up policy and if so, how?

In order to level up and tackle the regional and local inequalities across the country, we need a resilient, efficient; and effective local government sector. Oflog will help to ensure a strong local government sector by taking the actions described above.

Devolution is a key tenet of Government's Levelling Up commitment. Oflog will play a role in supporting devolution by enabling transparency and fostering informed accountability. By selecting carefully and publishing metrics that are most relevant to areas with devolution deals, it will help Government assess the performance of combined authorities.

How does Oflog intend to select data and how will these data sets be used to develop outcomes and measures?

Oflog seeks to engage collaboratively with local authorities on themes and metrics for inclusion in the Data Explorer. Oflog advises DLUHC Ministers on which themes to prioritise, and then engages with the relevant Government Department to understand what data is available. Oflog will then put together a set of draft metrics on which it then engages with local authorities. After engagement with local authorities, Oflog takes account of feedback received and secures approval of DLUHC and other policy owning Government Department Ministers before finalising the metrics for inclusion in the Data Explorer.

Throughout this process, Oflog is mindful of limiting the creation of new burdens for local authorities. In selecting areas for inclusion in the Data Explorer, it will presently only use existing data that is already published England-wide, rather than requiring new data collections.

At launch, Oflog included four local authority service areas in the Local Authority Data Explorer – adult skills, adult social care, finance, and waste management. Since then, Oflog has written to all local authorities (Annex A) setting out how it intends to expand the number of metrics in the Data Explorer to ensure it covers the breadth of roles and responsibilities of local authorities. Following the publication of that letter, Oflog has been engaging with local authorities on suitable metrics on the themes of business and economic growth, planning and, roads, and iterations to existing themes. This includes expanding the finance theme to cover corporate and finance metrics and including metrics on fly-tipping in the waste management theme. This period of engagement with local authorities concluded in late November, and Oflog is now considering the feedback received.

At present, metrics included in the Data Explorer are a combination of outputs, outcomes and selected contextual information. Oflog recognises that presenting data on outcomes is important, and over time intends to increase the emphasis on outcomes on the Data Explorer, along with relevant context.

Oflog will keep under review the areas and metrics published on the Data Explorer. To this end, Oflog will continually evaluate whether to update metrics and data on the site – for example, following the publication of a new dataset.

Will Oflog make it easier to identify financial problems for councils in advance and if so, how?

Oflog's Local Authority Data Explorer will increase financial transparency in the sector. It will make it easier for the public to understand their local authority's financial context by presenting information about authorities' finances alongside information on service delivery. It will also make it easier for councils and combined authorities themselves to identify where there might be room for improvement and will help them identify which other councils and combined authorities they might want to learn from.

Oflog is also developing an early warning system made up of two integrated parts:

- a new internal desk-based early warning system (using qualitative and quantitative data along with soft intelligence) to identify councils and combined authorities potentially at risk of developing serious problems of leadership, governance, or culture;
- a set of 'early warning conversations' with some councils and combined authorities identified as potentially at-risk, to establish the type and degree of risk, and make recommendations for improvement. Oflog plans for the first of these conversations to take place in mid-2024.

As part of this work, we also anticipate that Oflog will publish a report setting out the evidence, conclusions, and recommendations for the council or combined authority.

Oflog also intends, over time, to help local authorities to identify and share good practice. That is likely to include good practice in financial management and governance.

This system will make it easier for central government to identify authorities who have not flagged to central government that they have financial problems, but nevertheless have, or are at risk of developing, such problems. For councils and combined authorities that consider themselves to have financial problems, Oflog should not be the first port of call: they should continue to contact DLUHC to discuss their options.

Oflog will not be making any judgement about the necessity of formal intervention. That role remains with DLUHC through the existing Best Value framework.

How will Oflog improve central Government's understanding of local areas and the challenges communities face?

At this early stage of its development, Oflog is focused on the performance of local government rather than providing a full overview of a local area, such as the provision of other public services not delivered by local authorities. As set out above, that is different to the role provided by the Spatial Data Unit and ONS. Once complete, the Data Explorer will make it easier for central government to get a simple overview of key data that will help it ask informed questions about whether, and in what respects, a local authority may need to improve. Similarly, Oflog's early

warning system will enhance central government's understanding of the issues facing local areas by identifying councils and combined authorities potentially at risk of serious failure.

What can Oflog contribute to local government that is not already being done by bodies such as the Local Government Association?

Both Oflog and the Department are supportive of the overall work on sector improvement done by the LGA, CIPFA, and others. The Department funds directly some of these programmes (such as the LGA's sector support programme) and works closely with the sector on developing new initiatives. Oflog will work closely with inspectorates, regulators, agencies, and other bodies relevant to local government. Oflog does not want to add further unnecessary complexity. It is committed to collaboration with these organisations where appropriate to ensure its work complements and enhances theirs.

Within local government, there are of course existing data products (such as LG Inform) and existing support mechanisms (such as the LGA's Corporate Peer Challenges (CPCs)).

While LG Inform is a powerful repository of information available at a local government level, particularly for the expert user, with more than 17,000 metrics available, Oflog's Data Explorer provides a different and complementary offer. The three main advantages of the Data Explorer for a non-expert user are curation of metrics, comparability, and accessibility.

In terms of the curation of metrics, Oflog is including only the best available metrics to assess local authority performance in service areas. Over time, we expect the total number of metrics in the Data Explorer not to exceed the low hundreds. Oflog will continue to revisit the published metrics to ensure they are the best available.

Comparability is built into the Data Explorer by default. The Data Explorer allows the non-expert user to compare a local authority with similar local authorities (in terms of physical and demographic characteristics), using CIPFA nearest neighbours as a default and presenting data across the same time periods. If users wish, the Data Explorer also provides the ability for wider comparisons (outside of CIPFA nearest neighbours) between local authorities.

The Data Explorer is freely available, with all users being presented with the same information, and not requiring a user to register. In contrast, parts of LG Inform and LG Inform Plus are only available to local authorities or require a subscription. Additionally, for some users the Data Explorer will be more user-friendly (such as for those with dyspraxia, those with colour vision deficiency, and those who use a screen reader).

Oflog intends to continually update and improve the Data Explorer, ensuring it meets the needs of the non-expert user.

The LGA's CPC programme plays a valuable role. However, as can be seen in some of the prominent recent council failures, the CPC system does not prevent all serious failures. Nor was it designed to do so. Oflog's EWCs are intended to be complementary to and not duplicative of CPCs in several respects. First, CPCs are for all local authorities who are members of the LGA, whereas EWCs will be only for councils and combined authorities identified as potentially at risk of serious failure. Second, CPCs are voluntary, and the council has scope to choose the timing

and scope of the review, and who is selected as their reviewers. This will not be the case with Oflog's EWCs. Third, a CPC has a broad scope, looking at potential for improvement throughout the council. By contrast, an EWC will have a narrower scope focused on identifying whether the LA is at risk of serious failures of leadership, governance, or culture. Fourth, an EWC will, unlike a CPC, start with hypotheses and lines of enquiry about potential risks drawn from the desk-based warning system. Finally, many sector leaders also tell us that the robustness of a CPC's public recommendations can be constrained by the fact that the CPC is conducted by peers providing voluntary advice. An EWC's robustness will not be similarly limited.

We previously wrote to you, on different occasions, about holding pre-appointment hearings including the pre-appointment hearing for the Chair of Oflog. We have not yet received a satisfactory response to our letters. Please can you confirm (i) when you plan to recruit for a permanent Chair of Oflog; and that (ii) we will be invited to hold a pre-appointment hearing with the Government's preferred candidate for this role?

Lord Morse has been Oflog's interim Chair since 25 January 2023. His appointment expires on 25 July 2024 and in anticipation of this, the Department will be launching a recruitment campaign for a permanent Chair in January. As part of our preparations for the appointment, the Department will consider whether the role meets the criteria for pre-appointment scrutiny and, if so, will write to your committee seeking a hearing date.

We understand that Oflog has already set out the metrics it will begin to focus on during its initial stage of work. Please can you therefore provide us with information on Oflog's intended outputs especially those that are not currently included on the Department's website or otherwise publicly available.

Local Authority Data Explorer

As set out in Josh Goodman's recent letter to local authority CEXs (Annex A), Oflog will continue to add new metrics to the Data Explorer and add new 'functionality' to present the data in further interesting ways. Both the Department and Oflog are clear that data alone is rarely enough to make judgements about performance and will do more to make that clear to all users of the Data Explorer through contextual information. Other improvements will include the addition of charts to show changes over time, which will help users understand trends. Additional functionality to improve the place level interactivity of data is also being developed, which will allow place-based selections via postcode or any local authority of interest and will make the website accessible to a wider audience.

Early warning system

As set out above, Oflog will seek to spot potential failure earlier and as part of this work, we also anticipate that Oflog will publish a report setting out the evidence, conclusions, and recommendations for the council.

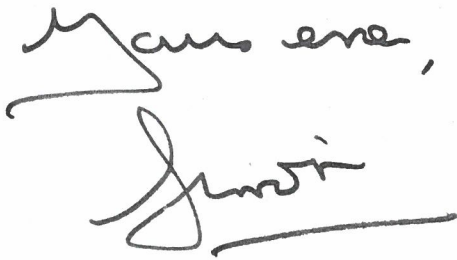
Sharing good practice

As a first step in developing its 'support' function, Oflog is currently organising a series of targeted webinars over the next few months between small groups of authorities with similar

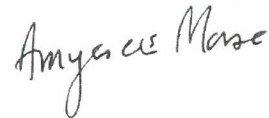
characteristics to share experiences. In the longer term, Oflog aims to offer new analytical insights and reports on good practice and provide expert support to strengthen council performance.

We are gradually shaping Oflog, building it step by step into an established organisation. Both Oflog and the Department are keen to receive input, advice, and challenge from officers and political leaders throughout this process. We look forward to further collaboration with you and hope this letter addresses your questions. Please do not hesitate to get in touch if you require anything further

Let us close by saying what Oflog is not. It is not a finger wagging, naming and shaming entity. It does not seek to add to the overall burdens on local government. It is however a new tool to help local council and government deliver the best and most efficient services for the general public, and to help improve accountability of the sector. We believe it to be a fundamental force for good.

A handwritten signature in black ink, appearing to read 'Simon Hoare', with a long horizontal stroke underneath.

Simon Hoare MP

A handwritten signature in black ink, appearing to read 'Amey as Morse', written in a cursive style.

Lord Morse