

## Centre for Governance and Scrutiny

### RESPONSE TO LUHC SELECT COMMITTEE CALL FOR EVIDENCE: THE OFFICE FOR LOCAL GOVERNMENT

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#### Introduction

The Centre for Governance and Scrutiny is a charity that provides advice, guidance and support to a range of public and private sector bodies on matters relating to corporate governance.

We have a particular specialism relating to local government. We receive funding from the Local Government Association to provide a support service relating to governance and the “overview and scrutiny” function to local authorities in England. This funding forms part of the wider improvement services grant that the Local Government Association received from the Department for Levelling Up, Housing and Communities.

We want to make clear that this submission is being made in furtherance of our charitable objects, and is not being made using funding provided under the funding arrangements described above.

This submission does not attempt to answer every question posed in the call for evidence.

#### **What problem is Oflog seeking to resolve? What, for example, can Oflog contribute to data and local government that is not already being done by bodies such as the LGA?**

Oflog has the potential to play an important role in the wider assurance framework for local government.

We understand that Oflog has stated that it will have the following focus:

- general oversight responsibility on how councils perform against key measures in certain services including finance.
- Highlighting good practice, as a repository of information, good practice and performance comparisons.
- Providing evidence to the secretary of state of councils in distress and at risk of failure.

The premise of the creation of Oflog should be to support and enhance Council’s local services, many of which are accessed by the most vulnerable in society. We expect it to provide Government with the evidence base to reach conclusions on the performance, capability and resilience issues experienced by individual councils, and by the sector. We consider that Oflog has a particular opportunity to play a role as a “system curator”, drawing together existing information, and sector partners, to support Government to better

understand the needs and challenges of local authorities. This has the potential to make Government's actions more clearly supported by evidence.

The plans for Oflog to engage with the "early warning signs" of failure are a particular example of this aspiration. The expectation might have been that, with a keener and more nuanced understanding of the factors and features that contribute to weakness, Government would be better placed to provide support earlier – reducing the risk of councils failing to meet their Best Value duty.

Under this model we could have expected to see an Oflog emerge that made Government's stewardship over the sector more consistent and systematic – informed by evidence of need. Thereby providing the oversight and analysis to give early warning and pre-emptive support to Councils before they reach crisis. This approach was suggested by the policy paper that Government published in July 2023 to accompany the formal establishment of Oflog.

### **Will Oflog make it easier to identify financial problems further in advance?**

The financial pressures facing the sector are complex and multifaceted. Understanding future problems involves having an acute understanding of how councils (members and officers) consider and evaluate risk, and the political priorities that councils' administrations have.

The data that Oflog proposes to collect (and the data it is collecting, on council finances) cannot provide assurance on these issues on their own. We note that "Early Warning Conversations" are designed to provide this more nuanced, qualitative information. However, not enough is known about the piloting and development of these conversations to have assurance that they will have the rigour needed to understand where weakness exists.

We have noted that, in councils at risk of failure, the leadership may have a partial or inaccurate sense of that risk, and of the council's financial position. "Early Warning Conversations" would need a significant degree of sophistication to be able to draw out these issues – and would need to be sufficiently frequent to take account of councils' dynamic financial positions, including in-year shifts.

It is for this reason that we consider the need for Oflog's work to be more fully integrated with the wider assurance framework.

### **What data should Oflog collect and why?**

We have noted the presence of a range of existing datasets, and qualitative evidence-gathering exercises – which together form the wider assurance framework for local government.

We do not consider that Oflog should be seeking to collect and gather data itself – instead, it should seek to knit together and contextualise data that already exists, in order to develop Government's understanding of the sector, its challenges and its needs.

We think that there is a risk that a focus on gathering a unique, novel dataset for Oflog will elide the importance of subjective insight on corporate culture, the pressures of party

politics, the way that assumptions and risks play into decision-making and the resilience of local mechanisms for oversight and assurance.

### **Demonstrating that Oflog's purpose can be fulfilled**

Increasingly it is become clear that the promise, of an organisation sitting functionally removed from Government, yet able to provide it with robust and nuanced information to support its role, will be difficult to realise.

In our view, in addition to the shortcomings identified in the sections above, there are several wider, connected issues which present risks to Oflog's ability to deliver on the possibilities and expectations raised.

- Insufficient alignment with the wider local government assurance framework. Assurance in local government is comprised of a complex web of different individual institutions at a local and national level. Mapping this framework is an activity in which the Local Government Association are currently engaged. It is not obvious how Oflog is going to play a complementary or additive role within this framework. Many of its activities are in fact likely to functionally duplicate activities undertaken by others – for example:
  - CIPFA (in respect of data and analytics, and overview of finances),
  - the LGA (in respect of the data-gathering and collation carried out under the aegis of LG Inform, and in respect of the broad sector self-improvement offer, especially the corporate peer challenge (CPC)), and
  - other national bodies – often membership organisations – who play a role in supporting improvement, innovation and productivity in the sector.

There are other bodies collecting data on councils and their performance, and other bodies making assessments on councils' viability and resilience to risks and pressures. It remains unclear how Oflog's contribution will build on the services already offered by those organisations;

- Uncertainty around Oflog's role in respect of financial governance, as we have already noted. One of Oflog's first set of metrics focuses on "corporate" and finance measures. However, it remains to be seen how Oflog, and DLUHC, will continue to use this information and who is seen to "hold" oversight on financial governance overall. In due course, the new body ARGA is being established to own and hold audit issues, but with continued uncertainty about the timescale for this development, the future responsibility of Oflog in this space remains unclear. We are concerned that this may lead to a continued diffusion of accountability and responsibility for the sector's overall financial resilience – of particular concern given the outcome of the Committee's recent work on local audit;
- Confused communications about the role, purpose and nature of its work. As it stands the initial set of metrics published by Government as part of its Data Explorer is published alongside the prominent warning, "Data on its own does not present a complete picture. This explorer should only be used to generate questions and not reach judgements." This is true, but where it is the case that the Secretary of State does use Oflog's material to support judgements about a council's strengths or

weaknesses, Oflog and DLUHC will need to be clear what other information is being used to make drawing such a judgement possible. We understand that this context may be provided by “Early Warning Conversations”, but the process for the piloting and development of the methodology for these conversations suggests that they will be similar – but arguably more light touch – than the existing LGA corporate peer challenge process. It remains unclear on what basis these conversations will be triggered, how frequent they will be, and how they will offer an operatively different (but complementary) outcome to a CPC;

- An operationally-driven approach to metrics. We have seen the slow accretion of a number of set of metrics covering areas such as waste management, planning, roads and adult social care. We are aware that Oflog is taking an iterative approach to the building of its dataset but in doing so we are concerned that conversation has moved too quickly to the operational detail of individual metrics – to the wording of individual measures, to complex data quality issues – rather than considering what outcomes need to be tested and understood and where certain outcomes might be probative of weakness, risk or other concerns. As it stands the basket of metrics being developed seems too general in nature to provide the assurance that Government is looking for.

A lot therefore rests on the quality and depth of the “Early Warning Conversations”, and in Oflog’s ability to demonstrate the rigour of those conversations.

### **Possible approaches**

Oflog could exercise a supportive, curatorial role, ensuring that Government has the data it needs to engage with the sector more effectively, and also providing open data to the sector itself.

We think that what may be needed is:

- Further clarification of how Oflog’s current areas of development – especially with regard to the “Early Warning Conversations” – will contribute towards an understanding of the cultural factors that lead to risk, and resilience, in how councils are run;
- A re-engagement with sector partners in considering the alignment between Oflog and the wider assurance framework, accompanied by a more limited focus on the publication of a broad dataset of metrics in favour of more refined attention being paid to corporate health overall.
- Greater support for both Members and Officers within the public sector to recognise and look for signs of healthy organisations and conversely be able to identify risks and take mitigating action.
- In terms of efficient data collection, the government should consider how statutory documents and processes such as the annual governance return and budget setting could be linked to the requirement to provide information to Oflog. This would tie into existing mechanisms and not create additional reporting cycles for Councils.

However, this will need to be done in such a way that the information and data collected is timely and meaningful.