



## OFFICE FOR LOCAL GOVERNMENT CORPORATE PLAN – 2024 TO 2027

Issued 14 March 2024

ICAEW welcomes the opportunity to comment on the Draft **Office for Local Government Corporate Plan – 2024 to 2027** (the Corporate Plan) published by the **Department for Levelling Up, Housing and Communities (DLUHC)** and the **Office for Local Government (Oflog)** on **15 February 2024**, a copy of which is available from this [link](#).

### Early days in pursuing strategic objectives

- Further development of the DataExplorer tool will be required for it to provide useful insights to stakeholders.
- Performance of the early warning system is likely to be hampered while the DataExplorer is developed and due to the crisis in timely financial reporting.
- Further clarity is needed as to how Oflog intends to support local authorities.
- Important for Oflog to be sufficiently independent from DLUHC.

### Annual financial reports must inform and report

- Annual financial reports should be a key source of performance data, but they are not used sufficiently.
- Oflog should use annual financial reports in identifying local authorities at risk of failure.
- Local authority annual reports should be used to comment on Oflog metrics and assessments.

### Monthly financial reporting: a potentially rich source of data

- Monthly financial reports would provide extremely useful data for Oflog to utilise.

### Data quality and assurance will be key

- Oflog will only be effective if the data it uses is reliable.
- Oflog should develop a strategy for the level of assurance required.
- Importance of accurate demographic data should not be underestimated.

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For more information, please contact: [representations@icaew.com](mailto:representations@icaew.com)

### ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK  
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 [icaew.com](http://icaew.com)

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)  
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

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This response has been prepared by ICAEW's Public Sector team in consultation with ICAEW's Public Sector Advisory Group. ICAEW's Public Sector team supports members working in and with the public sector to deliver public priorities and sustainable public finances, including over 13,000 in ICAEW's Public Sector Community. ICAEW engages with policy makers, public servants, and others to promote the need for effective financial management, audit and assurance, financial reporting and governance and ethics across the public sector to ensure public money is spent wisely.

## INTRODUCTION

1. ICAEW welcomes this consultation on Oflog's corporate plan for 2024 to 2027.
2. Oflog's plans are extremely important in the context of high-profile governance failures at local authorities in recent years, the financial pressures facing most local authorities, and the crisis in local authority financial reporting and audit.
3. ICAEW in 2023 published a [vision for local audit](#) on how to bring confidence to the finances of local public bodies. Our vision makes the case for better financial reporting, high quality and more timely audits, stronger financial management and governance, and a thriving profession that is highly valued.
4. We [submitted evidence](#) to the House of Commons Levelling Up, Housing and Communities Committee inquiry into Oflog.
5. For questions on this submission please contact our Public Sector team at [representations@icaew.com](mailto:representations@icaew.com) quoting REP 28/24.

## KEY POINTS

### EARLY DAYS IN PURSUING STRATEGIC OBJECTIVES

6. The [Draft Corporate Plan](#) sets out Oflog's strategic objectives as follows:
  - **Inform:** increase understanding - among citizens, civil society, central government and local government itself - about data on the performance of local authorities
  - **Warn:** help identify local authorities that are at risk of failure but have not raised the alarm themselves
  - **Support:** support local government to improve performance, productivity, and value for money: championing best practice, improving data capability, and rationalising a complex data landscape

#### Inform:

7. Oflog intends to increase understanding by stakeholders about the performance of local authorities through the DataExplorer.
8. For the DataExplorer to be an effective tool for this purpose, development of further metrics are likely to be required beyond data covering the main services which a local authority provides. This could include the adequacy of an authority's governance arrangements, the timeliness of a local authority's financial reporting or compliance with the best value duty.
9. The DataExplorer is unlikely to be sufficient on its own to enable citizens and councillors to hold local leaders to account, and the Corporate Plan sets out a path to Oflog becoming a

“mature organisation” that is able to “publish its own analysis of local government performance”. When it gets to that stage, we believe that the development of a balanced scorecard approach is likely to be a useful way to increase comparability of local authorities for stakeholders. A one-dimensional approach would be overly simplistic in this regard.

**Warn:**

10. Provision of the early warning system is currently at an early stage; however, the aim of the system is to identify local authorities who may be at risk of failure before it is too late.
11. It will be necessary to demonstrate that Oflog is sufficiently independent from DLUHC to ensure local authorities have trust in Oflog and are willing to engage with the system.
12. Success in identifying local authorities at risk of failure is likely to be hampered in the short-term, while the DataExplorer is sufficiently developed to provide quality and accurate data in a timely manner.
13. System-wide delays in the preparation and audit of financial statements mean that most local authorities in England are at least two years behind with publishing audited financial statements. The lack of timely, independently verified financial information will hamper Oflog in its aim of identifying local authorities at risk. Bringing timeliness back to the reporting and audit cycle must be the immediate priority.

**Support:**

14. Oflog appears to remain unclear as to how it can best support local authorities. The plan should provide further clarity, as to how Oflog intends to provide support. This would generate trust in what Oflog want to achieve.
15. We are surprised that there are no specific support measures within the Early Warning System part of the corporate plan. It is unclear to us who, if not Oflog, will support authorities in implementing any recommendations made as a result, or how progression towards introducing the recommendations will be monitored.

**ANNUAL FINANCIAL REPORTS MUST INFORM AND REPORT**

16. The primary purpose of annual financial reports (including audited financial statements) is to enable the leadership and management of organisations to be held to account, for how they have used resources to deliver against their objectives and how they have managed their finances.
17. Secondary purposes include providing information needed by other stakeholders. Annual financial reports should therefore be an essential element in informing Oflog of local authorities’ own assessments of their operational and financial performance, as well as providing critical information on their financial health and any significant risks to which they are exposed.
18. To do so, financial statements and accompanying narrative commentaries need to be understandable and provide a clear line of sight into how and on what public money is being spent on.
19. On the assumption that Oflog chooses metrics that provide valuable insights into the performance of local authorities, we believe it will be appropriate for local authorities to comment on the same metrics in their annual financial reports in addition to the key performance indicators they use themselves, as well as any assessments that are produced by Oflog. This is so that councillors and residents only need to go to one place (the annual financial report) to understand the performance and financial position of their local authority, as well as ensuring the metrics utilised by Oflog are subject to the same validation processes as other information in the annual financial report.

## MONTHLY FINANCIAL REPORTING: A POTENTIALLY RICH SOURCE OF DATA

20. We believe that DLUHC and HM Treasury should consolidate the financial results and position of local authorities each month, in line with basic practice in the private sector. In addition to the benefits this would provide to improving the quality of financial data used for decision-making by central government, a regularly updated 'real-time' dataset such as this would be invaluable to Oflog in its work. We therefore hope Oflog will support our calls for the collection and consolidation of monthly financial data from the local government sector.
21. Even without a monthly financial consolidation, we believe Oflog would benefit from being able to utilise monthly financial reports that are routinely prepared by local authorities. The use of AI tools to analyse such reports could assist greatly with identifying early warning signs of financial failure, as well as providing useful insights into the financial focus of local authorities.

## DATA QUALITY AND ASSURANCE WILL BE KEY

22. Oflog can only be successful in monitoring the performance of local government if the data it uses is relevant and reliable. This will be even more important as Oflog develops their early warning system and begins to issue recommendations to local authorities – the success of the system will depend on the quality and accuracy of the data it has access to within their DataExplorer.
23. Concerns over the quality and accuracy of financial information generated by local authorities has been one of the drivers of the crisis in local authority financial reporting and audit, so it is important that there is sufficient investment in finance teams so that these issues can be addressed. This will also benefit Oflog in achieving their strategic objectives.
24. The role of external auditors in assuring data should be clarified. The scope of an external audit is designed to provide material assurance about the truth and fairness of financial statements and will not necessarily provide sufficient assurance about individual numbers in the financial statements, which Oflog may be relying on.
25. Numbers such as key performance indicators reported outside the financial statements in the narrative commentary are subject to even less assurance (typically 'not inconsistent with'), while data not reported in the annual financial report is not subject to any assurance at all, absent any specific arrangements that might be put in place, for example in the form of assurance procedures on grant returns.
26. Oflog will in due course need a strategy over the level of assurance it needs over the data it uses and the balance between no assurance procedures, internal assurance by data providers (including by internal audit teams), Oflog's own due diligence procedures, and the use of other assurance providers, including external auditors.

## ANSWERS TO SPECIFIC QUESTIONS

### Introduction

#### ***Do you agree with the contents of the introduction section (p.4-6)?***

27. Yes, we agree with the contents of the introduction section.
28. We are pleased that Oflog has brought more clarity to its purpose, objectives and operating model.
29. We consider that the strategic objectives clearly set out how Oflog plans to achieve their goals, while noting that it is still early days in pursuit of these objectives and as such, Oflog may need to amend and adapt their objectives in the future.
30. We are also pleased that Oflog has clearly set out how they want to work with colleagues within the sector and recognises that they will only be effective if they work closely and dovetail with other actors in the ecosystem.

31. However, we believe that some mention of Oflog being a 'performance body', as stated by the Chief Executive in his evidence to the Levelling Up, Housing and Communities Committee, should be included within the introduction. Bodies in the ecosystem will be interested in understanding the metrics which Oflog consider to be a measure of good performance. Understanding what good performance means for Oflog is also more likely to lead to increased local authority engagement.

## Our Values

### ***Do you agree Oflog's values set out in paragraph 7 are the right ones?***

32. Yes, we agree that Oflog's values set out in paragraph 7 are the right ones.
33. As previously noted, it may be difficult for Oflog to be seen as independent while remaining under the remit of DLUHC. Local authorities will want to be able trust that the information they provide will be used only for improving their performance, and not to penalise them for being open about the challenges they are facing.

## Activities under Strategic Objectives 2024 to 2027 and Business Plan 2024 to 2025

### ***Do you agree that Oflog should do the proposed activities under the strategic objective to 'Inform' at paragraphs 9-16 and 34-38?***

34. Yes, we agree that Oflog should carry out the proposed activities under the strategic objective to 'Inform' at paragraphs 9-16 and 34-38. However, we believe that some minor amendments to the proposals would be beneficial for local authorities and the wider public in increasing their understanding about performance of local authorities.
35. The DataExplorer will be a useful tool in benchmarking local authorities' performance, and we are pleased that the tool aims by 2025 to cover all the main services offered by local government.
36. However, the tool will only be as good as the data underpinning it. It is the choice, quality and accuracy of the metrics used that will determine whether it is a useful tool in increasing understanding of local authorities' performance. Development of further metrics outside of the Single Data list are likely to be required to provide a sufficiently robust comparison of performance between local authorities (such as the adequacy of governance arrangements, quality and timeliness of financial reporting or best value duty compliance). Data in this regard is also likely to assist Oflog in identifying local authorities at risk through their early warning system, as part of the strategic objective to 'Warn'.
37. We believe that the development of a Balanced Scorecard approach for the main service areas will increase understanding and comparability of local authorities for citizens. As set out within our [evidence](#) provided to the recent enquiry launched by the Levelling Up, Housing and Communities Committee, the scorecard could feature five-colour-traffic-light assessments (blue = excellent, green = good, amber = improvement needed, orange = underperforming, red = failing) for each service area and for other important measures or metrics that may be developed.
38. Furthermore, for Oflog to achieve their strategic aims we believe it is inevitable that data will be required beyond what is already available and therefore, this is likely to lead to increased resource pressures at local authorities which Oflog are keen to avoid. In our view, it would be beneficial for Oflog to be upfront regarding the likelihood of requiring local authorities' input, to ensure that there are no misconceptions when Oflog begins to grow as an entity.

### ***Do you think anything is missing from these activities (going beyond what Oflog is already proposing)?***

39. As noted previously, we believe that the development of further metrics and a balanced scorecard system would improve Oflog's ability to inform citizens about local authorities' performance.
40. We also believe that Oflog should consider utilising local authority annual reports as a key source of information regarding both operational and financial performance and ensure that

these metrics are part of the DataExplorer. The usefulness of this, however, is likely to be reduced without timely financial reporting by local authorities. Thus, Oflog should consider implementing a strategy regarding the level of assurance it needs over the data it uses, including data collected outside of financial statements, which is not always subject to external audit procedures.

41. There is likely to be a fine balance between data having no assurance, obtaining internal assurance by data providers (including from internal audit teams), any due diligence procedures undertaken already by Oflog and the use of other assurance providers, including external audit. The importance of having accurate and assured data should not be underestimated.

***Do you agree that Oflog should do the proposed activities under the strategic objective to ‘Warn’ at paragraphs 17-22 and 39?***

42. We agree that Oflog should carry out the proposed activities under the strategic objective to ‘Warn’ at paragraphs 17-22 and 39. In the current climate where many local authorities are subject to financial pressures, identifying local authorities who may be at risk of failure before it is too late could be extremely important in preventing the issuance of a s114 notice for example, by providing recommendations for ways to improve an authority’s leadership, governance and culture.
43. We are pleased that the focus is on developing the early warning system. As noted within our [evidence](#) submitted to the Levelling Up, Housing and Communities Committee, it will be beneficial to ensure Oflog has appropriate data, expertise, and resources prior to launching the system fully. Ensuring that the team of reviewers includes a serving or recent Chief Executive, a s151 officer and a serving or recent Leader of a different local authority, will go some way to ensuring success of the system.
44. Publishing a report to a local authority setting out key findings and recommendations will be a useful measure in supporting those authorities identified at risk. It will be important to ensure agreement of the report with the impacted authority where possible and clearly set out that the system will not lead to consequences from Oflog, so as to not deter other local authorities from engaging. Ensuring sufficient independence from DLUHC will also assist in ensuring local authorities can trust Oflog, since authorities may be conscious of being subject to further intervention.
45. Oflog’s ability to identify local authorities at risk, however, is likely to be hampered until the DataExplorer is sufficiently developed to provide accurate and appropriate data. It is imperative that the tool covers the main services offered by a local authority as quickly as possible, as well as including other key metrics on governance arrangements or best value duty compliance for example. Improved and accurate data collection will enable Oflog to better identify authorities who are at risk.

***Do you think anything is missing from these activities (going beyond what Oflog is already proposing)?***

46. We do not believe that anything is missing from the activities set out within the ‘Warn’ section. In the short-term, it is important to ensure successful delivery of the activities set out before Oflog consider expanding their remit further. This will help prevent ‘mission-creep’.

***Do you agree that Oflog should do the proposed activities under the strategic objective to ‘Support’ at paragraphs 23-26 and 40-44?***

47. While we agree with the proposed activities laid out under the strategic objective to ‘Support’ at paragraphs 23-26 and 40-44, the proposals highlight a lack of clarity in how Oflog can best provide support to local authorities.
48. It will be beneficial for Oflog to clearly set out how it plans to provide support and the timescales of when this support will be available.

49. We are surprised that there is no mention within this section of Oflog assisting local authorities in implementing recommendations which they make as part of the Early Warning System. It is unclear to us who, if not Oflog, will support authorities in implementing any recommendations made as a result, or how progression towards introducing the recommendations will be monitored.

***Do you think anything is missing from these activities (going beyond what Oflog is already proposing)?***

50. As above – we are surprised that there is no mention within this section of Oflog assisting local authorities in implementing recommendations made as part of the Early Warning System.
51. Authorities will want clarification as to what support will be available to them in making the necessary improvements to avoid potential failure. Oflog would be best placed, being the body creating the report, to support authorities in this regard.

**Operating Environment**

***Is there anything in the operating environment section at paragraphs 28-32 that you disagree with?***

52. We agree with the wording of the operating environment section. It correctly recognises the challenging climate in which local government is currently operating.
53. As we note below however, we are surprised that there is no discussion within this section regarding the crisis in local authority reporting.

***Is anything missing from this section?***

54. We are surprised that there is no discussion regarding the crisis in local authority reporting. Only 1% of English councils succeeded in publishing their audited accounts for 2022-23 by the 30 September 2023 deadline, while some local authorities have delays in publishing audited accounts of five years.
55. These delays are prevalent across local authorities who have issued s114 notices, with all seven English councils who have issued such a notice since 2020, having delays in publishing audited financial statements of at least three years.
56. This lack of accountability is combined with the intense financial pressures that local authorities are currently facing. There is a danger with key financial information not being subject to audit, that financial issues go undetected at local authorities. We therefore consider that this is an integral part of the current operating environment in the sector.

**Strategic Risks**

***Do you agree with the articulation of strategic risks and controls set out in paragraphs 52-54?***

57. We agree with the articulation of strategic risks and controls as set out in paragraphs 52-54.

***Are there any risks or controls that should be added?***

58. We believe that the collection of appropriate, accurate data is integral to the performance of Oflog as a performance body within the local government sector.
59. A risk to Oflog, therefore, is the inability to collect appropriate and accurate data, which would prevent them from identifying local authorities who may be at risk of failure and would prevent the DataExplorer from being an effective tool for citizens and other stakeholders of local government.
60. We therefore recommend the inclusion of this risk within this section. A key control could be the continuous monitoring of the data collected by the board, to ensure it is sufficient and that

there are no gaps in the data, as well as ensuring that the data collected, as a minimum, covers all main services as proposed and is up-to-date and accurate.

### **Closing Section**

***Do you think anything is missing from this Corporate Plan that would be helpful to include?***

61. With the exception of what has already been noted in this response, we do not consider that anything is missing from the Corporate Plan.