



Ministry of Housing,
Communities &
Local Government

Developing the Local Outcome Framework's Statistical Neighbours model

Ministry of Housing, Communities, & Local Government



Supporting the Local Outcomes Framework



Policy paper

Local Outcomes Framework

Updated 12 February 2026

Contents

[Foreword by the Minister of State for Local Government and Homelessness](#)

[Executive summary](#)

- [1. Introduction](#)
- [2. Framework design](#)
- [3. Use of the Framework](#)
- [4. Updating the Framework](#)
- [5. Public presentation](#)
- [6. Priority outcomes](#)
- [7. Metrics by priority outcome](#)

[Housing supply](#)

[Housing quality and safety](#)

[Homelessness and rough sleeping](#)

[Multiple disadvantage](#)

[Best start in life](#)

Foreword by the Minister of State for Local Government and Homelessness

Each of our places, towns and cities face unique challenges arising from their own economic and social history. When local government is successful, people experience public services that are tailored to them, and every place is given the best chance of economic growth. It is in all our interests to see it succeed.

The Local Outcomes Framework sets out the outcomes we want to see happen. For our part, we are giving greater funding security through a return to multi-year finance settlements and funding reform, fixing the broken audit and early warning system, and raising standards. We are equipping local government with the tools to achieve the best possible outcomes.

The framework establishes a shared focus on the outcomes most important for achieving our collective aims and ultimately to raise living standards across England. The outcomes in the framework represent many of the most important responsibilities of local government underlining the essential part local government plays in achieving national priorities.

Tracks local authority performance across:

- 16 broad themes
- 135 metrics



IS THIS A FAIR COMPARISON?

Authority 1

22 people sleeping rough
per night

- High rates of multiple disadvantages
- Urban
- Densely populated
- Lower income

Authority 2

3 people sleeping rough
per night

- Low rates of multiple disadvantages
- Sparsely populated
- Higher income

X This is misleading. Authority 1 looks like a poor performer — but it's serving a population with far higher complex needs. The ranking punishes context, not effort.



IS THIS A FAIR COMPARISON?

Authority 1

22 people sleeping rough
per night

- High rates of multiple disadvantages
- Urban
- Densely populated
- Lower income

Authority 3

12 people sleeping
rough per night

- High rates of multiple disadvantages
- Urban
- Densely populated
- Slightly lower than average income

✓ **Fair comparison.** Similar deprivation, demand, income and density — differences in outcome now reflect decisions and delivery, not starting conditions.



Building the model

21 CONTEXTUAL INDICATORS

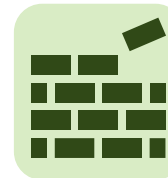
1	Deprivation	12	Working age population %
2	% identifying as white	13	Income
3	Population size	14	% renting privately
4	% rural	15	% Children in relative poverty
5	Employment rate	16	Pupils with SEN/ EHCPs
6	Education rate	17	Housing repossession rate
7	Qualifications rate	18	% without a disability
8	Digital connectivity	19	Housing affordability
9	GVA per hour worked	20	Taxbase per household
10	Business birth rate	21	Area Cost Adjustment
11	High growth business rate		

WHY WE BUILT OUR OWN MODEL



Full control over design

We choose which indicators go in, how neighbours are matched, and we can update the model as the data and framework evolves.



Built on solid foundations

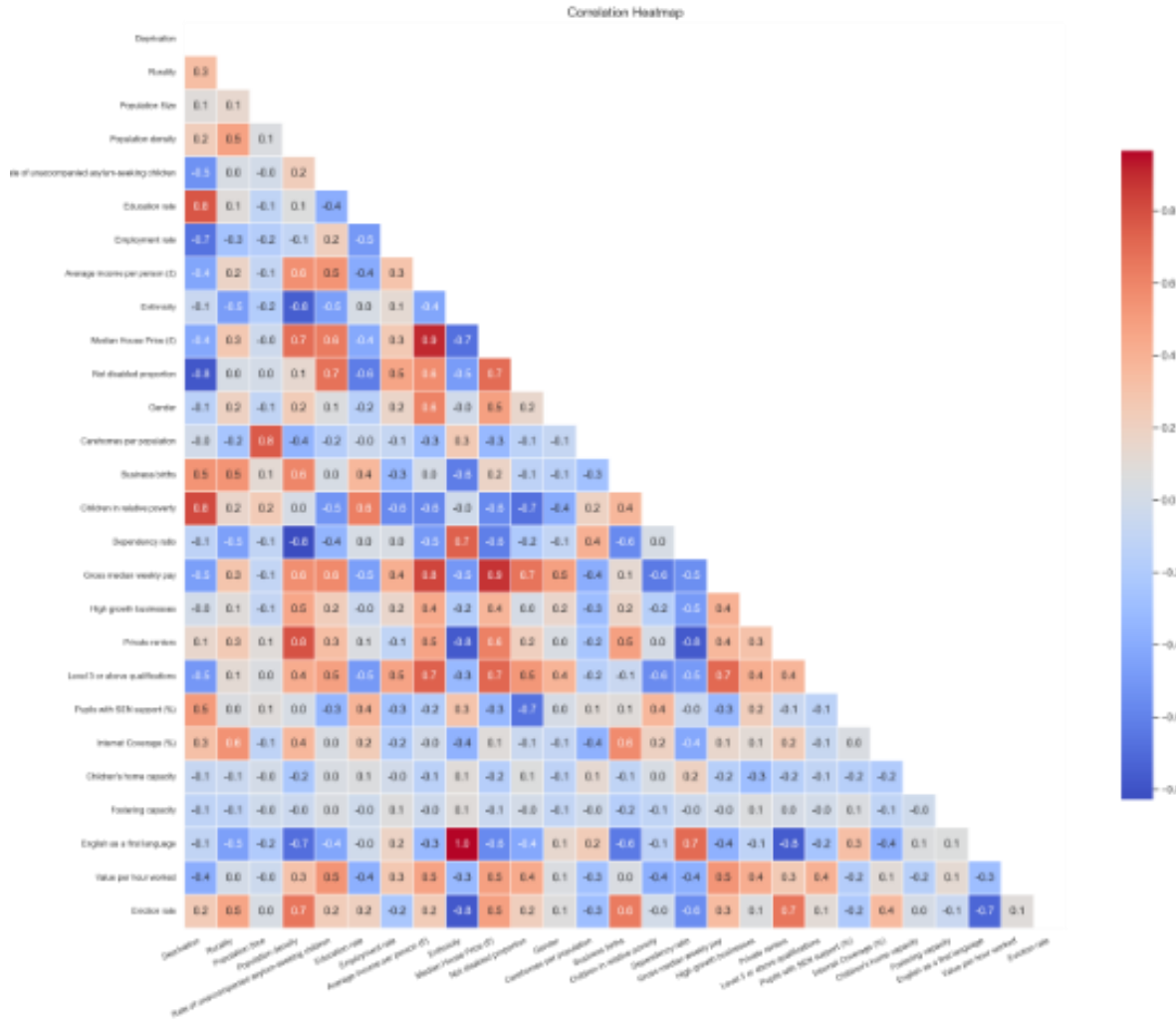
We adapted the model from the ONS's neighbours model.



Tailored to the framework

Indicators were selected to reflect the contextual factors which could affect performance across 135 Local Outcome Framework metrics

Each indicator captures a dimension of local context which **influences performance** across the 16 outcome areas.



Selection Criteria

Data Quality Requirements

- High-quality, recent data
- Comprehensive coverage across all LAs
- Approximately even distribution of area-specific metrics

Relevance Standards

- Demographically, economically, or outcome-relevant
- Cannot be used as performance metrics or outcomes
- Must provide value across multiple model areas (not overly specific)

Technical Requirements

- Low correlation with other contextual variables to prevent model bias
- Pass technical validation through statistical methods



Building the model

Following the same process as ONS



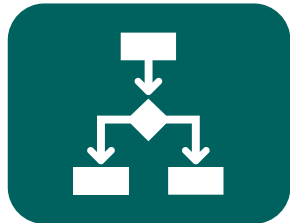
Manage missing data

Consider whether to extrapolate missing data from existing sources



Remove extreme values

Data undergoes **winsorization** to remove outliers by capping values at 1st and 99th percentiles, preventing bias from extreme values.



Standardise

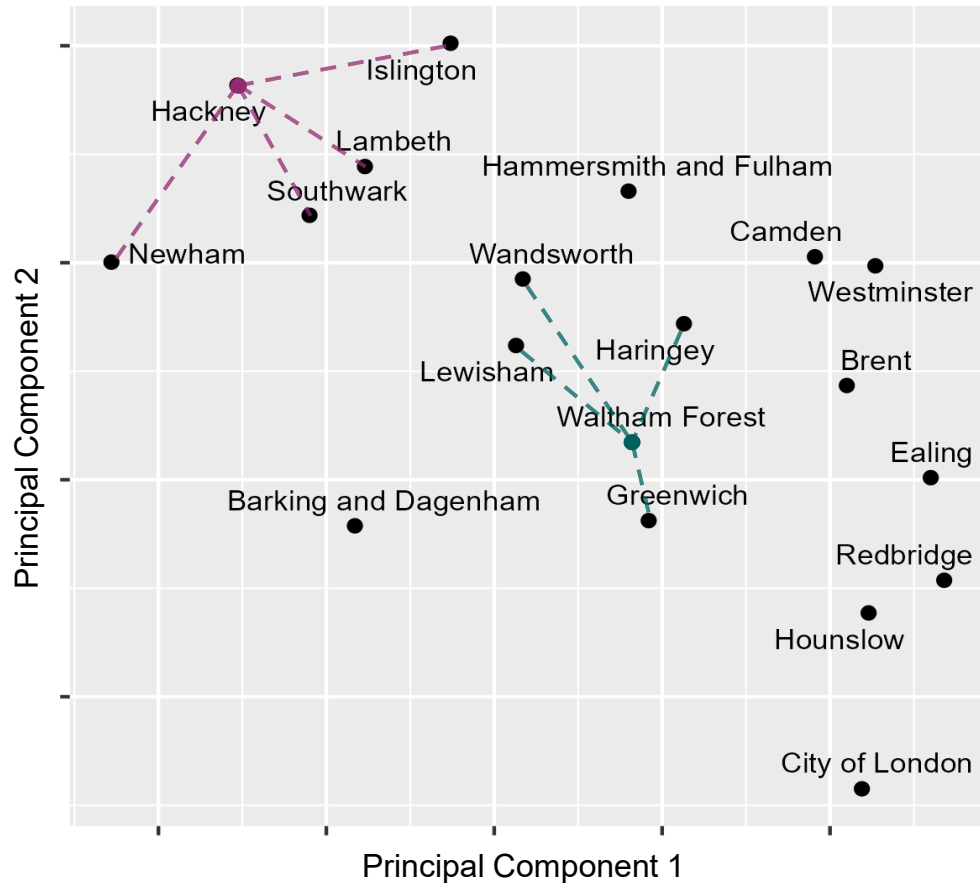
All variables are standardised to fixed mean and standard deviation, ensuring:

- Scale independence across variables
- Equal weighting for all contextual variables in the model



How the model works

Example neighbours; for illustration only



Worked example to find neighbours for Hackney

Authority	CONTEXTUAL INDICATORS				Euclidean distance
	Deprivation IMD score	% Employed	Weekly median income (£)	...	
Hackney <small>reference</small>	34.1	61.4%	£512	...	—
Islington	31.7	63.2%	£531	...	0.41
Lambeth	29.8	64.8%	£548	...	0.67
Southwark	28.3	65.9%	£559	...	1.12
Westminster	19.2	74.3%	£894	...	5.84

Distances are illustrative. In the full model, all 21 indicators are standardised before distance is calculated. Smaller distance = more similar authority.

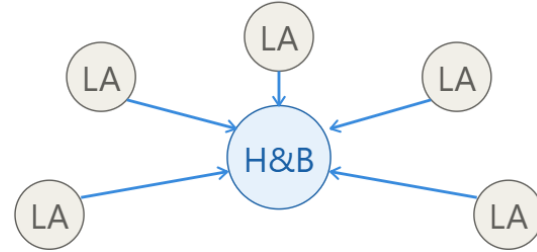
$$d(x, y) = \sqrt{\sum_{i=1}^n (y_i - x_i)^2}$$

Euclidean distance formula: The straight-line distance between two points across all 21 dimensions.



Results at a glance

TYPE 1
Anchor authorities



e.g. Hinckley & Bosworth, Hillingdon
Many LAs share their profile

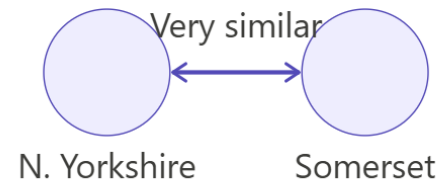
TYPE 2
Unique authorities



Comparatively far away

e.g. Isle of Wight
Few LAs share their profile

TYPE 3
Near-identical pairs



e.g. N. Yorkshire & Somerset
Staffordshire & Derbyshire

TYPE 4
True outliers



e.g. City of London, Isles of Scilly,
Tower Hamlets

Neighbours may not be appropriate



Next steps



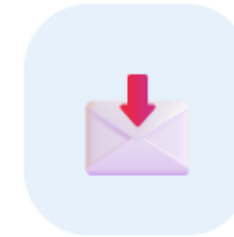
Public launch

Coming soon



Feedback open

Live now



Get in touch

Analysis- Local Government
MHCLG

