



Office of the
Deputy Prime Minister

Creating sustainable communities

Inspection Reform: The Future of Local Services Inspection

Consultation Paper

November 2005





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Office of the Deputy Prime Minister
Eland House
Bressenden Place
London SW1E 5DU
Telephone: 020 7944 4400
Website: www.odpm.gov.uk

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Foreword

Giving local people more power and control over their lives and ensuring delivery of high quality services are at the heart of this Government's agenda.

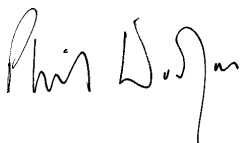
The joint ODPM/HM Treasury discussion document "*Securing better outcomes: developing a new performance framework*" set out the Government's vision for the delivery of continuously improving outcomes for all people and all places. The creation of a national picture of improving local outcomes and of local people getting the services they want, need and expect is of paramount importance. That is why the Government is developing a performance framework that builds on national and local needs and expectations – a framework which places the views of service users, local people and a variety of external validation at the heart of its agenda.

While significant improvements have been made in local authorities' performance in recent years, there is still considerable variation in performance and it is clear that there is room for raising performance further as well as for modifying the way in which services are delivered to reflect local needs and the expectations of service users. The performance framework – including inspection – needs to reflect these aspirations.

In the Budget, we announced our intention to reform inspection to make it more risk-based, proportionate and effective. We want to give councils further freedoms to deliver better local services that reflect the priorities for their areas and communities, and that build on initiatives such as Local Area Agreements.

We believe that these proposals will not only rationalise inspection, but will reduce unnecessary bureaucracy and duplication of effort for all. It will provide clearer lines of accountability and deliver more consistent approaches.

In this document we set out our aims and aspirations for ensuring that local services are tailored to local circumstances. This document invites discussion on the future role that inspection should play within a more flexible performance framework and seeks views on the establishment of a local services inspectorate.



Phil Woolas
Minister for Local Government

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Glossary of Terms

4Ps	Public, Private Partnerships Programme
AC	Audit Commission
ALMO	Arms Length Management Organisation
Area	Whole or part of a locality, near or surrounding one or more local authorities
BFI	Benefit Fraud Inspectorate
CDRPs	Crime and Disorder Partnerships
CPA	Comprehensive Performance Assessment
DWP	Department for Works and Pensions
IJCSC	Inspectorates for Justice, Community Safety and Custody
LACORS	Local Authorities Co-ordinators of Regulatory Services
LGA	Local Government Association
ODPM	Office of the Deputy Prime Minister
Outcomes	In the context of this document the term 'outcomes' refers to attainable or delivered results
Peer Review	Assessment by serving local government members and officers, with first-hand understanding of the issues and challenges that councils face
VFM	Value for money
YOTs	Youth Offending Teams

SECTION 1

The Future Role for Inspection

Chapter 1

Introduction

1.1 In March 2005, we published jointly with HM Treasury a discussion document *Securing better outcomes – developing a new performance framework*, as part of the local:vision debate. That document set out our proposals to develop a new performance framework to support and drive further improvement in local services, through deregulation, devolution and decentralisation. The discussion document identified a clear role for external challenge in a new performance framework – which includes appropriately targeted inspection and audit.

1.2 This document included proposals, as published in the Budget, for the rationalisation of public service inspectorates from eleven to four covering:

- local services
- children and learners
- health and adult social care
- justice and community safety

The local services inspectorate will combine the functions of the Audit Commission (AC) and the local authority inspection work of the Benefit Fraud Inspectorate (BFI) in England. The Office of the Deputy Prime Minister (ODPM) has the lead for establishing the local services inspectorate.

1.3 This consultation paper builds on the *Securing better outcomes* document by:

- in Chapter 2, setting out the background and rationale for the proposed changes, covering both the public service inspection reform agenda and the new performance framework;
- in Chapter 3, starting to explore in more detail the role inspection should play in the future performance framework – as a means of generating debate;
- in Chapters 4–6, setting out proposals for establishing the local services inspectorate – covering the roles of the inspectorate, governance and funding arrangements, and issues around the merger of the Audit Commission and Benefit Fraud Inspectorate functions; and
- in Chapter 7, setting out the timetable for taking this work forward.

RESPONSES AND ENQUIRIES

- 1.4 Responses to the consultation should be sent (if possible by e-mail) **by 3 March 2006** to:

Dorothy Dray
LGQ4
Office of the Deputy Prime Minister
Zone 5/C5
Eland House
Bressenden Place
London SW1E 5DU

Fax: 020 7944 3799

E-mail: LocalServicesInspection@odpm.gsi.gov.uk

- 1.5 Any enquiries or requests for copies of the paper should be directed to Dorothy Dray at the above address.
- 1.6 Further details about how this consultation exercise will be carried out are at Annex B.

Chapter 2

The Inspection Reform Agenda

This chapter sets out the background and rationale to the public service inspection reform agenda, and explores briefly the direction of recent developments in inspection and the creation of a new performance framework that underpins both the move to a local service inspectorate and the wider discussion of the role of inspection.

- 2.1 Inspection – independent external review and assessment of performance and value for money – has an important part to play in the governance of public bodies, providing external challenge and assurance about the way in which these bodies are performing their duties and securing outcomes for their users. In July 2003, the Government published its policy on inspection of public services¹, confirming its commitment to inspection as a tool for contributing to the improvement of delivering public services and a means of providing assurance on the stewardship of public resources. It set out ten principles of inspection (see Annex A) and highlighted the need for collaboration between inspectorates and with other regulators, to maximise the benefit of inspection.

THE IMPACT OF INSPECTION

- 2.2 Inspection has proved a powerful tool in helping to secure improvements in local service delivery. The introduction of Comprehensive Performance Assessment is acknowledged by local authority officers as a key driver of improvements². A recent MORI survey on behalf of the Local Government Association³ showed that over 60% of councils believe that inspection sharpens their focus and three in four, while agreeing they often dislike inspection, believe it can – when used effectively – drive improvement.
- 2.3 However, the success of inspection has also led to a significant increase in the amount of inspection – and pressures for more. The Devolving Decision-Making Review in 2004 recognised that the balance between centrally-driven or top-down tools to drive improvement and the freedom of local deliverers to manage their business effectively was not right. In line with this review and the wider public sector reform agenda, the Chancellor announced in the Budget in March 2005 a rationalisation, refocusing and reduction of inspection.

¹ The Government's Policy on Inspection of Public Services, Cabinet Office, July 2003.

² *Meta evaluation of the Local Government Agenda: Progress Report on Service Improvement in Local Government*, ODPM, 2005.

³ *Inspection – Time well spent?*, LGA, 2005.

THE DEVELOPMENT OF INSPECTION METHODOLOGY

- 2.4 Over time, inspection methods have become more sophisticated and searching. Best value inspection started as primarily a validation of best value reviews undertaken by local authorities, developing into wider assessments of the delivery of individual services. The introduction of Comprehensive Performance Assessment in 2002 involved a more radical shift – to delivering a judgement of the overall performance and capacity of local authorities – combining evidence on individual services with judgements on corporate capacity and systems. The new Children’s Services Joint Area Reviews bring together evidence on the performance and contributions of a range of local partners in securing joined-up outcomes for a particular client group.
- 2.5 The development of inspection methods reflects wider developments in local service delivery. Increasingly, the trend is to inspect the capacity of organisations and their delivery of services from a user’s point of view. This is also reflected in the growing recognition in inspection methodologies of the responsibilities of organisations to work in partnership better, to secure the joined-up outcomes which users expect. Equally, the focus on the management and delivery of efficiency and value for money has strengthened.
- 2.6 These methodological developments have sought to refine and increase the benefits delivered by inspection. Alongside them, the recognition of the cost of inspection has increased. These costs arise both directly to the inspectorates, but also more widely in the range of costs incurred by inspected bodies in preparing for, undergoing and responding to inspection. The Government recognises the need to ensure that the balance of the costs and benefits of inspection is better managed. This has led to the shift away from rolling programmes of inspection of services, the spreading of programmes such as the new CPA 2005 corporate assessments over 3 years, the reductions in inspection that have been delivered for the top performers, and steps by the Audit Commission and other inspectorates to consider more closely the costs of recommendations they include in inspection reports. These are all positive steps. The Government would like to see these trends continue and the future role of inspection shaped in this light.
- 2.7 In seeking to find the best balance of costs and benefits of inspection, we need to recognise wider developments. Recent years have seen the growth of stronger local performance management, a culture more focused on delivery and wider use of alternative forms of external challenge and scrutiny. In considering the role of inspection in future, we need to build on these successes.

THE PERFORMANCE FRAMEWORK AGENDA

- 2.8 The joint ODPM and Treasury discussion document *Securing better outcomes: developing a new performance framework*⁴, published last March, described a range of incentives, levers, pressures and responses that together contribute to the total performance framework that drives improved delivery of local services. It also clearly identified the different levels at which these levers etc. can operate: top-down, horizontally (within a sector or between partners), and bottom up (from users and citizens). The document proposed a new performance framework that seeks a better balance of both the range of levers and the levels at which they operate – as part of a move to a more deregulated, decentralised and devolved approach to local services.
- 2.9 In particular the Government would like to explore options for strengthening local performance management and increasing the effectiveness of local pressure on public bodies, including local authorities, with a view to reducing the number of nationally set targets and accountabilities commensurately.
- 2.10 This consultation starts from the perspective that inspection is an important part of the future performance framework, but does not seek to suggest that it is the only or most important mechanism. It is just one of the levers and incentives that helps drive behaviour and performance across the whole system. Sometimes it will be the most appropriate challenge mechanism – either on its own or combined with other elements (eg. peer review, information, relationship management). Other times it will not.
- 2.11 Chapter 3 focuses on the role of inspection in the wider performance framework. We wish to generate real debate on this over the coming months to enable us to establish some clarity about the future role of inspection quickly, in respect of the delivery and improvement of local services. The role of inspection needs to influence the nature and functions of the new inspectorates that are to be in place by 2008. Also, a range of existing inspection programmes – including some of the biggest, like Comprehensive Performance Assessment and Children’s Services Joint Area Reviews – come to an end in 2008. Given the time that is required to develop and implement new approaches to inspection, or even to modify existing ones, we cannot delay in addressing these issues.
- 2.12 The creation of four new inspectorates provides a means of promoting and securing greater co-ordination and rationalisation of inspection. The second part of this consultation focuses on the arrangements we are proposing for the local services inspectorate, to enable us to establish it by 2008.

⁴ *Securing better outcomes: developing a new performance framework*, ODPM & HM Treasury, March 2005.

Chapter 3

The Future Role of Inspection

This chapter explores the issues that will shape the role of inspection in the context of the development of a new performance framework. We want to generate debate over the next few months so that a clear view of the role of inspection can both influence the setting up of the new local services inspectorate and enable work to be started in 2006 on methodologies and approaches for delivering this role.

3.1 Determining the appropriate role of inspection in the new performance framework, involves consideration of:

- why inspect (ie. clarifying the aims of inspection in the performance framework driving local service delivery);
- what to inspect (organisations, areas, partnership working);
- when and where to inspect (ie. the basis on which decisions to inspect are taken).

These issues are explored in the rest of this chapter.

3.2 While the basic framework for future inspection needs to be set clearly by Government, more detailed issues, including the development of methodologies and practices to implement this framework are a matter for the inspectorates to determine, reflecting:

- policy ambitions for public services and the Government's 10 Principles of Inspection set out in Cabinet Office/HMT's *Inspecting for improvement*⁵ in 2003 (see Annex A);
- their expertise; and
- best practice in the field of inspection.

WHY INSPECT? – CLARIFYING THE AIM OF INSPECTION

3.3 The key characteristics that inspection brings to the benefit of local services are:

- **independence** The fact that an inspectorate is independent – both of those whom it is inspecting and of Government – enables it to undertake its work without fear or favour. It is also key in ensuring the credibility of its judgements with the public and other parties.

⁵ *Inspecting for improvement: developing a customer focused approach*, Office of Public Services Reform, July 2003.

- **analysis of an evidence base** While a better and more transparent information framework will be a critical underpinning of the new performance framework, indicators and data do not always provide a full picture – both of current performance or of risks to future delivery. Inspectorates develop expertise in the analysis and challenging of evidence in order to provide a more comprehensive overview.
- **judgement** The analytical expertise of inspectorates is complemented by their ability, systematically and robustly, to derive judgements of strengths and weaknesses and propose means of making improvements. The publication of these judgements is a powerful driver of change and provides an important aid to accountability and transparency in the system.

3.4 The Government has, over time, identified a number of potential aims for independent inspection and other forms of external review:

- to provide assurance about the delivery of services or outcomes either:
 - where the risk of failure is particularly high; or
 - where the impact of failure is particularly significant; or
 - where the Government has particular interests or ambitions for delivery (ie. areas of national priority).
- to provide assurance about the delivery of minimum standards or targets, including consideration of unintentional consequences or impacts;
- to provide assurance about the impact and accessibility of public services for particular groups, such as those who are at risk of, or experiencing, social exclusion;
- to contribute to ensuring that policies and procedures are in place to protect public funds from fraud, abuse and error;
- to help drive continuous improvement – either across the spectrum, or focusing more specifically on areas of under-performance;
- to help drive effective management, leadership and systems – either within individual organisations or across organisational boundaries and in partnerships;
- to help drive efficient and effective use of resources (alongside and complementary to the audit function);
- to help identify and disseminate best practice to support improvement more widely.

- 3.5 These aims do, to a degree, overlap. The aspirations of a new performance framework and the wider strategy for inspection mean that we will need to be more rigorous and selective about which aims we place at the heart of a new inspection framework. We also need to acknowledge that some of those aims can be secured by means other than inspection.
- 3.6 Some of those other mechanisms for securing our aims that might be more efficient or effective than inspection include:
- audit;
 - peer and/or partner review;
 - the scrutiny function of local authorities;
 - customer/user mechanisms/whistle blowing;
 - self assessment and requirements for councils to report on their performance.
- 3.7 We must, however, guard against simply shifting the cost and burden of inspection elsewhere. The challenge is therefore to determine overall how appropriate external challenge can be managed within the new performance framework, and more specifically where inspection can bring the greatest benefits, at acceptable cost to both the system overall and to frontline staff.

Users, customers & citizens

- 3.8 A key facet of the new performance framework – and the public service reform agenda more generally – is the ambition for greater user and customer responsiveness in services, and the opportunity for greater involvement and empowerment of users and citizens in the system as a whole. Inspection will be an important tool in reflecting and reinforcing these ambitions.
- 3.9 While the quality of services has improved since the introduction of Comprehensive Performance Assessment (CPA), customer satisfaction with service provision is declining and users' expectations, both in terms of what is delivered and how it is delivered are increasing. The new CPA framework for 2005 includes a much greater focus on users and how their various needs are met by the local authority. In other inspection regimes, eg. the new Children's Services Joint Area Reviews, mechanisms are being developed to include service users more directly in inspections. This progress is all positive, but is only a starting point. The Government wants to see the user, customer and citizen perspectives further enhanced in inspection in future.

- 3.10 These ambitions could be secured in a number of ways – from fundamental definitions of the duty and roles of the inspectorate, through to practical arrangements in undertaking inspection. Possible options, that need further exploring and consideration, could include:
- the local services inspectorate being given a specific remit or statutory duty to focus on – or even champion – user, customer and citizen interests and needs in carrying out any of its activities;
 - a requirement that, in undertaking any inspection, the local services inspectorate should develop means of capturing user, customer and citizen views, including those at risk of adverse discriminatory impact, possibly through:
 - full use of existing information from customer satisfaction surveys and other sources;
 - requiring user-assessments to be included in self-assessments;
 - directly seeking user, customer and citizen views through surveys, focus groups, etc.;
 - establishing sounding or reference boards of users, customers and citizens to report to during and at the end of the inspection;
 - including users and their advocates in inspection teams and enabling them to help shape judgements.
 - in making inspection judgements the local services inspectorate could be required to:
 - have a focus on how user, customer and citizen needs and wants are met in an area or in the delivery of particular services (including how different needs and wants are balanced, how services engage with and meet the needs of different groups, including the most excluded);
 - find ways of testing the evidence of the authority or partnership eg. through posing as a customer, direct contact with user groups and their advocates, etc.;
 - provide external challenge on the way the local authority/partnership gathers and uses information about users, customers and citizens (from customer satisfaction surveys through the wider range of softer information) to influence its commissioning and delivery of services.

- building on existing requirements to publish inspection reports, the local services inspectorate could be expected to make the results of its work easily accessible to users, customers and citizens, possibly through:
 - publication and dissemination of the conclusions in user-friendly ways;
 - feedback sessions to groups of users, customers and citizens.

3.11 Inspection is only one means of seeking to promote and develop user focus and empowerment. Wider work is being developed on other aspects of this agenda, including improving information about customer needs and perceptions, strengthening mechanisms for user involvement in determining strategy and delivery of services, and exploring ways for them to secure responses to under-performance.

WHAT TO INSPECT – ORGANISATIONS, AREAS, PARTNERSHIP WORKING

3.12 Local services can be considered in many different ways – each of which could potentially provide a focus for inspection:

- individual services and their directly delivered outcomes (eg. housing management, benefits payment, etc.);
- there is an allied question as to whether the view of inspection’s potential role differs in cases where services are being commissioned from external providers;
- individual organisations – both in terms of corporate functions and securing outcomes (eg. local authorities, registered social landlords, fire & rescue authorities, etc.);
- joined-up outcomes as experienced by users, customers or citizens (eg. supporting people services, community safety, liveability, etc.);
- partnership working or joint-working mechanisms, and the contributions of individual organisations to such activity, to secure the delivery of joined-up or common outcomes (eg. Crime & Disorder Reduction Partnerships, Youth Offending Teams, etc.);
- client groups (eg. neighbourhoods, older people, Gypsies & Travellers, etc.).

WHEN AND WHERE TO INSPECT – RISK-ASSESSMENT AND PROGRAMMING

- 3.13 There are three main approaches to determining when and where to carry out inspection, which we explore below:
- published programmes;
 - unannounced, random sampling;
 - triggered inspection.
- 3.14 The current approach to most inspection is to use **published programmes** – setting out which organisations/areas are to be inspected in a particular period. In some cases, these programmes are universal – eg. the Audit Commission’s programme of corporate assessments for single tier and county councils covers every authority over a 3 year cycle. However, aspects of risk-management and proportionality can be built into these programmes through scoping the extent and depth of the inspection based on an assessment of risks. The Audit Commission’s restriction of service inspection primarily to those authorities with lower CPA categorisations reflects this. Such approaches could be applied more widely. The length of the cycle of inspection could also be changed in line with risk, eg. an inspectorate may return within 1 year to an authority which was a poor performer, but might leave it 4 or 5 years before revisiting a high performer.
- 3.15 It would also be possible, at least for some types of inspection, to develop programmes as more of an incentive for improvement. This would build on the BFI’s current approach, which involves using a risk approach to select the poorest performing councils for inspection and setting its inspection work in phases that last for less than a year. Local authorities are dropped from the programme if they demonstrate sufficient improvement by a particular time.
- 3.16 If inspection is required to provide a driver for delivery across a whole sector, with a minimal amount of actual inspection activity, **random sampled, unannounced inspection** could prove a powerful tool. It might operate on the basis of an announced number of inspections being undertaken in a period (eg. a year), but the location of those inspections would not be revealed – creating the potential of inspection across the sector. Such approaches are not currently used, although the new schools model is based on unannounced inspection as a means of ensuring a more realistic picture and reducing the burden of preparation for inspection.
- 3.17 The final model is that inspection should be **triggered** by under-performance. This would focus inspection on the poorer end of the performance scale, providing a means of driving improvement there and an incentive for higher performers not to slip. Triggers for inspection might include:

- hard data/evidence eg. performance falling below certain standards or evidence of unusually high costs;
- concerns from delivery partners about contribution to joint-outcomes;
- users, customers or citizens – either through particular individual or collective trigger mechanisms in response to dissatisfaction with service levels or on the basis of customer satisfaction or related data;
- concerns about the risk to public funds;
- by Ministers eg. in response to a critical service failure.

3.18 We are exploring the role of triggers and responses as we develop our wider work on the whole performance framework. It is clear that where triggers are pursued, inspection is one of the potential responses.

BRINGING THIS TOGETHER

3.19 We have set out a range of issues in connection with our starting questions about:

- why inspect?
- what to inspect?
- when and where to inspect?

3.20 We need to address these in the context of a desire to see a performance framework that seeks to shift accountability for performance more clearly to users of services and seeks to achieve a better balance between such bottom-up pressures from local users and citizens, horizontal pressures from local partners and peers, as well as top-down from Government.

3.21 In that context, we would particularly value responses to the following questions:

Question 1

- (a) What should be the **principal** purposes of the future inspection regime for local services?
- (b) How can inspection best support sharper accountability to service users and citizens?

Question 2

(a) What is the most appropriate balance to be struck in terms of future inspection of:

- individual services?
- individual organisations?
- joined-up outcomes (across organisations)?
- partnerships?

(b) How should the future inspection regime reflect an increasing focus on collaboration between local partners to secure outcomes via LAAs, etc.?

Question 3

(a) Should we move away from a general presumption about programmes of inspection that cover **all** organisations over a period of time – except in a few specified areas – and more towards inspection triggered by specific evidence of risks and/or poor performance?

(b) What part can a programme of randomly sampled, unannounced inspection play in driving up standards or performance across organisations?

SECTION 2

Establishing The Local Services Inspectorate

Chapter 4

Scope and Roles of the Local Services Inspectorate

In line with the Budget announcement, a local services inspectorate is to be established by 2008. It will bring together the current remits of the Audit Commission and the Benefit Fraud Inspectorate (only in relation to its inspection of English local authorities).

This chapter proposes the range of roles and functions for the local services inspectorate. Each is considered in terms of what it will entail, its scope and any limitations or boundaries. We will firm these proposals up in the light of consultation responses, and use them to determine the powers and duties that the local services inspectorate will need.

4.1 This chapter explores the following roles for the local services inspectorate⁶:

- i) deliverer of inspection judgements;
- ii) working in partnership with other inspectorates and regulators;
- iii) gatekeeper (including information broker);
- iv) audit – both financial and value for money;
- v) national studies;
- vi) supporting improvement.

Clearly, all of these roles will be performed within the context of the overall purpose, volume and type of inspection that is the subject of the issues canvassed in Section 1 of this document.

(I) DELIVERER OF INSPECTION JUDGEMENTS

4.2 The key attributes of an inspectorate (identified in para 3.3) comprise its ability to make independent, robust and evidence-based judgements on performance and delivery. This is the core of inspection and it is a role that will be central to the local services inspectorate. It encompasses:

⁶ Decisions have yet to be taken on how any planned new regulator/local enforcer relationships, eg. the Consumer and Trading Standards Agency, would operate in the new landscape.

- devising & publishing methodologies and criteria for making judgements:
 - (a) about the delivery or securing of outcomes; and
 - (b) for risk-assessments where these are used to determine whether inspection is undertaken, and what its scope and timing should be.
- drawing up programmes of inspection (for agreement through any relevant gatekeeping mechanisms – see **4.9–4.16**), monitoring risks and responding to any other triggers for inspection;
- securing delivery of these programmes – either through their own resources or by securing joint working with other inspectorates, experts, etc.;
- accountability for the judgements and recommendations arising from inspection.

4.3 The local services inspectorate’s evidence-based judgements may be stand alone verdicts or contributory elements which feed into wider methodologies – either their own or of other inspectorates.

4.4 The scope of its responsibilities in delivering judgements needs to be clearly set out. In seeking to define this scope we are **not** suggesting that there would be future inspection activity in these areas – such decisions will need to be influenced by the issues in Section 1 of this document.

4.5 To the extent that it is considered necessary that inspection activity is required in the following areas, the local services inspectorate’s role in delivering inspection judgements will cover:

- **local authorities’ corporate capacity and performance;**
- **all services and functions commissioned or delivered by local authorities except children’s services and adult social care** – which are specifically covered by the remits of one of the other inspectorates;
- **local authorities’ community leadership and partnership working** – this is a critical area where local authorities add value and is reflected in the development of the new CPA 2005 methodology to cover local authorities’ contribution to the delivery in their locality of the Shared Priorities, either directly themselves or through their partnership working. Many of the outcomes being sought through the delivery of local council services are dependent upon effective partnership working and the ability of councils to deliver high quality community leadership based upon effective partnerships. This will be an increasingly significant focus for the inspectorate;
- **fire and rescue authorities;**

- **police authorities** – inspection will be undertaken jointly with the criminal justice inspectorates (in future, the proposed Inspectorates for Justice, Community Safety and Custody);
- **all other Best Value authorities** as set out in the Local Government Act 1999;
- **housing associations and registered social landlords** – the local services inspectorate will undertake the inspection of such bodies, but will not duplicate the Housing Corporation’s regulatory role;
- **area-based cross-cutting outcomes delivered through local partnerships** – given the increased emphasis on assessing cross-cutting outcomes for users and residents in local authority areas, in the medium to longer term, the future focus of inspection activity may be increasingly area-based. Given local authorities’ critical role as community leaders and their partnership working to influence delivery in their area (eg. through Local Strategic Partnerships, Crime & Disorder Reduction Partnerships, etc.), the local services inspectorate must work with other inspectorates to deliver judgements on cross-cutting outcomes.

Question 4

We would welcome views on the defined scope of the local services inspectorate’s responsibility for delivering inspection judgements.

(II) INSPECTORATES WORKING IN PARTNERSHIP – A DUTY TO CO-OPERATE

- 4.6 While the rationalisation from 11 public service inspectorates to 4 will in itself promote co-operation between inspection regimes within each inspectorate, measures are also needed to secure effective co-ordination and collaboration between the inspectorates. Therefore each inspectorate will be charged with a specific duty to co-operate.
- 4.7 This duty to collaborate and co-operate with the other inspectorates and regulators will require the local services inspectorate to:
- share information and data with other bodies;
 - consult, collaborate, co-operate and co-ordinate activity with them (including the ability to delegate its functions to others, if appropriate, to enable this);
 - actively consult on proposed programming priorities in own sector and co-operate with other inspectorates, their sponsor departments and other regulatory or improvement bodies, to assist the effective co-ordination of cross-sector engagement and involvement in inspection and improvement activities;
 - refrain from unnecessary inspection or activity.

4.8 This duty will support:

- the **gatekeeper** role (described in more detail below);
- **joint working** between inspectorates to develop and deliver methodologies which are not restricted by the boundaries of their individual remits, without creating duplication. For example, the inspectorate for justice, community safety & custody will have responsibility for inspection of the contribution that the police (and other justice bodies as appropriate) make to wider community safety. However, the local services inspectorate will have responsibility for inspection of local authorities' (and other local services' as appropriate) contributions. But subject to that, they would have shared responsibility for inspection of partnership delivery, exercised according to agreed "gatekeeping" arrangements.
- **sharing and adoption of best-practice** across the inspection landscape, eg. on methodological approaches like how to capture user and customer views, on practical arrangements like training and development of inspectors; and
- **minimising duplication** of requests for information and data from inspected bodies, including the co-ordination and rationalisation of self-assessment requirements.

Question 5

We would welcome views on whether the local services inspectorate – in common with the other inspectorates – should have a general duty in law to co-operate as described.

(III) GATEKEEPER

4.9 While the focus of inspection can be very varied (see para 3.12), its burden falls upon the institutions or bodies that are inspected. Voluntary arrangements between inspectorates have for some time sought to co-ordinate inspection programmes to manage their impact. However, while they have had some success, these have not proved effective enough to remove the problem of unco-ordinated inspection programmes creating a cumulatively excessive burden. As inspection shifts its focus from individual institutions' activities to those individual or shared activities (eg. through partnerships) that have an impact on the public, there is likely to be more cross-cutting inspection in the future. Delivering the rationalisation of inspection that we seek therefore requires a means of controlling the total burden on institutions or bodies, even if inspection methodologies are not in future primarily focused on them.

4.10 The common duty to co-operate on each inspectorate (see above) is a good starting point. However, while it is a necessary element, it is insufficient to ensure our rationalisation ambitions are delivered – particularly in the most complex circumstances eg. local authorities which may be subject to inspection by each of the inspectorates.

4.11 The gatekeeper role is intended to overcome this. Each of the four new public service inspectorates will have such a role in respect of the institutions or bodies for which they have the best overview of inspection's impact and burden. For this reason, the local services inspectorate will be the gatekeeper for all inspection affecting:

- local authorities (eg. including children's services and adult social care, but excluding schools);

and insofar as is necessary:

- local partnerships;
- fire and rescue authorities;
- housing associations and registered social landlords (excluding any regulation activity by the Housing Corporation).

4.12 An inspection will be considered to 'affect' any of these bodies, if it involves any preparation by them before the inspection, any visits, contact or requests for information as part of the inspection.

4.13 The main elements of the gatekeeper role are:

- **co-ordination of forward programming in relation to institutions and bodies affected** – the gatekeeper's agreement would be required for any inspection activity that impacted on the sector for which it was gatekeeping; and
- **information brokering** – the gatekeeper would be responsible for ensuring that available information on the institutions and bodies in its sector and their performance or contribution was shared and used effectively, thus avoiding the need for further requests for the same information and for inspection where adequate information and judgements already exist.

4.14 We also recognise that there may be occasions when the inspecting inspectorate and the gatekeeper cannot reach agreement. We do not expect these to occur often – not least because of the duty to co-operate – and recognise that where they do, they may be a reflection of conflicting policy ambitions. There will therefore be a fall-back – for the proposing inspectorate to escalate the issue to Ministers, where final decision-making power will lie.

4.15 Ministers will retain a power to direct an inspection in exceptional circumstances, overriding the gatekeeping arrangements if necessary. However, they would generally at least seek the gatekeeper's views to ensure they had a full picture to inform their decision.

4.16 Insofar as any inspection activity that the local services inspectorate is responsible for impacts on any institutions ‘gatekept’ by another inspectorate, the local services inspectorate will need to secure the gatekeeper’s agreement to any proposed programmes.

Question 6

Do you agree with our proposal for the gatekeeper role?

Do you agree that the local services inspectorate should be the gatekeeper for local authorities, fire and rescue authorities, housing associations and registered social landlords, and local partnerships where appropriate?

(IV) LOCAL PUBLIC AUDIT FUNCTION

4.17 The Audit Commission was originally established to secure *audit* for local public sector bodies. As far as local government is concerned, its role was expanded into *inspection* in the Local Government Act 1999. It also has audit powers in relation to the following non-local government bodies⁷:

- joint authorities;
- health authorities (by invitation);
- port health authorities;
- the Broads Authority;
- national park authorities;
- police authorities;
- fire and rescue authorities;
- licensing planning committees;
- local probation boards;
- internal drainage boards;

and a variety of other small bodies and committees.

⁷ Audit Commission Act, Schedule 2 eg. NHS Foundation Trusts choose their own auditors.

Therefore, in establishing a local services inspectorate, we need to address whether we wish to incorporate *all* of the Audit Commission's current audit powers into the new inspectorate:

- 4.18 There is an issue of the relationship between audit, inspection and helping organisations secure overall value for money. Public sector audit plays a critical role in public service regulation. This role can be split into two main aspects:
- (i) **financial audit** – the opinion on annual accounts;
 - (ii) **value for money audit** – assessment of the overall corporate financial and performance management of the organisation to secure economy, efficiency and effectiveness, and including assessment of corporate arrangements for management of value for money.
- 4.19 Auditors' vfm work is directed to the overall performance management and financial management arrangements that have been put in place by organisations and not at individual services. There are 5 essential elements around which auditors reach a formal conclusion in respect of the 'use of resources', of which 4 relate directly to financial issues and systems of internal control:
- financial management,
 - financial standing,
 - financial reporting,
 - internal controls and
 - value for money.
- 4.20 Information from financial audit work can provide valuable evidence and information for inspectors. The wider vfm audit role can have even closer links with inspection, particularly where it is exploring value for money issues – and sometimes the interface between the two can become confused. This is in part because, prior to the growth of inspection, auditors' vfm and 'performance audit' work expanded. The Audit Commission has sought to clarify the distinctions between vfm audit and inspection⁸. The distinction between the two is that vfm audit is focused on corporate systems and controls and draws on information gained as part of financial audit work, whereas inspection will generally focus more specifically on the management of vfm in relation to specific service or cross-cutting outcomes
- 4.21 Clearly, this distinction cannot be drawn rigidly – and the key is therefore that appropriate arrangements exist between auditors and inspectors to prevent duplication and to draw on each others' respective expertise. The development by the Audit

⁸ Code of Audit Practice 2005.

Commission auditors of ‘use of resources’ judgements to fit into both the CPA of local authorities and the Healthcare Commission’s judgements demonstrate how this can be effectively achieved. Future arrangements must ensure that these kinds of positive relationships between auditors and inspectors in all inspectorates can continue and be further developed.

4.22 We believe there are strong arguments for maintaining audit responsibilities within a single body, rather than trying to separate the existing arrangements between the other new inspectorates. This would mean the local services inspectorate taking forward the Audit Commission’s current powers (though not duties) to arrange the audit function for the public bodies listed in 4.17 above. The benefits of this, we believe, are that:

- it would retain the efficiency benefits of having a single body responsible for securing independent audit of local public service deliverers – not least through the market power in the purchasing in of audit capacity from the private sector;
- it is the simplest means of ensuring common application of audit standards across local public services;
- keeping the financial and vfm audit functions together is essential to avoid duplication of effort – vfm audit relies upon evidence and information gathered in the work to provide an opinion on the annual accounts;
- it provides opportunities to develop further the tracking of public funds in an area, to support the key aim of maximising transparency about the use of valuable public resources in an increasing complex world of joined-up delivery and partnership working.

4.23 We believe that the case for continuing this audit function as a role for the local services inspectorate is strong. Such an approach enhances the simplification of the overall regulatory landscape. It also maintains the valuable interface that has been developed between audit and the Audit Commission’s current inspection work, particularly in relation to local government but also to its wider audit role in relation to the non-local government bodies.

Question 7

We would welcome your views on our proposal that the local services inspectorate should have all the Audit Commission’s current powers to carry out financial and vfm audit of all local government and non-local government bodies as listed in paragraph 4.17 above.

(V) NATIONAL STUDIES

- 4.24 The Audit Commission currently has broad powers⁹ to undertake studies to help improve economy, efficiency and effectiveness in audited bodies ie. across local government, housing, criminal justice and fire and rescue services, etc. Following the Health and Social Care (Community Health and Standards) Act 2003, its powers in relation to health do not entitle the Audit Commission to comment on policy.
- 4.25 These studies play a useful role in drawing together findings discovered at the local level and using those to draw conclusions which could have national importance. They produce a range of evidence-based outputs, including tools for organisations and auditors that tackle cross-cutting and value for money areas. The programme of studies is targeted to tackle topical, cross-cutting and value for money issues.
- 4.26 However, the range of the Audit Commission's current remit overlaps with other inspectorates' areas of responsibility. That has in the past created duplication which the Audit Commission has sought to limit by reviewing its proposals for commissioning study research for national reports and consulting widely on its proposed studies programme.
- 4.27 National studies are valuable as indicated in para. 4.25 above. Some, however may consider that they should be undertaken by relevant sector inspectorates. If we wanted that to be the case, we might consider constraining the local services inspectorates' powers to undertake studies outside local authorities, to ensure that duplication was minimised.
- 4.28 There are three options:

Option 1 – that the local services inspectorate should continue to undertake national studies in line with their audit powers and following consultation, where those studies will deliver an independent view, useful evidence and identify good practice.

Option 2 – to strengthen the consultation arrangements requiring the local services inspectorate to seek the agreement, not just consult, the relevant inspectorate before undertaking any national studies outside its own (local government) sector. This would ensure that proposed studies were not duplicative or unnecessary and would allow consideration of whether the study could be more effectively carried out through joint working or by others in their respective sectors.

Option 3 – to constrain the local services inspectorate's powers in relation to bodies that are listed in para. 4.17 above, such as police, probation boards, etc. to looking only at financial management. This is the current model for health which has been working well and still allows the Commission to comment on financial issues for which it is, rightly, considered to be an expert. It would then enable equivalent studies powers to be adopted by the other inspectorates for their sectoral interests.

⁹ Section 33-40, Audit Commission Act 1998

Question 8

We would welcome your comments on whether the local services inspectorate:

- (a) should retain the Audit Commission’s powers to undertake national studies in the same way as at present; ie. to continue to undertake national studies in local public services, where these will deliver useful outcomes?
- (b) should only have powers to undertake national studies that impact on non-local government sectors subject to the agreement to the inspectorate for that sector;

or

- (c) whether in respect of non-local government bodies the local service inspectorate’s powers should exclude comment on Government policy, in line with current powers in relation to health?

(VI) THE ROLE OF THE LOCAL SERVICES INSPECTORATE IN SUPPORTING IMPROVEMENT

- 4.29 Inspection contributes to the improvement of individual services and institutions by making independent judgements about the standard of the relevant services and the outcomes experienced by users, assessing these against best practice or targets, reporting on them in public and making recommendations for improvement.
- 4.30 Some inspectorates take this process a stage further and not only provide advice to service providers on improving their services, but also offer fee-earning consultancy to help implement improvements. For example, the Audit Commission provides advice on best practice examples and on the quality of local authorities’ improvement plans as part of their main work. In addition, they have a power¹⁰ to undertake more ‘consultancy style’ work for a fee, if specifically commissioned to do so by an authority. This allows the Commission to stay in touch with leading edge practice. The Commission were paid £2m through such fees this year to cover the costs of this work. The Benefit Fraud Inspectorate runs a Performance Development Team (PDT) for the DWP. The PDT offers free advice and guidance to individual local authorities on how to increase administrative efficiency and deliver sustainable improvements in benefit service performance. The Commission for Social Care Inspection also has a clear improvement role, working with local authorities on their improvement plans. Ofsted does not engage in improvement work beyond the publication of inspection reports.
- 4.31 There are a range of other bodies also currently involved in challenging improvement, including Government Departments and Government Offices or supporting it such as sectoral support bodies like the LGA’s Performance Partnership bodies (4Ps, Employers’

¹⁰ Section 35, Audit Commission Act 1998.

Organisation, LACORS and the Improvement and Development Agency (IDeA)), regional and sub-regional improvement partnerships that are starting to be established and direct support relationships between individual authorities, such as the Kent-Swindon social services franchise. So the question is whether such a role is also necessary within an inspectorate for local services.

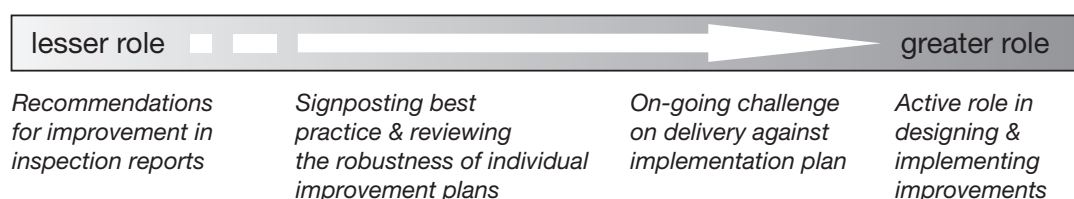
4.32 It is the case that, through their inspection work, inspectorates gain a valuable understanding of what works and what doesn't in driving improvement in services and organisations. Also, over recent years, some local authorities have expressed a desire for inspectorates to go beyond purely making recommendations. So there is clearly a critical role for inspectorates to play as a generic commentator on good practice and scope for improvement.

4.33 There are two main areas of concern in respect of the extent of the role inspectorates play in supporting improvement:

(i) **conflicts of interest** with the inspectorate's over-arching duty to make judgements on performance. The independence of their judgement might be compromised (or perceived to be so) if they are seen to have had a close role in improvement work before inspections. Equally, councils may feel pressured into seeking inspectorates' advice as a means of ensuring future positive inspections. This could be overcome by ensuring that inspection and improvement work are kept separate within the inspectorate, so that those undertaking any inspection have not previously been engaged in any related improvement work. Finally, where improvement work is funded through the charging of fees, concerns can arise about the motivation of the inspectorate in seeking such work and in possibly being diverted from its core role.

(ii) **value for money** of improvement support activity. At present, Government funds improvement and support activity (through a top-slice of revenue support grant based on a recommendation by the Local Government Association), among the Performance Partnership bodies. Funding additional bodies in this area can only be justified if they clearly undertake a separate function and constitute better value for money than consolidating these functions within existing infrastructure.

4.34 In relation to individual institutions, there is a spectrum of 'improvement' work that an inspectorate could, potentially, undertake:



4.35 The key question is therefore how far along this spectrum the local services inspectorate should operate. We believe that a balance needs to be struck between the issues explored above. The local services inspectorate should support improvement by:

- making clear recommendations in its inspection judgements about ways in which services, organisations and outcomes can be improved;
- ensuring that knowledge of what drives effective delivery and improvement acquired in their inspection work is shared with deliverers and others involved in supporting improvement;
- signposting best practice and improvement support to local authorities and partners post-inspection;
- providing feedback and challenge on improvement plans developed on the back of inspection reports;
- providing information to inform policy decisions that will impact on local authority performance.

4.36 We propose that the inspectorate should have a clearer role in improvement work as described above, and that it be funded as part of its inspection activity. This implies the removal of the Audit Commission’s current power to undertake more consultancy-style work on a fee basis, and that of the PDT service currently delivered by the BFI. Clearly, it will be for DWP to determine whether it continues to provide this service.

Question 9

We would welcome your views on the proposed improvement role for the local services inspectorate – and its limitations.

Chapter 5

Governance and Funding

Options for New Local Services Inspectorate

This chapter proposes that the local services inspectorate is created by amending the existing Audit Commission, rather than abolishing it and creating a new body. It also sets out a broad consideration of the different funding options for the local services inspectorate – though final decisions on which to pursue will need to be taken once there is clarity on its roles.

GOVERNANCE OF THE NEW INSPECTORATE

- 5.1 The 2005 Budget statement referred to “establishing a single inspectorate of local services merging the Audit Commission’s and the Benefit Fraud Inspectorate’s inspection functions in relation to English local authorities”.
- 5.2 There are fundamentally 2 options for delivering this:
 - (a) to create a completely new local services inspectorate, with all the functions and roles set out from scratch; or
 - (b) to amend the existing Audit Commission’s powers, duties and structures to reflect the changes in functions.
- 5.3 We consider that there are practical and legislative reasons why a new body may not be desirable. The Audit Commission is a strong brand and has a good reputation for independence, impartiality and effectiveness. If we chose to replace it with a completely new body we would lose that. There would also be considerable upheaval in such a change which could jeopardise the Commission’s current work programme and continuity between the old and the new.
- 5.4 It does not seem sensible to abolish an existing body, simply to establish another with very similar functions, duties and powers. The expansion of the remit, from incorporating the Benefit Fraud Inspectorate’s local authority inspection functions, can be secured through minimal amendments to the Audit Commission’s remit and powers. Further consideration of what amendments might be required will be undertaken, with the Department for Work and Pensions, over the coming months.

- 5.5 Moreover, given that inspection is a knowledge-based business, retaining inspection expertise throughout this period of change is an important consideration.
- 5.6 Finally, there are cost considerations. The abolition of one body and the creation of a new one will incur significant costs. Amending the remit of an existing body reduces many of these costs very significantly.
- 5.7 Theoretically, we could retain the Audit Commission, but signal its changing role through a change of name or branding. However, this would reduce some of the benefits of retaining the Audit Commission identified above.
- 5.8 So, we propose retaining the Audit Commission, but amending its functions and powers as necessary.
- 5.9 Similarly, we also do not see any strong case for changing the basic governance model – an Executive Non-Departmental Public Body – which provides a strong assurance of independence. The Secretary of State would continue to appoint a Chair and Board, and the body would be subject to Cabinet Office Guidance '*Non Departmental Public Bodies: A Guide for Departments*'. However, minor changes – for example to the minimum number of Board members required – will be considered.

FUNDING OPTIONS

- 5.10 Decisions about funding of future inspectorate activity will need to reflect decisions on the roles – including the conclusions reached on the future role of inspection. However, we would welcome initial views on the broad options for future funding of the local services inspectorate.
- 5.11 The Audit Commission currently charges fees for all its audit work, and its inspection work is funded through a mix of fees and Government grant. The BFI is part of the DWP, but operates independently of those administering benefits, reporting directly to the Secretary of State for Work and Pensions. The Inspectorate does not charge a fee to councils, and is funded in the form of a delegated budget from DWP.
- 5.12 Other public services Inspectorates are either grant funded by their parent Department or, in the case of Non-Ministerial Departments, funded direct by HM Treasury. This means that the inspected bodies do not directly fund any of the cost of their inspection.
- 5.13 In the case of the local services inspectorate, it will secure audit and inspect public bodies, so the funding arrangements need to represent the most sensible way of distributing public expenditure between central Departments, the inspectorate and the bodies themselves. We believe that there are three funding options for the local services inspectorate in the future:

- Option 1 – Keep the current funding arrangements

Audit work would continue to be fee funded. The new inspectorate would retain powers to charge fees for inspection underpinned by a grant payment from ODPM, to allow inspection fees to local authorities to be discounted. As a more proportionate inspection regime was introduced, top performing councils would receive little or no inspection, and inspection fees would therefore fall mostly on the poorest performing councils. The current Revenue Support Grant formula does not match this distribution and consideration would need to be given on how to ensure this issue was resolved.

- Option 2 – All inspection and audit work is fee funded

Inspected bodies would cover the whole of inspection costs through fees. With inspection increasingly shifting away from a pure focus on organisations and more towards joined-up outcomes and partnership-working, this would create complexity around decisions on who was to pay. It also replicates the problems raised under Option 1 in relation to the poorest performers facing the greatest burden.

- Option 3 – All inspection is grant funded, audit work remains fee funded.

This would overcome the imbalance problems of the other two options. However, it would lose the financial incentive for local authorities to perform well to avoid inspection activity. Before any decisions could be made to go down this route, there would need to be careful consideration of the impact on Revenue Support Grant and of potential impact on ODPM's expenditure.

Question 10

We would welcome initial views, based on your opinions on the future role of inspection, about future funding arrangements.

Chapter 6

Bringing Together the Audit Commission & Benefit Fraud Inspectorate (BFI)

- 6.1 The merger of the Audit Commission and the Benefit Fraud Inspectorate, to create the local services inspectorate, provides an opportunity to ensure that there is greater consistency in the approach to inspection and to remove any duplication of effort. It will also provide an opportunity for the cross-fertilisation of ideas on how best to undertake inspection work in the future, including minimising the inspection burdens on authorities and ensuring that the local services inspectorate offers maximum value for money.
- 6.2 In doing so, consideration will be given to whether methodologies, arrangements for selecting authorities and services for inspection and reporting arrangements can be brought together to deliver a more streamlined approach. While the focus of inspection in terms of providing assurance may be rebalanced to focus more on assurance in respect of delivery of local priorities in future, a degree of assurance and lines of accountability to Parliament through Ministers will need to be retained for benefits services.
- 6.3 In line with recent calls for efficiency savings, consideration will need to be given to the resourcing of the new local services inspectorate as a result of bringing together the Audit Commission and Benefit Fraud Inspectorate. The successful implementation of these decisions would require sensitive and appropriate handling of internal staff issues, especially in relation to relocation and changes in the allocation of resources. ODPM will work with the Audit Commission and DWP (including the BFI) to resolve any financial or legislative implications, with staff and their representatives consulted as necessary.

TERRITORIAL EXTENT

- 6.4 The local services inspectorate will inspect local authorities and their partners in England. The Benefit Fraud Inspectorate currently inspects local authorities in England, Scotland and Wales. It also carries out some inspections of DWP's centrally administered benefits.
- 6.5 The intention to merge the Audit Commission with the Benefit Fraud Inspectorate will have an impact on Housing Benefit inspection in Scotland and Wales. DWP will undertake separate consultation with appropriate bodies in Scotland and Wales on this matter, including Audit Scotland and the Wales Audit Office.

- 6.6 As it will not be appropriate for the local services inspectorate to inspect centrally administered benefits, DWP will consider how this aspect of the Benefit Fraud Inspectorate's work will be covered in future.

Chapter 7

Timetable for Implementation

7.1 This consultation will run until 3 March 2006. During that time, we will be seeking to discuss the issues raised in it – both on the future role of inspection and the creation of the local services inspectorate – with a wide range of stakeholders. We would also welcome written responses. These should be sent to:

Dorothy Dray
LGQ4
Office of the Deputy Prime Minister
Zone 5/C5
Eland House
Bressenden Place
London SW1E 5DU

Fax: 020 7944 3799

E-mail: LocalServicesInspection@odpm.gsi.gov.uk

7.2 We will consider the issues raised in the consultation alongside the further development of other aspects of the new performance framework and hope to be able to publish a policy statement in mid-2006.

3 March 2006	Consultation closes
Mid 2006	Final policy statement
November 2006-July 2007	2nd session legislation (subject to Queen's Speech)
July 2007	Royal Assent
Autumn 2007	Shadow running of new inspectorate
1 April 2008	Local services inspectorate in place

ANNEX A

Principles of Inspection

The principles of inspection in this policy statement place the following expectations on inspection providers and on the departments sponsoring them:

- a) The **purpose of improvement**. There should be an explicit concern on the part of inspectors to contribute to the improvement of the service being inspected. This should guide the focus, method, reporting and follow-up of inspection. In framing recommendations, an inspector should recognise good performance and address any failure appropriately.
- b) A **focus on outcomes**, not on process, which means considering outcomes for the end users of the services rather than concentrating solely on internal management arrangements.
- c) A **user perspective**. Inspection should be delivered with a clear focus on the experience of those for whom the service is provided, as well as on internal management arrangements. Inspection should encourage innovation and diversity and not be solely compliance-based.
- d) **Proportionate to risk**. Over time, inspectors should modify the extent of future inspection according to the quality of performance by the service provider. For example, good performers should be allowed to earn less inspection, or other freedoms.
- e) Inspectors should encourage rigorous **self-assessment** by managers. Inspectors should challenge the outcomes of managers' self-assessments, take them into account in the inspection process, and provide a comparative benchmark.
- f) Inspectors should use **impartial evidence**. Evidence, whether quantitative or qualitative, should be validated and credible.
- g) Inspectors should disclose the **criteria** they use to form judgements.
- h) Inspectors should have regard to **value for money**, their own included:
 - Inspection looks to see there are arrangements in place to deliver the service efficiently and effectively
 - Inspection itself should be able to demonstrate it delivers benefits commensurate with its cost
- i) Inspectors should continually **learn from experience**, in order to become increasingly effective. This can be done by assessing their own impact on the service provider's ability to improve and by sharing best practice with other inspectors.

ANNEX B

Consultation Arrangements

1. Copies of the covering note and consultation paper have been sent to all local authorities in England and to other parties that have expressed an interest in issues related to local services inspection.
2. The proposals in the enclosed paper concern arrangements for the inspection of services commissioned or provided by local authorities.
3. The Office may wish to publish responses to this consultation exercise in due course or deposit them in its libraries. If so, all responses received will be published or deposited, unless a respondent specifically asks the Office to treat their response as confidential. Confidential responses will, nevertheless be included in any statistical summary of the numbers of comments received and views expressed.
4. A summary of responses will be published by 1 June and a copy will be available on the web site of the Office of the Deputy Prime Minister at the following address:
<http://www.local.odpm.gov.uk>

A paper copy of the summary of responses can be obtained from

Dorothy Dray
LGQ4
Office of the Deputy Prime Minister
Zone 5/C5
Eland House
Bressenden Place
London SW1E 5DU

Fax: 020 7944 3799

E-mail: LocalServicesInspection@odpm.gsi.gov.uk

COMMENTS AND COMPLAINTS

This consultation is being undertaken in accordance with the *Code of Practice on Written Consultation*; the main consultation criteria are:

THE CONSULTATION CRITERIA

The Government has adopted a code of practice on consultations. The criteria below apply to all UK national public consultations on the basis of a document in electronic or printed form. They will often be relevant to other sorts of consultation.

Though they have no legal force, and cannot prevail over statutory or other mandatory external requirements (eg. under European Community Law), they should otherwise generally be regarded as binding on UK departments and their agencies, unless Ministers conclude that exceptional circumstances require a departure.

- 1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.**
- 2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.**
- 3. Ensure that your consultation is clear, concise and widely accessible.**
- 4. Give feedback regarding the responses received and how the consultation process influenced the policy.**
- 5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.**
- 6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.**

The full consultation code may be viewed at
www.cabinet-office.gov.uk/regulation/Consultation/Introduction.htm

Are you satisfied that this consultation has followed these criteria? If not, or you have any other observations about ways of improving the consultation process please contact:

Adam Bond, ODPM Consultation Co-ordinator, Room 2.19, 26 Whitehall,
London, SW1A 2WH; or by e-mail to: adam.bond@odpm.gsi.gov.uk