



seeing is **believing**

how the Audit Commission will carry out
best value inspections in England

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Introduction	1
1 Best value and inspection	2
What is best value?	2
The role of the Audit Commission in best value	2
Why are best value reviews being inspected?	2
What is the scope of inspection?	3
2 An inspection service that is informed by results	5
Recognise people as key to improvement	5
Challenge attitudes and performance	6
Support the management of change	6
Be open about the basis of judgements	7
Base judgements on sound evidence	7
Speak clearly to local people	8
Inform national policy and debate	8
Engage skilled and credible inspectors	8
Learn from what works	9
3 What are inspectors looking for?	10
The judgements that inspectors have to make	10
The questions that lead to the inspectors' judgements	10
How do inspectors answer these questions?	12
4 The stages of inspection	14
Stage 1 - Understand the context	14
Stage 2 - Review performance	16
Stage 3 - Brief the authority	18
Stage 4 - Carry out reality checks	18
Stage 5 - Interim challenge	22
Stage 6 - Final reporting	22
Stage 7 - Follow-up	24
5 When will authorities be inspected?	26
Planning best value reviews	26
Agreeing an authority's inspection programme	26
April 2000 to March 2001	28
How much will it cost?	28
6 Referrals and intervention	29
The Government's role in intervention	29
The Commission's role in referrals	29
Circumstances that may lead to referral	29
Co-ordination of referrals with other inspectorates	30
The regional structure of the Inspection Service	31

Introduction

Best value is a challenge to us all. Everyone involved in best value will be judged by whether local services for local people improve year after year.

We have designed an Inspection Service that will rise to this challenge; one that will be a catalyst for improvement at the leading edge of the drive for excellence in public service. This report tells you how we mean to make inspection work.

Chapter 1 summarises the role of inspection in best value.

- The purpose of inspection – why are best value reviews (BVRs) inspected and what results are these aiming to achieve?
- The scope of inspection – which authorities and services¹ will be inspected and who will do the inspecting?

Chapter 2 explains how the Commission has designed an inspection service that is fit for modern public services.

- A modern inspection service – what is the rationale for the Commission's approach to best value inspection?

Chapters 3 and 4 look in more detail at the content and process of inspection, using examples from pilot best value inspections that were carried out in 1999 to illustrate what it will be like.

These chapters identify:

- what judgements inspectors will be making about BVRs; and
- what the stages of inspection will involve.

Chapter 5 sets out how the Commission will decide when and what to inspect, explaining the difference between what will happen in the first six months of inspection from subsequent years.

Chapter 6 explains the Commission's role in referral and intervention.

A separate report explaining how inspection will be carried out in Wales will be published following discussions and consultation with the National Assembly for Wales, the Best Value Inspectorate Forum for Wales, and the Welsh Best Value Project Group.

Local authorities have been given a unique opportunity to show that continuous improvement of local services is best achieved at a local level. But the Commission understands that best value will confront members and officers with difficult, and at times controversial, choices. The Inspection Service will work with authorities to help them to take this opportunity, and to ensure that best value makes real improvements to the quality of local services and the quality of local people's lives.



Wendy Thomson,
Director of Inspection

¹ The expression 'service' is used throughout this report to refer to specific services or cross-cutting services and themes.

1 Best value and inspection

What is best value?

1. The Government has placed a duty of best value on local authorities to deliver services to clear standards - of cost and quality - by the most economic, efficient and effective means available. Taking effect from 1 April 2000, best value is a challenging new performance framework that will require authorities to:

- publish annual best value performance plans; and
- review all of their services every five years.

2. Authorities must show that they have applied the 4Cs of best value to every review:

- challenging why and how a service is being provided;
- comparing their performance with others' (including organisations in the private and voluntary sectors);
- embracing fair competition as a means of securing efficient and effective services; and
- consulting with local taxpayers, customers and the wider business community.

3. Authorities must demonstrate to local people that they are achieving continuous improvement in all of their services.

The role of the Audit Commission in best value

4. Best value is leading to major changes in the roles and functions of the Audit Commission. These changes include:

- the creation within the Commission of an inspection service, incorporating a housing

inspectorate, to carry out inspections of BVRs;

- new responsibilities for auditors appointed by the Commission to audit best value performance plans (BVPPs);
- changes to the way in which the Commission will exercise its responsibilities for defining performance indicators; and
- changes to the Commission's approach to value-for-money (VFM) work at both the national and local level.

5. The Commission's recent publication, *Best Assured*², explained the Commission's role in the audit of BVPPs and how the audit of BVPPs relates to inspection. The audit will be carried out by the authority's external auditors. They will review:

- the extent to which an authority's BVPP has been prepared and published in compliance with the legislation and statutory guidance;
- the systems set in place by the authority for collecting and recording specified performance information; and
- the extent to which the authority's corporate performance management framework complies with the legislation and statutory guidance in relation to best value.

6. When the audit is completed, the auditor must issue a statutory report to the authority and to the Commission by 30 June each year.

Why are best value reviews being inspected?

7. The Government has decided that each authority should be scrutinised by an independent inspectorate, so that the public will know whether best value is being achieved.

'The Local Government Act 1999 contains a number of new provisions regarding inspection. Section 10 provides for the Audit Commission to carry out inspections for best value purposes and for the Secretary of State to direct inspections to be carried out should he so decide... The new inspection arrangements will have a key role to play in delivering best value. Inspection reports will:

- enable the public to see whether best value is being delivered;
- enable the inspected body to see how well it is doing;
- enable the Government to see how well its policies are working on the ground;
- identify failing services where remedial action may be necessary; and
- identify and disseminate best practice.³

8. In this context, the Commission is committed to designing an inspection service that acts as a catalyst for change. This opportunity offers enormous scope for making real improvements to the quality of local services and to the quality of people's lives.

² Audit Commission, *Best Assured: The Role of the Audit Commission in Best Value*, Audit Commission, 1999.

³ DETR Circular 10/99, *Local Government Act 1999: Part I Best Value*.

What is the scope of inspection?

Which authorities and services will be inspected?

9. The Local Government Act 1999 specifies the following as best value authorities, all of the functions of which will be subject to best value inspection:

- local authorities;
- national park authorities;
- the Broads Authority;
- police authorities;
- fire authorities constituted by a combination scheme and metropolitan county fire and civil defence authorities;
- the London Fire and Emergency Planning Authority;
- waste disposal authorities;
- metropolitan county passenger transport authorities;
- Transport for London; and
- the London Development Agency.

Who will do the inspecting?

10. Many of the services in these authorities are already reviewed by existing specialist inspectorates: the Benefit Fraud Inspectorate; HM Fire Services Inspectorate; HM Inspectorate of Constabulary; the Office for Standards in Education (OfSTED); and the Social Services Inspectorate (SSI). The specialist inspectorates will inspect the BVRs that deal with these services by incorporating the requirements of best value inspection into their existing inspection models.

11. The Commission has been given the job of inspecting housing and other functions that have not previously been subject to inspection, including: environment, leisure, support services and cross-cutting themes. It is required by the Government to work in partnership with existing specialist inspectorates 'where it is sensible to do so'.⁴ Inspectors will be different to, and distinct from, the auditors who undertake the audit of the best value performance plan.

12. Consultation that was carried out by the Commission in *From Principles to Practice*⁵ revealed that a significant number of authorities were concerned about how best value inspections would fit in with the existing programmes of other statutory inspectorates. They expressed doubts about whether different inspectorates could work together effectively to inspect BVRs of cross-cutting themes such as community safety, or regeneration.

13. These concerns are being addressed by the Best Value Inspectorate Forum for England that the Government has set up. It comprises all the inspectorates involved in best value. The forum will:

- consider the scope for co-ordinating programmes of audit and inspection;
- develop arrangements to inspect across organisational boundaries including the identification of thematic issues for cross-cutting inspection;
- ensure a consistent approach to best value arrangements by different inspectorates and auditors;

- build on and develop joint inspection methodologies to facilitate joint working;
- consider the scope for involving users more in the inspection process;
- consider ways of targeting resources on those areas where the risks involved are the greatest; and
- identify and promote best practice in best value inspection.

14. Effective working arrangements will also be developed at the regional and local level between different inspectorates to ensure that inspection and audit are joined up locally.



⁴ DETR Circular 10/99, *Local Government Act 1999: Part I Best Value*.

⁵ Audit Commission, *From Principles to Practice*, Audit Commission, 1999.

Does inspection look at processes, reviews, or services?

15. The Commission's best value inspections will normally take as their starting point an authority's own review. This gives authorities a key role in determining the timing and scope of their reviews and inspections. But inspection will not be merely a paper exercise that can be conducted via a desk based 'review of a review'. To ensure that an inspection is grounded in reality, and connects to local people's experience, it will look at the service being provided as well as checking whether the authority's review complies with the requirements of best value. Where services have recognised standards, inspection will assess how far they are being achieved from the customer's viewpoint.

16. This customer perspective means that inspectors have to look at the quality of a service, regardless of whether it is provided directly by the authority or through a private contractor or a partner voluntary organisation. An authority's partners and contractors are key to whether or not it can achieve best value, and so will need to form part of both the BVRs and the inspection that follows.

17. And because local authorities are about more than providing services, inspection will also look at how community strategies and cross-cutting themes fit with the authority's corporate aims, its political agenda and its capacity to manage change. The improvement needed in authorities to tackle the big issues facing communities – such as social exclusion, regeneration, equal opportunity and sustainability – is one of the greatest challenges for best value. The actions needed to make the

improvements will challenge the commitment and leadership of an authority's members and its senior managers. Some authorities are carrying out BVRs of corporate and community governance - these will be subject to inspection like any other BVR. In some circumstances, for example, when there is a referral or a directed inspection, inspectors may look at the appropriateness of corporate governance arrangements for leading and managing improvement.

How long will inspections last? How many will there be?

18. Authorities themselves will be able to influence the length and cost of inspections. The intensity of inspections will vary depending upon the nature of the services being reviewed and, more importantly, on the quality of an authority's own best value review.

19. When the authority has carried out a comprehensive review and can prove this to the inspection team, the inspection is likely to be a 'light touch'. As a minimum, this might mean that the lead inspector reviews the BVR and produces a short report with recommendations. But many inspections will lead to a full report showing how the inspectors' judgements were reached, and providing recommendations for improvement. Therefore, the length of inspections might vary from as little as one day at the authority to as many as twenty.

20. Chapters 3, 4 and 5 go into more detail about how long each stage of inspection takes, and how much it costs. However, the cost of the programme of inspections will be managed within the overall inspection fee that is agreed with the authority.

21. How many inspections will need to be carried out each year depends on the quantity and quality of best value reviews that individual authorities carry out. The Inspection Service⁶ will aim to include most BVRs within the five-year inspection programme.

22. As well as the cycle of best value inspections that follow an authority's own programme of BVRs, there will be follow-up inspections by the Inspection Service to see whether the recommendations of the best value review and its inspection have been implemented. The Inspection Service anticipates that about 15 per cent of inspectors' time will be involved in follow-up inspection work.

23. An inspection can also be followed up as a result of a direction or referral '...wherever there is a cause for concern about the performance of the authority...Such inspections may necessarily take place ahead of an authority's own review and will typically be more fundamental and searching in order to reach a proper diagnosis of the problems.'⁷

⁶ The 'Inspection Service' refers to the Audit Commission's Inspection Service throughout this report.

⁷ DETR Circular 10/99, *Local Government Act 1999: Part I Best Value*.

2 An inspection service that is informed by results

24. Within the statutory framework for best value, the Commission has taken the opportunity to design an inspection service that is ‘fit for purpose’. The purpose of best value is to improve local services; therefore the over-riding purpose of inspection is to act as a catalyst for improvement.

25. The Inspection Service will expect the nature and range of improvements that result from BVRs to reflect the diversity of authorities’ local political agendas and the communities that they serve.

26. This over-riding commitment to authorities’ improvement is what underpins the Commission’s approach to inspection and is what will continue to inform its practice in the coming months. This chapter explains how the approach has been developed and draws upon:

- consultation on the document, *Developing Principles for Public Inspection*;
- consultation on the document, *From Principles to Practice*;
- nine months of field trials covering 22 authorities;
- extensive consultation with authorities and other stakeholders, including a national programme of face-to-face discussions with over 250 senior managers and elected members; and
- review of relevant literature and practice on inspection and regulation.

Recognise people as key to improvement

27. A clear lesson from the theory and practice of managing change is that the people who organise and provide the services are the key to improvement. When these people see the need for change, they are more likely to identify practical opportunities for making improvements and serving customers better. Clear communication of purpose and outcomes is one of the elements that distinguishes a modern service culture from more traditional ones. A challenging but impartial view, which is based on reliable evidence, and is conveyed clearly by credible inspectors in a constructive way - these are the features of an effective inspection service.

28. In developing its approach, the Commission has built upon what is known about motivating people and organisations to effect positive change. From this premise follows some key features of the Inspection Service, which are set out in this chapter.



Challenge attitudes and performance

29. Because best value inspection is to be a catalyst for change, inspectors will provide a ‘challenge’ in every inspection. The focus is not only on ‘failing’ services, but also on those that are complacent and coasting.

30. No one style of inspection will suit all circumstances. Whether the inspection is more supportive and encouraging, or more challenging, will depend on the performance, attitudes and capability of both the authority and the services being inspected. Whatever its style or intensity, each inspection will aim to persuade, encourage and motivate the authority to improve. Criticism needs to be balanced with encouragement, and recognition of weaknesses with strengths.

31. Challenging existing ways of doing things and demanding improved performance are also features that are central to the modernisation of authorities’ political structures, with the separation of the executive role from that of scrutiny. The outcome of BVRs will often pose difficult questions for local politicians. An authority changing its political system will find that inspection helps it to provide an effective internal challenge.

Support the management of change

32. For authorities to rise to the challenge of best value, they need inspections that support improvement and do more than just tell them what they may already know about their performance. The Commission will support improvement both as part of each individual inspection

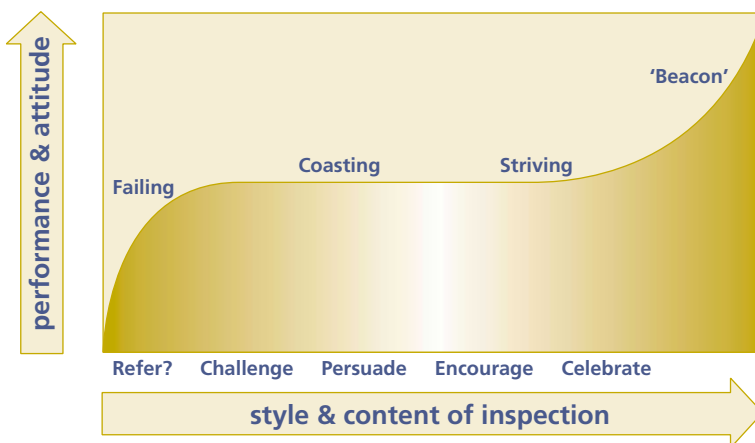
and through its national work on best practice and research. When deciding the annual programme of inspections for an authority, the Inspection Service will take account of the authority’s priorities and strategies for change as well as its decisions to carry out more intensive BVRs of some services than others.

33. The individual inspection process is designed to help authorities to identify and overcome barriers to improvement. Inspection reports will offer practical recommendations for improvement, drawing on inspectors’ knowledge of best practice and what works in other authorities. The field trials showed that authorities valued this aspect of inspection. As more inspections are done and the annual programme of inspections is completed, it will become possible to target effort with greater precision in future years on where the greatest opportunities or problems lie and where authorities can gain most from external inspection.

34. Many authorities, or parts of authorities, are already making improvements, rather than waiting for best value or inspection teams to arrive. However, there are many authorities that know that their services are not good enough and want to change, but do not have the knowledge, capacity or resources to make those improvements. Or there may be some services that have managers or staff who are more resistant to improvement than others. Existing staff, members and managers of authorities will be the ones who deliver change, so all the agencies involved in best value need to find ways to work

EXHIBIT 1 Different styles of inspection

The style of inspection will depend on the performance and attitude of the authority.



Source: Audit Commission

with authorities to increase their capacity to make services better.

35. The Commission will identify and promote good practice. Every inspection will look for examples of good practice and innovation, and for creative ways to overcome barriers and resistance to change or make better use of resources. These examples of good practice will be fed into a national ‘information warehouse’ which will link with databases of the Improvement and Development Agency (IDeA) and be made available to all authorities through:

- publications on best practice;
- workshops and conferences;
- web-based comparative information; and
- self-improvement tools.

36. The Commission will work closely with other organisations that are involved in supporting improvement, in order to ensure that the collection and dissemination of best practice is well co-ordinated. For example, the IDeA has an important role to play with its programmes of manager and member development, as well as its direct work with individual councils to help them to develop and implement their improvement plans.

Be open about the basis of judgements

37. The Commission will develop and publish clear criteria that show how inspectors will make their judgements. The criteria will help managers, members and staff to understand the basis on which their performance is judged by inspectors, and the case that they make for change.

38. The information in Chapter 3 is one step in the development of these criteria. However, it is easier to establish acceptable criteria for the process of inspection than it is to develop accepted standards and outcomes for authorities’ policies and services. But the standards and outcomes are what really matter in best value. For some services there are clear standards that are widely accepted; for many others there are not.

39. Inspection will take full account of local priorities and targets, and whether the BVR has a service or cross-cutting focus. Authorities that are clear about their local standards and outcomes will ensure that inspection takes full account of local priorities. Those that regularly evaluate their success in achieving standards and outcomes are more likely to achieve best value.

40. Tensions between national standards and local diversity emerge from this debate about standards and outcomes. This was a common concern expressed in response to the Commission’s consultation on the document, *From Principles to Practice*. In particular, there is concern that while the best value guidance requires authorities to demonstrate their responsiveness to local people, it also requires them to reach the standards of the top 25%.

41. Where there are clear standards and duties, the Inspection Service will deal with this tension by making these explicit and known. However, in the early years of best value, the standards are likely to be fewer and more service-based. Over time, with more experience of cross-cutting work and customer-focused reviews, more meaningful

outcomes are likely to develop and gain support.

The Commission has no locus for determining national standards or requirements, and will work within those set in law or government guidance, or which are broadly supported by authorities, customers and professional opinion.

Base judgements on sound evidence

42. Another important feature of a modern inspection service is to use evidence to sustain the judgements that are made. Without clear and impartial evidence, stakeholders will be less willing to accept the judgements and recommendations made by inspectors and more likely to feel that they have been unfairly reached.

43. The Commission is seen as a source of reliable data and evidence, which is a good starting point for inspection. However, quantitative data and standardised measurement is not sufficient on its own. Inspection will use a range of ‘reality checks’ to provide other sources of evidence about the reliability of an authority’s BVR and to provide further insights into its services. Reality checks draw on a range of qualitative research methods.

44. Such ‘reality checks’ are one of the more controversial methods set out in *From Principles to Practice*. Some authorities are concerned that these methods will not be thorough enough to provide a base for assessments of performance, while others fear that if reality checks are sufficiently thorough, they may be too costly or time-consuming. These are reasonable concerns.

45. But the experience of field trials, as well as other research on service evaluation, demonstrates the need for first-hand qualitative data about the way that a service is being delivered and the authority's assessment of its capacity to improve. Well-designed reality checks provided an invaluable source of evidence to support and illustrate the inspection team's conclusions. They also provide an important means of connecting inspectors with local people's experience of a service, without which the inspection judgement will have little local credibility.

46. Because each inspection team will be working within limited resources, it must therefore weigh up the cost of gathering additional evidence against the additional value that this will provide.

Speak clearly to local people

47. Another important feature of inspection is that it engages local people's interest in local services. Informed customers and communities make for better local government and will help to keep authorities responsive to changing needs and preferences. Surveys of members and officers in local authorities very often demonstrate a commitment to serving local people, even where performance may be poor. So for inspection to be relevant and motivate people to improve, it needs to speak clearly and simply about the judgements that it has made.

48. In *From Principles to Practice*, the Commission consulted on a proposal to use a simple star rating system to summarise the findings of inspection. While

opinion was evenly divided amongst those who responded, inspectors found that it did not work in the field trials. Summarising two distinctive judgements – one about performance and one about capacity to improve – into one score seemed to confuse people and impede useful comparisons between authorities and services. On the other hand, neither were paragraphs of text very effective in providing clear messages or in allowing useful comparison.

49. As a result, the Commission has decided to communicate the judgement about how good a service is on a scale of 0 to 3 stars, and then state how likely the service is to improve. Chapter 3 describes the matrix that will be used to inform local people about how well their service or cross-cutting issue compares with others. Local summaries of inspection reports will be published and full reports will be available on the internet.

Inform national policy and debate

50. Inspection provides an opportunity to find out about the real outcomes of national policy and initiatives at local level, and their impact on local people and customers. Evidence from local inspections across the whole range of authorities' activity will be available to inform national policy and its implementation. It may also help identify policies that are not operating well in practice, or where policies unintentionally conflict when implemented locally. To gain the full benefit of inspection, learning about what works will be a two-way process that will improve the

quality of national as well as local debate about public services. This is potentially good news for both government and local authorities, and the people that they serve.

Engage skilled and credible inspectors

51. Skilled and credible inspectors are the single most important feature of a successful inspection service. Only if inspectors are respected will authorities value their judgement and accept their recommendations for improvement as legitimate. This credibility will derive from the inspectors' experience and knowledge, as well as the way that they conduct themselves in doing their job. How inspection is done is as important as what is done; this is a clear message that the Commission has learnt from its consultation and research. Being explicit about the style and culture of inspection is key to achieving a successful service. This chapter aims to contribute to this clarity and transparency.

52. The Inspection Service is recruiting inspectors with direct experience of managing public services from diverse communities and authorities. Inspectors will have a positive track record in managing change and in operating in an often pressurised and complex political environment. Every inspection team will have at least one inspector who has relevant experience of the services or activities being inspected. Their objectivity, persuasiveness and ability to work well with people will be essential, as well as their commitment to helping authorities to achieve best value for local people.

53. The Inspection Service will develop a mixed economy of carrying out inspections directly, and engaging firms with the appropriate skills and credibility to undertake inspections. Some of the field trials were done by such private contractors, and this source of supply will gradually be expanded, as the design and culture of inspection becomes more established.

54. Because the Inspection Service is committed to developing authorities' capacity to improve, it is going to make as much use as possible of staff on temporary secondment from authorities, private and voluntary organisations. These secondments, ranging from 6 to 18 months, will provide opportunities for staff to broaden their skills and challenge their attitudes, as well as to contribute to their knowledge and judgement. When they return to their organisations, they will have a broader perspective on good practice and how to achieve it, which will benefit others with whom they work locally. Inspectors' cross-sectoral perspectives will help them to avoid too familiar a relationship with authorities.

55. Staff were seconded to the Commission to carry out field trials and help to develop the Inspection Service over the past nine months. The Commission received excellent feedback about their credibility and contribution. 'It didn't take them long to work us out', was a frequent comment from authorities.

56. All inspectors will be carefully selected, using a rigorous assessment centre, and will be trained and supported with a personal development plan to ensure that they will be consistent and expert in their work and behaviour. They will have access to specialised policy and research support provided by the Commission. Over time, the Inspection Service will be developing a partnership with one or more universities to ensure that its practice is at the leading edge of inspection and applies the latest knowledge about what works in the management of change.

Learn from what works

57. In the kind of inspection service that has been described here, learning will be a critical feature and will be designed in from the start. The arguments for evidence-based, continual improvement are as true for the Inspection Service as for the authorities that it inspects. Demonstrating this commitment to evaluation, learning and improvement is key to the Inspection Service's credibility and its future. To be 'fit for purpose', the Inspection Service will focus on the results of inspection and what works best to help authorities to improve.

58. Successful service organisations learn from their customers – so will the Inspection Service. It will use a range of methods to gain feedback from customers, such as surveys and analysis of comments and complaints. It will seek the views of local people as well as national stakeholders in order to evaluate the impact of inspection.

59. Already the Economic and Social Research Council and Rowntree Foundation have commissioned research projects to evaluate best value inspection. The Select Committee for the Environment, Transport and the Regions has also taken a close interest in the development of the service, as has the recent Fundamental Management and Performance Review of the Audit Commission. No doubt there will be further academic and policy interest as best value develops, so external as well as internal challenge will be an integral aspect of development of the Inspection Service.

60. This report begins the process of putting these features of inspection into practice, making for an open approach that is 'fit for purpose'.



3 What are inspectors looking for?

The judgements that inspectors have to make

61. At the end of each inspection, the inspectors have to make two judgements:

(1) How good are the services that they have inspected? – rated from 3 stars (excellent) to 0 stars (poor); and

(2) Will they improve in the way that best value requires? – rated on a scale that runs from ‘yes’, to ‘probably’, to ‘unlikely’, to ‘no’.

62. The inspectors’ report will set out the evidence that led to these conclusions. The report will show how the services inspected compared with those of other authorities, or with different services within the same authority, and will make recommendations to help the authority to achieve best value (Exhibit 2).

The questions that lead to the inspectors’ judgements

63. How do inspectors reach their conclusions? In order to keep inspections focused and efficient, the requirements of BVRs and the 4Cs are structured around six key questions. During the inspection, they will gather enough information and evidence to answer these questions (Exhibit 3). The answers will provide the basis for the two key judgements. These questions will be familiar to many authorities, since they reflect the key points of the Government guidance on best value, and mirror the questions already found in the best authorities as they carry out their BVRs.

EXHIBIT 2 Comparing the inspectors’ findings

By plotting the inspectors’ two judgements on to a simple matrix, local people and the authority can easily assess the authority’s performance, and how it compared with others.



Source: Audit Commission

EXHIBIT 3 The key questions that lead to the two judgements

Using the simple structure of six key questions, inspectors will make sure that they collect the right information and evidence to support their two judgements.



Source: Audit Commission

How do inspectors answer these questions?

64. What will inspectors be looking for when they set about trying to answer these questions? How will they know whether what they find is good or not? The Inspection Service's aim is to be explicit about the basis on which its inspectors judge whether a service is excellent, or poor.

65. The Commission is drawing together a core set of criteria and supporting guidance (some of which will be service-specific) for each of the six questions and the main issues that underpin them.

For some of these questions, and for some services, these criteria will take the form of standards that are widely accepted and contained in law, statutory guidance or local policy decisions.

66. Running through all these questions is the imperative that inspectors think about the questions from the perspective of local people and customers, as well as local political agendas, community strategies and plans adopted by the authority. How do the authority's aims match the concerns of local people and customers? What are the political priorities? What do local people and elected members think of performance?

67. As the Inspection Service gathers more evidence about what works, it will develop clearer explanations of what constitutes excellent performance that take account of local diversity. More importantly, this evidence will also reveal how these top performers deliver excellence and continuous improvement. These insights will increasingly provide the basis for the criteria and standards used by inspectors.

68. Even at this stage, however, it is possible to identify in more detail the evidence that inspectors will be seeking in an 'excellent' authority (Exhibit 4).

EXHIBIT 4

The questions that underpin each judgement

The inspectors will be using more detailed questions to reach their judgements.

Judgement 1 – A Good Service?

Are the authority's aims clear and challenging?

Has the authority challenged the need for the service?

It has fundamentally challenged if it has established the need for the service and who it is for. It has involved elected members, consulted with local people, and opened itself to external challenge and scrutiny. As a result, it has proposed significant changes. It has considered whether the service could be better provided by others.

Does the service support corporate aims and the community plan?

The service's aims have changed as a result of self-critical assessment of whether it meets the authority's aims. The service's aims encompass a sensible trade-off between elected members' strategic aims, the views of residents, customers and other external stakeholders, while responding to the diversity of the community.

Does the service meet these aims?

Is there effective performance management?

The authority's plans for implementing the BVR clearly set out how it is going to turn aims into action, and what outcomes it is seeking. The authority has defined national and local targets, and standards and performance indicators, as a basis for measuring delivery and systems for regular monitoring.

The authority is making best use of available staff and resources to make sure that it delivers. The plans have been effectively communicated both internally within the organisation and externally to relevant stakeholders, so that all parties are clear about what they are trying to achieve and their own roles within the process. Staff have personal targets and take responsibility for how their performance affects the whole.

Is the authority delivering?

The authority can provide evidence that it is implementing its actions and achieving its targets—and that the outcomes meet its aims. It can show that customers, residents and stakeholders share its view of its current performance. It monitors its performance and takes action to deal with under-performance. The reality checks carried out by inspectors validate the authority's view of its performance.

EXHIBIT 4 (CONT)

How does its performance compare?**How does the service compare with the top 25%?**

The authority's performance is in the top 25% against relevant and measurable government standards (or national best value performance indicators). The authority has data on the views of customers, residents and other stakeholders about the service. The customer satisfaction levels for the service compare well to national satisfaction rates for the service. The authority's approach encompasses proven best practice and the critical success factors for good services.

Has the authority demonstrated cost effectiveness?

The authority has demonstrated that the service is cost effective, either by subjecting the service to external competition, or by making sound comparisons which provide evidence that the service is delivering value for money.

Judgement 2 – Going to Improve?**Does the BVR drive improvement?****Is the BVR process managed effectively?**

The management and support of the BVR process is undertaken within a clear corporate framework and is consistent with agreed policy on the 4Cs. Delivery of best value is an integral part of members' and managers' roles, not a bolt-on. There is a clear framework for each stage of the review, with tools and resources available to help members, managers and review teams to do them well. Decision-making at key stages is well informed and reaches clear conclusions.

Has the authority fundamentally challenged what it does?

It is clear how the authority used internal and external challenge and what changed as a result. It used external scrutiny, views of local people, and searching comparisons to drive these challenges. Challenges were not just raised, they were followed through into specific proposals for a significant change in performance and approach.

Has the authority made rigorous comparisons throughout the review?

The authority has self-critically compared its own performance with that of the top 25% authorities. It has evidence to show what comparisons it made with whom, and how it used those to shape its improvement plan. It compared its services with those provided by private and voluntary organisations. These comparisons informed challenges about what services to provide, who to provide them to, how much they should cost, and whether the current provider of the services is the best one.

Has the authority made good use of consultation?

There was focused and meaningful consultation with local people, customers and key stakeholders as part of the review, which took account of the diversity of the community. The authority can point to what changed as a result of the consultation. The views of consultees bear out the authority's perception of what changed. The trade-offs that were made between the views of different consultees and the authority's priorities were reasonable and transparent. At all stages in the BVR process, staff and their representatives were involved and can see how their ideas and involvement shaped the outcome of the BVR.

How competitive is the authority's choice of procurement?

It has demonstrated why the service is most suitable for provision by public, private or voluntary sectors, and has carried out a thorough options appraisal of different procurement methods ranging from development of a mixed economy or joint ventures to competitive tendering. The authority can show that it took effective action to develop the market for the provision of services where the existing market is weak or under-developed.

How good is the improvement plan?

Is the authority trying to improve the right things?

The improvement plan resulting from the BVR has identified those areas in most need of attention, and has prioritised these accordingly. The improvement plan is clearly linked to the overall aims of the service and corporate priorities. The plan for improvement identifies actions to address all significant areas of service weakness and addresses the concerns identified through public consultation and member decisions.

Are the improvements ambitious enough to get the authority into the top 25%?

The improvement plan should ensure that the authority will be among the top 25% of authorities within five years - both in terms of performance against relevant government standards and national performance indicators, and against the main critical success factors for good services.

Will the authority deliver the improvements?

Does the plan have the commitment that it needs from members and others?

Sufficient leading members of the key controlling committee (or cabinet) support and are committed both to the improvements, and what needs to be done to deliver them. They are aware of the barriers and problems that need to be tackled, and are prepared to play their role in overcoming them.

The authority actively involved key stakeholders in the BVR where their engagement was likely to be essential to making improvement. These stakeholders are committed to their role in the delivery of service improvements.

Is the improvement plan practical?

The authority is clear about what needs to be done to deliver the improvements. It has identified barriers to improvement and has put in place plans to overcome them. Its assessment of procurement options has critically reviewed the best way to achieve the improvements.

The capacity and capability of members, management and staff to deliver the improvement plan has been assessed, and responsibility taken for addressing any shortcoming. The BVR identified how to make best use of existing resources (whether through better management, procurement or innovation) to fund any improvements that require additional resources.

Does the authority have a track record of managing both change and performance?

It has a track record of delivery in the past, and has successfully managed major change programmes of a similar scale in the past. There is clear evidence or regular monitoring of performance against targets and policy objectives for the service within a wider corporate context. Instances of under-achievement are investigated and the cause identified and necessary action taken.

Source: Audit Commission fieldwork

69. The Commission is working with professionals, authorities, stakeholders, the IDeA and the Government as it seeks to identify and obtain support for relevant service standards. As evidence and best practice is identified to support such standards, it will be made available to help authorities to carry out their BVRs.

70. The next chapter shows how, stage by stage, the inspectors will go about answering these questions and forming their judgements.

4 The stages of inspection

71. The Commission has produced a model for the inspection process, showing what inspectors will do at each stage of inspection (Exhibit 5). It highlights the preparation needed by the authority.

72. More detail on each stage is given below including:

(1) what the purpose of each stage is; and

(2) what inspectors do at each stage, illustrated by examples drawn from the field trials.

73. As Chapter 3 outlined, inspections may vary in length and intensity: consequently, the duration of an inspection – from the time that the inspection team starts its preparations, to the time when it publishes the final report – may be between 6 and 10 weeks. The process will not necessarily be the same for inspections that have been directed or referred.

74. The size and specialist knowledge of the inspection team will also vary to match the nature of the best value review being inspected. Typically, an inspection team will involve between one and three inspectors, who will have access to specialist service knowledge.

75. The inspection process draws on the lessons from the Commission's field trials and consultation exercises. The Commission will continue to develop and refine its inspection methodology in collaboration with colleagues in the Inspectorate Forum as part of a joint effort to develop a common approach to best value inspection. The Commission is very grateful to all those who made comments, offered the lessons of their own experience, or took part in field trials and consultation.

Stage 1 – Understand the context

76. The purpose of the first stage is for the inspectors to understand the local context.

77. Each best value inspection will start from the authority's best value review, and will tailor the inspection to what is relevant to that authority's change strategy. This means that each inspection team must acquire an understanding of local priorities and needs, and the local context.

78. To do this, inspectors review a range of information. Much of this information will already have been collected by the Inspection Service and be held centrally, to avoid unnecessary and repetitive requests to authorities for the same information. The local lead inspector will play a key role in managing information requests to the authority, and will co-ordinate them with the appointed auditor who will draw on many of the same documents as part of his or her work.

79. The general information that inspectors found useful during field trials included:

- statutory plans, corporate strategies, business and service plans;
- annual reports, accounts and management letters;
- the best value performance plan and the audit of that plan;
- best value corporate statements and strategies on the 4Cs;
- previous inspection reports; and
- reports of work done with the IDeA, for example a Local Government Improvement Programme review.

80. Some information that specifically relates to the services being inspected may also already be available centrally, such as:

- the best value review;
- performance against national indicators; and
- copies of any relevant VFM studies.

81. In addition to the basic information already held by the Inspection Service, authorities will be asked for additional information to help to ensure that inspectors form an accurate first impression. Every request will specify exactly what information is required.






EXHIBIT 5

The stages of inspection

The Commission’s model shows what the Inspection Service and the authority should be doing at each stage of inspection. The better the BVR and the greater the relevance of the information that the authority can give the inspection team, the less time the inspection will take.

Prepare: 4 weeks before the inspection

Inspection Service		Authority
<p>Review BVR documents and other information in order to understand the context for the best value inspection.</p> <p>Request any additional documents needed.</p>	 <p>Understand the context</p>	
<p>Begin to answer the key questions.</p> <p>Identify what further information or evidence is needed. Select and tailor reality checks to provide the evidence needed.</p>	 <p>Review performance</p>	<p>Provide additional relevant information to help inspection team begin to answer the key inspection questions.</p>
<p>Have pre-inspection meeting with the authority to share inspection focus and planned activity.</p> <p>Request any additional information needed.</p>	 <p>Brief the authority</p>	<p>Question the focus and planned activity of inspection.</p> <p>After pre-inspection meeting, arrange the interviews and meetings with stakeholders and schedule interim challenge report session.</p>

Brief staff and members on inspection.

Inspect: 1 to 4 weeks on site

<p>Carry out reality checks to gather the evidence needed.</p> <p>Review daily whether sufficient evidence has been gathered.</p>	 <p>Carry out reality checks</p>	<p>Provide support for interviews and reality checks. Get regular feedback from inspectors.</p>
<p>Present the interim challenge to the authority and have an initial discussion about its reactions.</p>	 <p>Present interim challenge</p>	<p>Attend interim challenge presentation.</p> <p>Produce written feedback to the inspectors on their interim findings. Provide additional evidence to support any challenges made.</p>

Publish report: 1 to 2 weeks afterwards

<p>Analyse and review additional evidence submitted by the authority. Provide a draft to the authority for comments, then publish the final report.</p>	 <p>Publish final report</p>	<p>Provide comments on draft report.</p> <p>Develop response and actions to address the findings of inspection.</p>
<p>Any recommendations for follow-up will specify what and when will be followed-up. The scope of the follow-up will depend on the recommendations in the final report.</p>	 <p>Carry out follow-up inspection</p>	<p>Provide evidence of performance and improvements, and any progress of any other follow-up taken in response to the inspection report.</p>

Source: Audit Commission fieldwork

Stage 2 – Review performance

82. The purpose of this stage of the inspection is for the inspection team to:

- form an initial impression of how well the BVR stands up against the inspectors' questions;
- identify what further information or evidence is needed to substantiate the judgements that they have to make, and how they can collect it; and
- turn this into a plan for the inspection.

83. This stage takes place before the inspection team arrives on site.

84. Using the key questions explained in Chapter 3, the inspectors review the BVR, and any additional performance information available, to form an initial impression of what some of their answers might be to the key inspection questions. They will examine performance against national sets of indicators, analysed to show comparisons with other authorities. They identify any further information that they need to know.

85. The reason why they need to form this initial impression is that it allows them to work out where they need more evidence to produce a sound judgement. They can then plan the inspection so that they only spend time on site gathering the information that they need to make a judgement.

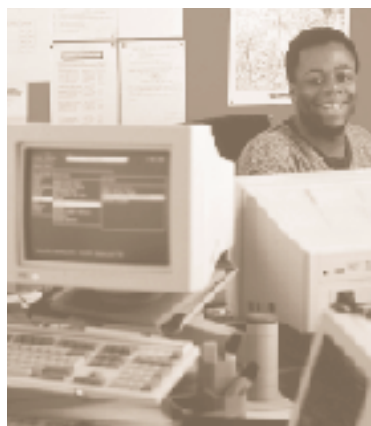
87. The inspection team now begins to plan in detail what further inspection activity is needed to gather the additional evidence and information, and finalise its programme for the on-site inspection (Case Study 1). It will select a range of reality checks that will allow it to gather the evidence required (see Stage 3 for more details on reality checks). It will plan in time for analysis and reflection each day, and time to pursue any new issues and questions that might emerge.

88. At this point, the draft inspection plan is reviewed by the local lead inspector, who will challenge the inspection team to justify its initial impressions, and question whether its plan for the inspection is practical and relevant. If the lead inspector is satisfied, she or he will sign off the inspection plan.



seeing is believing

86. This will keep the cost and length of each inspection down to a minimum, while ensuring that it is tailored to the local context, performance and political agenda.



CASE STUDY 1 - Planning an inspection of a BVR of county transport services

The table below is an extract from the inspectors' preparations for one of the field trials. It shows how the inspectors use their initial impressions to assemble and tailor reality checks, or inspection activities, to provide the additional information and evidence that they need. Interviews with one officer, member or stakeholder will be used to provide the information needed for a number of different reality checks.

	Further information or activity planned
<p>Key question: Are corporate and service aims and targets being achieved?</p> <p>Initial impressions: While there are service aims and plans, the actions and targets are vague and without measures. It is not clear that the authority knows how it is going to deliver its priorities or the improvements that it proposes.</p> <p>Statements about the quality of the service are at present unproven - there is no customer feedback or information on performance.</p>	<p>Select random sample of past targets from business or service plans and assess whether they have been achieved by talking to key officers, members and stakeholders, and by reviewing detailed service plans and individuals' performance targets.</p> <p>Select a random sample of proposed targets and assess the adequacy of the plans, resources and commitment in place to deliver them by talking to key officers, members and stakeholders and by reviewing detailed service plans and individuals' performance targets.</p> <p>Structured observation to provide a perspective on service performance:</p> <ul style="list-style-type: none"> • four sample journeys by car; and • three pedestrian routes. <p>At pre-inspection visit ask the authority to identify and provide any evidence of customer satisfaction, complaints, feedback, etc.</p>
<p>Key question: How does the authority's performance compare with the top 25%?</p> <p>Initial impressions: There is evidence that it performs relatively well on delivering major capital projects, by using an approach to contracting which compares with best practice. But while its routine day to day maintenance seems to be comparatively under-funded, there are big variations between the costs of local maintenance agency agreements.</p> <p>Its capacity to respond to the diversity of public needs, ranging from disabled people to cyclists, is unclear.</p> <p>It does not seem to have undertaken comparisons within and outside the authority.</p>	<p>Carry out a number of customer-focused reality checks, each of which will incorporate a comparison of the council with the best practice of the top 25% in this field:</p> <p>Case study: Building of a major link road Case study: Town centre scheme Structured observation: Four sample journeys by car Structured observation: Three pedestrian routes in two town centres</p> <p>Ask inspection service support staff to carry out further comparison of selected aspects of performance with a family of similar authorities.</p> <p>At pre-inspection visit ask the authority to identify and provide any evidence about what comparisons were made, or how it has reached its assessment of its comparative performance.</p>

Source: Audit Commission field trials

Stage 3 – Brief the authority

89. The purpose of this stage of the inspection is for the inspection team to meet the authority to outline what it plans to do during the rest of the inspection.

90. The inspection team will come to the authority to meet representatives and explain the inspection plan. It will explain the background and experience of the team. This stage allows authorities to challenge the focus and initial impressions of the inspection team – and to identify additional evidence or information that will help inspectors to answer the key inspection questions and form their judgements.

step by careful step

91. At this stage, the authority will find out whom the inspectors will need to see, which projects they will focus on, and what activities they have planned to gather the evidence that they need. For some public – or customer-focused – reality checks, the inspectors will not specify the site or location that they will be testing. This is because field trials showed that, if given this information, some authorities will temporarily change service levels to create a more positive impression. For example, one

council replaced a service that was normally provided by an answering machine with a member of staff for the period of the inspection. Another carried out a special cycle of grass cutting and grounds maintenance in the week before the inspectors arrived on site.

Stage 4 – Carry out reality checks

92. The purpose of this stage of the inspection is to gather enough evidence and information to allow the inspectors to answer the key inspection questions and sustain their overall judgements. They do this by carrying out a selection of reality checks, which draw on a range of qualitative research methods (Case Study 2).

93. This is the most visible part of the inspection to people at the authority, and is when the inspection will seem to have started in earnest. It requires between 1 and 20 days on site – most will take between 5 and 10 days. Sometimes inspectors will try to schedule some preliminary reality checks for the same day that they brief the authority in Stage 3. This will help them to be more focused and efficient when they start their on-site work in earnest. For example, during field trials, inspectors found that some structured interviews with key members of the management team were very useful at this point. The authority will be told in advance if the inspection team needs to carry out any additional inspection activity at the time of the briefing.



CASE STUDY 2 - Examples of reality checks used during field trials

1. A check for an inspection of a street-cleansing BVR

Purpose: The performance monitoring data for this service was incomplete and contradictory in the BVR. So the inspector needed a reality check to provide a public perspective on whether the council was indeed performing well on national and local targets.

Method: The inspection team selected a number of 'hotspots' to provide a focus for 'participant observation' of the service. Hotspots are areas where litter and refuse tends to accumulate and should be identified as priorities for action in the council's litter strategy, survey specification or plan. If possible, the inspectors should identify the zoning that the council has applied to that area. An initial, unaccompanied visit should be made by inspectors to assess conditions on the ground at the identified area and the hotspots within it. An appraisal of conditions at the time of the visit should be made and recorded. The visit should be timed to reflect the point at which the area would be under stress. For example, a street market should be visited during trading hours, preferably towards the end of a trading day. The level of performance that the council should be measured against should be both that set out in the revised DETR Code of Practice, and in the council's own service specification, litter plan, etc. The inspectors also should talk to local residents, traders, etc, to obtain anecdotal evidence about the council's and/or its contractor's performance, common problems, their perception of overall cleanliness, sweeping and cleaning frequencies, etc.

Resources: This check consumed one inspector day, although observations were combined with those needed for two other reality checks.

2. A check to test whether a BVR's improvements are deliverable

Purpose: This check is designed to gather evidence about past delivery and plans for future delivery so that inspectors can inform their judgement about whether or not they have the capacity to deliver the improvements. The check combines statistical analysis of historical trends with semi-structured interviews. It can be used for an inspection of any BVR.

Method: First, the inspectors seek to form a view on the authority's track record of delivery by picking a random sample of performance targets from the previous year's service plan. They follow them through, asking "were they delivered?" They check with each 'action holder', probing for reasons why things were not achieved, or why they were delayed. They challenge whether they know if the completed actions actually delivered the outcome sought. Secondly, the inspectors look to the future – the improvement plan that resulted from the BVR. They take a sample of actions in that plan and investigate what is in place to deliver them, what resources, how they will happen, what constitutes success, what monitoring and evaluation is planned.

Resources: This check took half an inspection day. Much of the preparatory work was carried out during the review of performance stage.

3. A check used on an inspection of an arts service BVR

Purpose: Inspectors formed an initial impression that this service tended to chase available funding rather than to look for funding opportunities that fitted its own priorities. The BVR prioritised exploiting the potential of arts in the community. The purpose of the check was to use a real case study to explore how the council makes decisions about such projects, and to see how well it supports the council's priorities.

Method: A regeneration project was selected as a case study on the basis that it seemed to have emerged from nowhere part-way through the year, for an area that was a stated priority. Structured interviews were carried out with members and officers from district and county, along with the regional arts board that monitors the project, and the voluntary organisation that helped to develop it, and is now delivering the project. The interviews investigated:

- Where the regeneration project came from? Why did the council do it? How well did it fit with priorities, objectives and existing activities? How well did it fit with the views and priorities of stakeholders and customers?
- The strength of partnership: Where was the energy for the project? Who championed it? What was the role of the county compared to that of the district and community, of local groups and the key organisations involved?
- Ability to deliver the project: Has the project delivered the outcomes forecast?
- Impact on other programmes and projects: Was this anticipated and planned for?

Resources: This check took three hours, most of which was taken up by interviews (which also provided evidence for other reality checks). The check drew on preparatory work from the review of performance stage.

94. The inspection team will use its skills and experience to select and tailor the reality checks to the local context and to the key outstanding questions. A good reality check allows inspectors to gather evidence that allows them to answer a large number of questions at the same time. It may help them to work back from the outputs of a service into the organisation to diagnose why a service does (or does not) perform. Alternatively, the reality check can be used to work through a system to illustrate the impact of a particular decision-making process at the point of service delivery.

95. To provide useful evidence, a reality check will assemble a range of evidence from different sources that supports the same conclusion. Some aspects of reality checks can do no more than raise questions that will need further explanation (for example, a mystery shopping visit to a library might reveal that it opens two hours later than advertised, without identifying whether this was for a sound reason – perhaps a flood or a health and safety problem – or just poor management of attendance). Others provide evidence about the quality of a service (Case Study 3).

CASE STUDY 3 - Making the judgement 'how good is the service?'

Example: highways, cycle paths and pavements in a county transport service

The inspector needed some additional information and evidence to allow him to form a judgement about the quality of the service because the BVR offered no more than assertions about the service quality. Nor was there much feedback from customers.

Purpose of check: The inspector tailored an existing check, which is designed to use 'participant observation' to validate or otherwise an authority's own assessment of how good these services are, from two perspectives:

- first, by experiencing the service as customers do, drawing on the factors that national market research shows are the main concerns of customers and the public – with a particular focus on whether the service meets the diverse needs of the public, from disabled people to cyclists; and
- second, use structured observation to assess how the service compares with established best practice.

Content of check: A series of pre-planned routes are selected, (the authority will not be given the details).

1. To cycle from one major location (for example, a train station) to another (the town centre, or major place of employment), and assess a number of features including: Is it easy to follow the route and find places? Are the aids to movement well laid out and maintained? Is the road surface comfortable? Are cycle facilities well designed, with logical start and finish points?

2. To drive from one location (town centre) to another (accident and emergency department, or nearest trunk route away from the town), and assess the experience against a number of features: Is it easy to find places? Do signs follow one from another? Are they clear, clean, well sited and easy to read? Are traffic signals well set up and slick in operation? Do lane markings

agree with the signs? Is the road surface in good condition? One drive was carried out at night to assess how easy it was to use the road network by night, both in lit and unlit areas.

3. A walking check was carried out, focusing on the quality of the network and its ease of use, with some way finding. It also allowed some checking of street furniture. This check covered questions such as: Are the footways in good condition with an absence of trips? Are road crossings provided? How would disabled people or people with prams find their journey? Are the drop kerbs flush? Are paths kept clear of overhanging vegetation? Are town centre paths sufficiently wide to avoid spillage on to the street? Do crossings respond quickly to pedestrian demands?

Resources: The checks carried out took a total of five hours, plus one hour for recording and analysis work afterwards.

Extracts from the findings of checks:

'The principal road network is in poor condition. Much of the white lining on the roads was faded, even on one scheme which was less than one year old when visited... many routes we tested were hard to follow, with destinations on the signs changing as the route progressed... sign positioning caused confusion, with some junctions having no signs at the junction itself. However, street lighting was effective with most routes appropriately lit...no evidence of significant lighting failure. Pedestrians were generally well catered for, with pavements in reasonable condition. However, more could be done to facilitate the use of pavements and footpaths for vulnerable customers... The general impression gained was that cycling in this town centre is scary and there has been no help at all given to cyclists.'

From evidence to judgement:

These outcomes were augmented by comparative national data on road conditions, interviews with a range of staff, managers and members. They provided both evidence and illustration which, supported by information from interviews, comparative data and the council's own review, provided a part of the basis for an overall judgement that 'many key areas need improvement'.

Source: Audit Commission field trials

96. All the way through this stage, inspectors are asking themselves the question, ‘Do I have enough evidence to substantiate a judgement?’ Every day, they will review what they have found from reality checks and the review of performance stage, and ask what this evidence means for the judgements that they must make (Case Study 4). Inspectors will also provide feedback regularly to the authority about what they have done, and what more they are going to do. However, they will not give feedback on issues for which they have not yet gathered sufficient evidence.



CASE STUDY 4 - Assembling enough evidence to judge a housing repairs service

Example: An extract from an inspection of a housing service – responsive repairs

During the pre-inspection ‘review of performance’, the inspectors assessed the council’s performance against key national performance indicators. They found that its performance was poor. For example, the authority completed only 68% of its repairs within the local target time, compared with the national average of 87%. This level of performance had remained static over the previous two years. The results of benchmarking carried out by the service showed that among a group of five authorities chosen for comparison, its cost of repairs per dwelling was high at £611 compared with the group’s average of £385.

Once on site, the inspectors tried to book a repair in order to see what the service was like for customers. They found that it was very difficult to get a reply on the hotline number. They then requested a printout from the council to show how many calls to repairs phonelines were answered or missed. This revealed that, across the sample week, only 11% of calls to the repairs’ hotlines were answered – not 32%, as claimed by the authority.

Two tenant focus groups were carried out and they confirmed that getting telephone access to the service was a major problem.

The quality of repairs was examined by reviewing all the repairs that were ordered on a randomly selected date and carrying out a small telephone survey of tenant satisfaction with the repairs service. The findings revealed a poor service. Only 68% of repairs were completed within target in the sample month. Nor was the quality of repairs inspected once carried out; only 3.45% of repairs were inspected in accordance with the council’s own target. Four out of the five repairs cost more than was estimated. If variations of this scale continued throughout the year the authority would spend £2.5m more than it had budgeted for. Only five staff were available to pre- and post-inspect the 4,392 repairs raised in the sample month. As a result, the contractor was not monitored effectively; no defaults had ever been issued to this contractor. Ten out of the twelve customers surveyed complained that the work had not been finished properly, and that no one came back to rectify reported faults.

The inspectors reviewed this evidence and agreed that their judgement was that the service was poor. At this authority, other services in the BVR were found to be performing better, so the overall judgement reached by the inspectors was lifted to ‘fair’.

Source: Audit Commission field trials

97. Inspectors need to interpret the evidence in a way that allows the findings of one inspection to be compared with those of another. Chapter 3 explained how the Inspection Service is developing transparent criteria for the questions that lead to the inspectors’ judgements, and outlined what inspectors would expect to find in a good authority.

98. The Inspection Service has built in internal quality assurance processes that challenge whether inspectors have sufficient evidence and information to sustain their judgements. However, the next inspection stage of ‘interim challenge’ allows authorities to challenge the inspection team’s findings, and to provide additional information and evidence to back up any points that they might make in this respect.

Stage 5 – Interim challenge

99. This is the first of two steps of reporting back to the authority on the findings of the inspection.

100. The inspectors will already have given the authority informal feedback as the inspection has progressed. At the interim challenge, the inspection team will tell the authority how its services and its best value review have fared against the key inspection questions, and explain how these answers lead to the two overall judgements. The inspectors will expect elected members and senior managers to be present at this meeting.

101. Inspectors will summarise how good the service is by giving it a number of stars on a 4-point scale – from 0 – for a service that is poor, to 3 stars – for a service that is excellent. They will also summarise the improvement prospects of the service, also on a 4-point scale – which ranges from ‘yes’, to ‘probably’, to ‘unlikely’, and ‘no’. They will explain what evidence and information led them to these judgements. The comparative ‘best value’ provided by the services inspected will be shown on a matrix that will allow local people and the authority to compare its performance with that of other councils and against previous inspections (Case Study 5).

102. At this stage, the inspection team will tell the authority what recommendations it is making, and whether or not it is proposed to carry out a follow-up inspection in the future. In a very few cases, the team will tell the authority that it intends to refer them to the Secretary of State.

103. The interim challenge session will be run in a way that encourages reactions and challenges from the authority to the inspection team. The inspection team will welcome further comments and reflections from the authority after the interim challenge - but the onus is on the council to provide additional evidence or information if it disagrees with inspectors’ judgements and recommendations.

Stage 6 - Final reporting

104. After the interim challenge, the inspection team will reflect on the authority’s response and issue a final written report - which will be made publicly available both locally and nationally.

105. The authority will receive a draft in advance of publication so that it can make any last comments and prepare its public response.

106. Reports will be produced to a standard template so that both the public and authorities will find them familiar whatever the BVR might cover (Box A).

Box A - The standard report structure

1. Summary of judgements for local people
2. Recommendations for improvement
3. Background
4. Findings: How good are the services?
 - Are the authority’s aims clear and challenging?
 - Does the service meet the aims?
 - How does its performance compare?
5. Findings: Are they going to improve?
 - Does the BVR drive improvement?
 - How good is the improvement plan?
 - Will the authority deliver the improvements?

Source: Audit Commission

CASE STUDY 5 - How the inspectors' findings are summarised

Example: A library service

How good is the service?

This library service is serving people extremely well. It is among the top performers in the country and contributes to national best practice. Its assessment of its own performance was realistic and borne out by the views of local people, peers and local stakeholders. It has responded to the concerns of some localities about the range and accessibility of its services, by changing working practices significantly and opening its libraries late three nights a week, and by opening for the first time on Sundays in areas where there was demand from local people.

It has been a key player in developing homework clubs in partnership with local schools to support the council's school improvement programme. It raised substantial private sponsorship for its 'input-output' centres in three libraries. The service has a track record of delivery and innovation. It has broad aspirations for the service and recognises the key role that it has in meeting other community priorities, such as lifelong learning and neighbourhood regeneration.

Consequently, the service has been rated as an excellent 3-star service.

Is the service going to improve?

The BVR proposed major improvements that address both local and national priorities, and respond to the views expressed by local people during consultation. The BVR posed significant challenges to the authority's management of service delivery, using an impressive range of comparisons with other public and private providers. The service has a track record of delivering change, and is already well placed to manage these improvements.

However, there is substantial untapped potential to explore new approaches to partnership and competition in the procurement of stock, and in the provision of new facilities. Better use could be made of the information and staff resources to plan and implement the improvement agenda in a more formal way. Action planning and target-setting needs to be sharpened up and time allowed to analyse further much of the valuable monitoring and market information that the service has collected.

However, given the significant improvements that have been delivered over the previous three years, the inspectors consider it probable that the improvements needed will be made.

Key recommendations

The council should prioritise the development of consortia with other purchasers to improve the efficiency of stock procurement, and reduce costs to the level of the most efficient 25% of libraries. Comparisons made by the inspectors suggest substantial savings are possible.

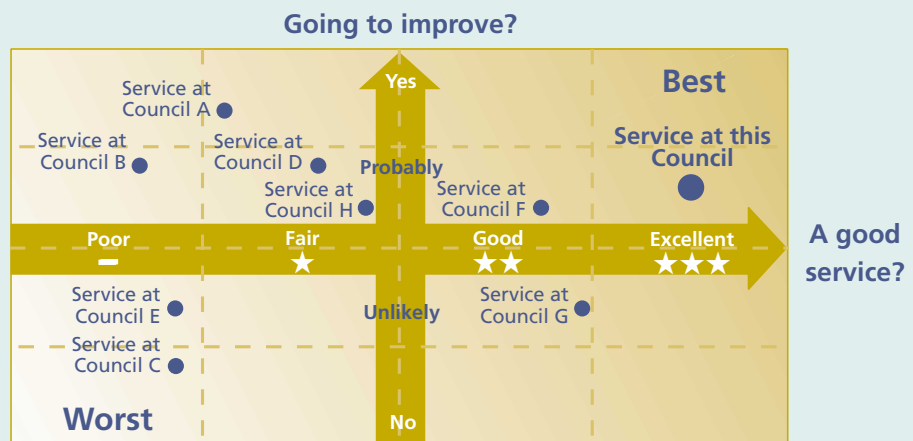
The council should formalise the management of performance by:

- setting clearer targets for each part of the improvement plan to clarify what 'success' should look like in a language that customers and local people understand; and
- setting up systems to gather information that shows whether those targets have been met. This information should be reported to management and members regularly.

The council could also better engage the energy and commitment of library staff in the programme of improvement, by extending the 'quality for customers' initiative to all libraries.

How do you compare?

The council is providing better best value for this service than other authorities (Exhibit).



Source: Audit Commission

107. Both the interim challenge and the final report will aim to help the authority to achieve continuous improvement. They will do this by drawing on the inspectors' analysis to provide clear recommendations to the authority about the actions it should take if it wants to improve its performance and achieve continuous improvement. These recommendations will be designed to provide positive help to the overwhelming majority of authorities that want to improve. They will also provide:

- a clear basis for the auditors to assess the extent to which the authority has responded to the inspection during their annual audit of the BVPP; and
- the starting point for any follow-up inspections that might be carried out.

108. In order to increase local ownership and capacity to improve, the Inspection Service will aim to make clear recommendations that the authority can address voluntarily, rather than fall back on its power to make formal referrals. Local authorities should be challenged to address failure and will normally be given the opportunity to improve.

109. Extending the principle of 'what matters is what works', recommendations will be selected according to what is most likely to address the reasons for failure. The potential impact of the failure of the service will also affect the nature of the recommendations. Where the consequences to the public are more immediately serious, the recommendations will be more prescriptive and require a speedier response.

If the authority has a complaint

110. The Inspection Service welcomes comments and views from its customers and will learn from them. The Audit Commission is developing a complaints procedure that will make it clear how authorities can make a complaint or representations to the Commission. If an authority is not satisfied with any aspect of the inspection, it should in the first instance raise its query with its lead inspector, who will try to resolve the problem.

111. If the authority is unhappy with the response of the lead inspector, there are two further formal steps that it can take:

- (1) It should write to Wendy Thomson, Director of Inspection, who will carry out an independent investigation of its complaint.
- (2) If the authority is still not satisfied, it can direct its concerns to the Commissioners, who will review how its complaint has been handled and make a final response.

Stage 7 – Follow-up

112. Inspections will be followed up as a normal part of the inspection programme. Inspectors will check that BVRs have been implemented and that the decisions made had the intended effects. Inspectors will expect some of the long-term changes generated by BVRs to take months to produce results, especially when they are far-reaching. Where the original inspection found serious problems with performance and a lack of the capacity to make the improvements needed, the Inspection Service will re-inspect the authority and gather evidence on whether its actions to remedy these problems are delivering the necessary improvement (Box B).

113. Where there are serious shortcomings, authorities will usually be told whether or not an inspection is likely to be followed up in the final report of an inspection. If so, the inspectors will make it clear why, and when, they think a follow-up inspection to be appropriate.

114. The focus and timing of follow-up inspections will differ from case to case. They will typically be significantly shorter than the original inspection. However, where progress is not being made, and serious problems continue, follow-up may take longer in order to identify whether additional direction or intervention should be recommended.

115. An important output of follow-up inspections will be further learning about what works, and what the barriers are to improvement. The Inspection Service will be continuously analysing and disseminating this learning, together with colleagues at the Audit Commission and other agencies such as the IDeA, to help all authorities to learn and improve.

Box B - What might a follow-up inspection look like?

An inspection of a BVR of a street cleansing and waste disposal service in a unitary authority found that its performance was poor, and that its BVR had not identified targets that were sufficiently stretching to bring the performance of the service up to that of the top 25%.

The final report of the inspectors recommended that the authority should revisit part of its BVR and focus, in particular, on specifying what local performance targets would deliver a step change in performance, and how it would improve its management capacity to deliver these step changes. The report made specific suggestions about how the authority might develop this capacity, drawing on best practice in other authorities.

During the annual planning discussion between the authority and the lead inspector (see Chapter 5), the lead inspector confirmed that a follow-up inspection was still planned, since there seemed to be no evidence of improved performance, despite encouraging signs of appropriate actions and resources being put in place. The external auditor had already briefed the lead inspector on the provisional findings of the audit of the best value performance plan. That audit had reviewed the authority's response to the recommendations made, and concluded that there was no evidence that recommendations had been fully implemented.

The follow-up inspection aimed to find out why the improvements were not forthcoming, despite some changes, and to help the authority to understand and overcome the barriers to improvement.

The follow-up team went through a truncated version of the full inspection process, reviewing additional information provided by the authority about what it had done to address the recommendations in the inspection report. The template for the follow-up was provided by the findings and recommendations in the original inspection report.

Using this information, the follow-up team assembled a proposal for a three day period on site. One of the team members was a senior specialist from the permanent staff of the Inspection Service, who had experience of a number of interventions and referrals for these services.

Unusually, because a key issue seemed to be a difference in view between the authority and the feedback from customers that improvements were being delivered, the inspectors decided to run two resident focus groups to provide some additional, qualitative information about the perceptions of customers and non-customers. Additional reality checks were developed to get behind staff and managers' views about what was working, and what was preventing the improvements that were needed from being delivered.

Source: Audit Commission

5 When will authorities be inspected?

Planning best value reviews

116. Best value inspections will normally follow a BVR, so that authorities themselves will determine when most inspections take place, except for directed inspections or referrals. The Government expects each authority's BVPP to include firm proposals for the first two or three years of its programme of BVRs. Factors that the Government requires authorities to take into account when shaping the content and timing of their programmes include:

- reviewing poor performing services early in their five-year programme;
- reflecting the concerns of local people and links with any community strategy;
- maximising scope for innovation;
- making the scope of reviews sufficiently large and ambitious, whether service-specific or cross cutting, to ensure real challenges and early improvements in efficiency and service quality; and
- aligning reviews to inspections that have already been programmed – for example, joint reviews of social services or joint inspections of local education authorities.

117. Lessons from the best value pilots suggest that authorities are better able to manage the BVR, and process and implementation, if they carry out fewer BVRs that

cover a larger group of related services, or address cross-cutting themes. This helps to ensure that there is enough managerial capacity to plan, support and deliver the reviews, and increases an authority's ability to ensure that reviews link effectively with its corporate best value framework and planning timescales.

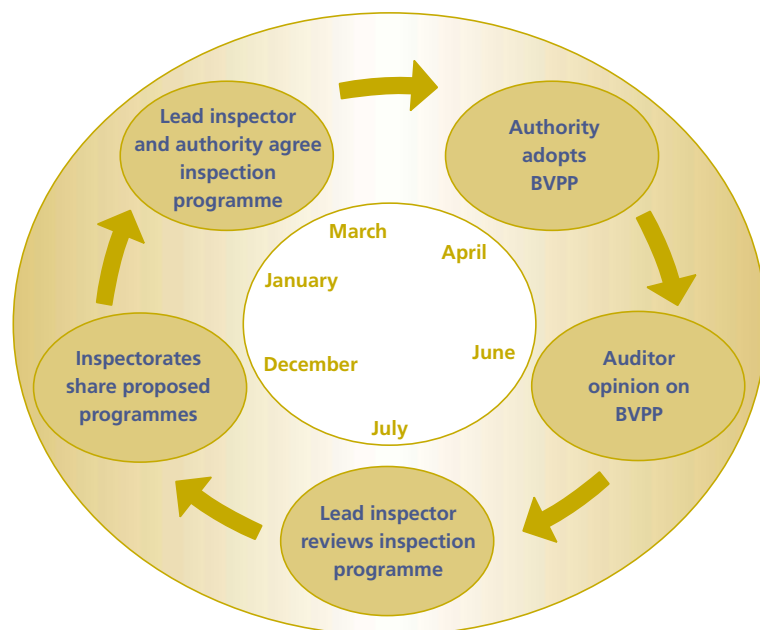
Agreeing an authority's inspection programme

118. The Inspection Service will have a regional structure that provides a named lead inspector for each authority. The lead inspector's job will be to agree a programme of inspections and follow-ups every year with each authority and consult on these with other best value inspectorates and external auditors (Exhibit 6).

EXHIBIT 6

A year of best value

BVRs will be completed and inspected throughout the year. There are five key milestones in the process of planning and programming BVRs and their subsequent inspection.



Source: Audit Commission

119. The lead inspectors will work within a national framework to ensure that there is consistency in the way that inspection is applied throughout England, but they will be given maximum flexibility to tailor programmes to authorities' different priorities and performance (Box C). The lead inspector will also determine which follow-up inspections are proposed.

Box C - What a typical inspection programme for 2001 might look like

A large unitary authority in the North-East is planning to do 11 BVRs in the year beginning April 2001. The lead inspector has already learned a great deal about the authority's strengths and weaknesses through the previous year's inspection programme. The fee for the inspection programme for the year was calculated at £130,000, using the formula set out in the Commission's fee consultation paper. The cost of these fees are met in full through a combination of an increase in revenue support grant (RSG) to the authority, and direct grant to the Audit Commission.

In February 2001, the lead inspector meets the authority's chief executive to discuss the likely inspection programme for the year. The lead inspector has taken account of:

- the likely importance to the public of these functions;
- the expenditure on the areas subject to review;
- the relevance of these functions to elected members' strategic aims;
- recent trends in performance and improvement in these areas; and

- past audit and inspection work.

The Inspection Service is addressing the issue of matching inspection effort to risk partly through the analysis of the performance indicators that authorities are required to publish each year. The results of this analysis, along with other pertinent information, will be used by lead inspectors to help forecast the number of person days that an inspection might take.

The lead inspector has also consulted with the regional offices of the other inspectorates carrying out best value. She or he has a draft agreement on how the inspectorates will co-ordinate their programmes of best value inspections in the authority. For the fee of £130,000 the lead inspector proposes to do six full inspections that will require about 20 inspector days each, although one will cover much of the housing service and will take 45 inspector days. A further 3 BVRs will be covered by short inspections that will require about 5 inspector days each. The remaining 2 BVRs are to be subject to a light touch review by the lead inspector. One BVR from the previous year is to be followed up. The following section explains the cost and funding of this programme of inspection in more detail.

Source: Audit Commission



there's a lot more under the surface

April 2000 to March 2001

120. The first year of inspection is unusual. Because it is the first year of best value, few BVRs will be completed at the start of the year. But this does not mean that there will be no inspections in the first six months. Many authorities have already carried out BVRs in 1998/99 and 1999/2000, in addition to the formal pilot BVR programme. So long as the outcomes of these early reviews are covered in the best value performance plan for 2000/01, they will be included in the inspection programme. Following discussions with authorities, the Inspection Service will carry out full inspections of enough of these BVRs to provide most authorities with an early experience of inspection. The Inspection Service will draw on these early inspections to identify good and poor practice to help to provide further guidance and information so that authorities can make the best value review process work better.

121. In addition, it is likely that the Government will require the Inspection Service to carry out a small number of directed inspections. Some early inspections may also lead to recommendations for early follow-up inspections, or for referral to the Secretary of State.

122. The Commission has already made contact with authorities to share its understanding of their preparedness for best value, and their programme of BVRs. Authorities are responding by providing more accurate and up to date programmes. The outcome of this exercise will provide lead inspectors with the information that they need to

establish the initial programme of inspections. The sooner authorities can be ready with their finalised programme of BVRs, and have completed reviews ready to inspect, the earlier the Inspection Service will be able to discuss and agree their programme of inspections for the year 2000/01.

123. Then, by the end of September 2000, the local lead inspectors will discuss with authorities what the programme of inspections should be for the second half of the year, from October to March 2001. They will draw on the outcome of the first audit of the BVPP.

How much will it cost?

124. The Commission consulted authorities on the proposed fees for audit and inspection for 2000/01. The objective remains to ensure that the overall cost impact of inspection is neutral for most authorities. The fees will be finalised in March 2000, in the light of consultation responses.

125. It is proposed that the cost of inspection will be met by a combination of fees paid directly to the Commission by authorities, and grant from Government to the Commission. The cost of fees to local authorities will be funded in the vast majority of cases by an increase in RSG.

126. An annual fee for the inspections at an authority will be agreed in advance. The programme of inspections for the authority will be managed within this annual fee. However, this assumes that the authority produces a number of good quality BVRs and completes them on time. Where this is not the case, the inspection programme may cost more, and the authority will be charged accordingly. This

ensures that there is a positive incentive and reward for those authorities that do carry out timely and good best value reviews.

127. The shortest, 'light touch' inspections may take a total of 5 inspector days. Inspections of longer BVRs are likely to take nearer 20 days, of which around 10 may be spent at the authority. Finally, for inspections of very large BVRs, or for directed inspections, the inspection may require as many as 50 days, of which 40 might be spent at the authority.



6 Referrals and intervention

The Government's role in intervention

128. The Government already has powers to intervene where there are serious failures in the delivery of certain local services. The best value legislation gives the relevant Secretary of State a range of new intervention powers. These include powers to:

- direct the Audit Commission to carry out a best value inspection;
- direct an authority to amend its best value performance plan;
- direct an authority to carry out a best value review;
- transfer an authority's responsibilities to another authority or a third party; and
- direct an authority to take any action that the Secretary of State considers necessary to achieve best value.

129. The joint protocol agreed by the DETR and the Local Government Association sets out the general principles that will underpin Secretary of State intervention (Box D).

Box D - Extract from the Protocol agreed between LGA and DETR

'(1) Intervention will only be used where there is clear evidence that the authority is failing either to discharge its functions adequately or failing to meet its statutory obligations

(2) The Secretary of State will inform the authority of reasons for intervention

(3) The form and extent of intervention will reflect the type and seriousness of failure and the need for effective improvement

(4) Except in cases of serious failure or unless there is a need for urgent intervention, the authority will normally be given the opportunity to make the necessary Improvements itself.'

Source: DETR Circular 10/99, Local Government Act 1999: Part I Best Value

The Commission's role in referrals

130. The Audit Commission's roles in referrals are:

- to consider and respond to recommendations from appointed auditors that the Commission should carry out a best value inspection;
- to comply with any direction from the Secretary of State to carry out an inspection of a best value authority's compliance with the legislation; and
- to exercise its power, if needed, to make recommendations in its inspection reports that the Secretary of State uses the intervention powers set out in paragraph 128 above.

131. When the Audit Commission makes a referral to the Secretary of State, the Secretary of State will decide whether or not to intervene, and what intervention to make.

Circumstances that may lead to referral

132. Chapter 2 set out the characteristics of the Inspection Service that the Commission is developing. The aim of each inspection is to persuade, encourage and motivate an authority to improve. To these ends, the Inspection Service will make clear recommendations that an authority can address voluntarily. Local authorities will be challenged to address failure and will normally be given the opportunity to improve.

133. Opportunities for authorities to challenge and respond to inspectors' views and provisional recommendations are provided at each stage of the inspection process. A recommendation in a final report to refer an authority to the Secretary of State will come as no surprise to an authority that will already have had several opportunities to comment and respond to the inspectors' findings.

134. There are three broad sets of circumstances that may lead to referral to the Secretary of State by the Commission:

- serious service failures in an authority that could result in danger or harm to the public;
- persistent failure by an authority to address recommendations made by inspectors; and
- failures in a number of services in an authority, that reveal serious weaknesses in an authority's corporate capacity to manage services and make improvements.

Serious service failures in an authority that could result in danger or harm to the public.

135. Such failures are likely to lead straight to a referral to the Secretary of State for intervention, without the authority being given an opportunity to remedy the failure. For example, an authority might be failing to manage the cleanliness of a large swimming pool, despite being aware that children from several different school swimming parties were taken ill following visits to the pool.

Persistent failure by an authority to address recommendations made by inspectors.

136. This type of referral would often be triggered as a result of a follow-up inspection which found neither the capacity nor the will to make the improvements needed. For example, a housing service might have failed to provide evidence that it was complying with the requirement to have all gas appliances in its housing stock professionally serviced on an annual basis, despite making assurances that it had both to its tenants and the Health and Safety Executive, and in response to repeated enquiries from the lead inspector.

Failures in a number of services in an authority that reveal serious weaknesses in its corporate capacity.

137. This case for referral would be made by an accumulation of evidence that showed that the reasons for failure in one or more services were fundamental problems in the authority's corporate governance. For example, separate best value inspections of BVRs covering an authority's housing service, its services for older people, and its leisure service, might have found:

- that there was uncontrolled, and unreported, overspending in all the services, yet no remedial actions were taken;
- complaints from customers were not dealt with;
- a failure to 'make good' low quality housing repairs; and
- that despite repeated critical inspection reports, elected members and managers could not agree on a course of action to put things right, or demonstrate the capacity to implement their plans.

138. In such a case, the Commission would be likely to conclude that the problems in the authority were rooted in the heart of the authority's corporate leadership and management. A referral to the Secretary of State would highlight the need to consider intervention in the authority's corporate governance in order to support improvements in specific services.

Co-ordination of referrals with other inspectorates

139. The different inspectorates carrying out best value inspections are working together to ensure that there is a co-ordinated approach to making referrals, and to avoid duplication. Where the possibility of referral is identified during an inspection, the inspectorate concerned will liaise with the other inspectorates. The referral will be made by the inspectorate concerned to the Secretary of State who is responsible for the service area involved. Corporate or cross-cutting failures will be referred to the Secretary of State for Environment, Transport and the Regions.

The regional structure of the Inspection Service

The Commission has designed the Inspection Service to support local inspection work. Every authority will have a named lead inspector who will act as the ‘client manager’ and co-ordinate the authority’s annual inspection programme.

The Director of the Inspection Service is Wendy Thomson. She is supported by a small central team that will provide specialist strategic support, handle customer enquiries and complaints and provide necessary support services to regional and local inspection teams.

There are four regions, and Wales, each headed up by a Director (Exhibit 7):

- North – Darra Singh;
- Central – Paul Kirby;
- South – Peter Wylie;
- London – Andrew Webster; and
- Wales – Stephen Nott.

The Chief Housing Inspector is Roy Irwin. The Commission’s support to OfSTED’s programme of inspections of local education authorities will continue to be managed by Jane Wreford.

The existing programme of reviews of social services departments will be overseen by a new appointment, made jointly by the Social Services Inspectorate and the Commission.

EXHIBIT 7
The four inspection regions and Wales



Source: Audit Commission

Related publications from the Audit Commission

Planning to Succeed

Service and Financial Planning in Local Government

Management Paper, July 1999, 91 pages, 186240 1683, £15

A Measure of Success

Setting and Monitoring Local Performance Targets

Management Paper, February 1999, 60 pages, 1862401462, £15

Worth More than Money

The Role of the Local Government Finance Director

Management Paper, 1998, 35 pages, 186240058X, £10

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December 1999, 25 pages, Free

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The Best Value Agenda for Trading Standards Services

National Report, 1999, 120 pages, 186240190X, £20

Promising Beginnings

A Compendium of Initiatives to Improve Joint Working in Local Government

Wirobound Compendium, 1998, 78 pages, 1862401187, £25

The Improvement and Development Agency

The IDeA was established by and for local government in April 1999. Its aim is to help local authorities do things better and the agency strongly believes that local government's best resource for doing this is local government itself. The IDeA supports local authorities in improvement and best value, spreads best practice and has established the sector's first dedicated consultancy service.

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