

External inspection of local government

Driving improvement or drowning in detail?

Howard Davis, James Downe and Steve Martin

The **Joseph Rowntree Foundation** has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy makers and practitioners. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of the Foundation.

Howard Davis and James Downe are Senior Research Fellows at the Local Government Centre, Warwick Business School

Steve Martin is Professor of Public Policy and Management at the Local & Regional Government Research Unit, Cardiff Business School

© Joseph Rowntree Foundation 2001

All rights reserved.

Published for the Joseph Rowntree Foundation by YPS

ISBN 1 84263 026 1

Prepared and printed by:

York Publishing Services Ltd

64 Hallfield Road

Layorthorpe

York YO31 7ZQ

Tel: 01904 430033; Fax: 01904 430868; E-mail: orders@yps.ymn.co.uk

Contents

Acknowledgements	Page iv
1 Introduction	1
2 The rise of inspection	2
3 The inspectorates	6
The Benefit Fraud Inspectorate (BFI)	6
Her Majesty's Fire Services Inspectorate (HMFSI)	6
Her Majesty's Inspectorate of Constabulary (HMIC)	7
The Office for Standards in Education (OFSTED)	7
The Social Services Inspectorate (SSI)	8
The Best Value Inspection Service (BVIS)	9
4 Typologies of inspection	10
5 Impacts of inspection	14
6 Alternatives to inspection	17
7 Key issues and challenges	19
The credibility of inspectors	20
Style versus substance	20
Local versus national priorities	21
Understanding the causes of failure and of improvement	21
Stakeholders' views of inspection	21
The limits of performance data	22
Joined-up inspection	23
The implications of partnership working	23
The capacity to intervene	24
8 Conclusions	25
References	27

Acknowledgements

We acknowledge with gratitude funding from the Joseph Rowntree Foundation for the research on which this paper is based.

We are grateful to Pat Kneen, the Foundation's Deputy Research Director, and to the project advisory group (John Clarke, Lyn Homer, David Lamberti, Howard Miller, Roger Sykes and Wendy Thomson) for their guidance, support and constructive comments on the early stages of the research.

We also wish to place on record our appreciation of the assistance that we have received from officers at the Local Government Association and the Best Value Inspectorate Forum (together with its constituent inspectorates) in the course of the preliminary research on which this paper draws.

1 Introduction

This paper is the result of the first phase of research that is funded by the Joseph Rowntree Foundation. It draws on three main sources of evidence – a review of existing research on the impact of inspection regimes in the UK, interviews with senior policy makers in inspectorates and the Local Government Association, and our research on the impacts of the Best Value pilot programme.

The overall aims of the research are to review the development of inspection procedures, their impact on local government, and their effectiveness in promoting change. It seeks to monitor the implementation of the new inspection regimes and assess in broad terms their impact from the perspectives of a range of stakeholders. It is also designed to reflect on the implications of inspection regimes for relations between central and local government, for promoting effective and accountable policies and practices, and for bringing about sustainable change in the culture and thinking of local government.

The aim of this paper is to identify some of the key issues relating to the development of

external inspection of local government functions in order to contribute to the current debate about the effectiveness of these regimes as a means of regulating local public services.

The paper therefore provides a preliminary analysis of the scope, style, purpose and effectiveness of the emerging inspection regimes, and some of the key challenges associated with external inspection as a regulatory mechanism. We first examine the increasing importance of external inspection as a means of promoting service improvement. Next, we provide an overview of the remits, resources and approaches of the main inspectorates covering local authority functions. We then examine evidence of the likely impacts of inspection and the range of alternative regulatory mechanisms. Finally, we analyse some of the tensions that we believe exist within emerging inspection regimes and the challenges these pose for central government policy makers, the inspectorates and inspected bodies.

2 The rise of inspection

External inspection is not a new phenomenon. According to Rhodes (1981), its origins can be traced back at least as far as the eighteenth century (he cites provisions, which had their origins in legislation passed in 1786, for a paid Inspector General of Prisons in Ireland and notes that, during the period 1830 to 1860, the number of inspection regimes increased markedly). However, the preoccupations of nineteenth-century inspection were very different to those of today. As Hood *et al.* (1999) noted, 150 years ago:

Legislation conferring powers on local authorities was largely enabling. It determined institutional structures, powers, and obligations but did not normally specify standards in the sense of the level of service to be provided, or the mode of delivery ... They were self-governing local authorities, responsible for local services, under a low degree of central oversight.

By contrast, the present government has imposed external audit and inspection on public services, seeing this as central to their effective management and regulation.

The increasing dependence on external inspection dates from the mid-1970s. Hood *et al.* (1999) report, for example, that the number of inspectorates covering what they call 'core public sector: local public bodies' (which include local authorities and NHS trusts) increased by 18 per cent, from 57 to 67, between 1976 and 1995.

This rise of external inspection is the result of a combination of factors including:

- the 'crisis' of public spending in the 1980s, which increased pressure to ensure that public services provided 'value for money'

- the continued erosion of trust in the capacity of professionals to safeguard the interests of service users and taxpayers
- the need for new mechanisms to monitor and control the increasingly fragmented pattern of public service providers that emerged in the 1980s and 1990s as a result of the privatisation and marketisation of public services.

The rise of inspection therefore owes much to the New Right critique of the post-war welfare state and the arrival of the 'New Public Management' associated with Conservative administrations of the 1980s and the early 1990s. As Power (1994) argued:

... it is essential to understand that the reinvention of government is informed by two opposite tendencies. On the one hand, there are centrifugal pressures for the decentralisation and devolution of services ... On the other hand there are equally powerful pressures to retain control over functions that have been made autonomous.

Inspection has become so important because it appears to 'reconcile [these] centrifugal and centripetal forces better than the available alternatives' (Power, 1994) by offering a mode of control that enables 'government to exercise supervision and direction of services that were increasingly being provided in new devolved, decentralized and dispersed organizational forms' (Clarke *et al.*, 2000).

New Labour has picked up enthusiastically where the New Right left off. The scope and scale of external inspection have continued to increase rapidly over the last four years and have become a key element of the current government's attempt to 'modernise' public

service provision. Inspection fits neatly with New Labour's much vaunted commitment to 'evidence-based policy making' and, as a senior member of the Audit Commission told us, 'faith in inspection goes right to the heart of this government's beliefs about public services'. It is seen as providing a diagnostic tool with which ministers can weed out or intervene in 'failing services'. It is also increasingly portrayed as an important 'safeguard' for the public. By virtue of their 'independence', inspectors are seen as bringing pressure to bear on allegedly producer-dominated public service providers in the name of the taxpayer and/or service users.

Public confidence in professional self-regulation has undoubtedly been dented in recent years (Davies, 2000). This has led to a 'shift from relations based on trust and status to those based more explicitly on contractual relations' (Hughes *et al.*, 1997). Encouraged to think of themselves as 'consumers', the public have begun to display an increased appetite for some (though not all) forms of performance information – most notably, perhaps, in the widespread use by parents of school league tables. Moreover, both the Audit Commission and the Office for Standards in Education (OFSTED) can point to strong support in opinion polls for their activities. (A recent survey conducted for the Audit Commission found that 73 per cent of respondents welcomed its role in checking on local authorities' performance.)

As Power (1994) claimed, there is, then, 'a real sense in which ... Britain has become an audit society'. Audit and inspection have 'become central to ways of talking about administrative control' and the growth of these practices is:

... more than a natural and self-evidently technical response to problems of governance and accountability. It has much to do with articulating values, with rationalising and reinforcing public images of control. The audit explosion is the explosion of an idea that is internal to the ways in which practitioners and policy makers make sense of what they are doing.

Moreover, claims Power, the failure of existing audit and inspection to promote improvement tends to lead, somewhat perversely, to increased external scrutiny of service providers:

Successive sequences of failure involve the use of audits as a restorer of comfort, each time in a more intensive form, and each time apparently better immunised against failure, since every failure is particular and every solution general.

The Audit Commission has been a major proponent and beneficiary of these developments, expanding its remit considerably since the early 1980s by moving beyond local government to the health service, and beyond issues of financial probity and regularity into attempts to measure performance and promulgate 'good practice'. According to Humphrey *et al.* (1999), it secured a 'pivotal role ... in enforcing the Citizen's Charter' which:

... thrust the Commissioners into the realm of politics, as they embarked upon a mission to inform the public about their new citizenship rights, to educate local authorities about dialogues with local publics and to rehabilitate councillors with respect to their roles of monitoring performances and representing publics.

The Commission has been instrumental in encouraging a managerialist, performance-oriented approach to inspection that has increasingly been reflected in the work of other inspectorates.

The arrival of the Best Value regime intensifies and accelerates this trend, placing significant new demands on inspectors and inspected bodies alike. It introduces, for the first time, comprehensive inspection of all local government functions. As a result, the activities of the inspectorates now impinge on many smaller authorities that, because they are not responsible for social services and education, have until now escaped the attentions of joint Audit Commission/Social Services Inspectorate (SSI) reviews and OFSTED. It also requires inspectors to make judgements about not only current standards of service provision and cost effectiveness but also the capacity to improve. Inspection is increasingly expected to act as 'a catalyst for improvement' (IPPR, 2000) and, since Best Value is a duty that authorities 'owe to local people', inspectors need to take account not just of statutory performance measures but also of local priorities.

Audit Commission officials claim that it was ministerial enthusiasm for external scrutiny of local authority functions that led to the introduction of comprehensive inspection under Best Value. We were told by one senior source that, when it came to designing the Best Value Inspection Service:

... there were some non-negotiables – what we call 'no-brainers'. These included the fact that all services would be subject to robust and regular inspection ... Ministers clearly wanted it and so it was going to happen.

This account is confirmed by a former Cabinet Office minister, who recently reported: 'We believe that all services can benefit from the opportunities for improvement offered by inspection.'

The importance of external inspection was reflected from the outset in the original principles of Best Value and featured strongly in subsequent consultation, legislation and guidance (see, for example, DETR, 1999). The Best Value regime and the wider local government modernising agenda were portrayed by government as a necessary response to rising user expectations of public services (Cm. 4310, 1999). Best Value performance plans, statutory performance indicators, and inspection and audit were seen as important surveillance mechanisms – intended to raise public awareness of local authority performance and enable ministers to identify poor performers (Cm. 4014, 1998).

The Best Value regime is symptomatic not only of the growing reliance on inspection but also of the way in which audit and inspection practices have increasingly converged. Day and Klein (1990) and Rhodes (1981) both regarded inspection and audit as distinct activities, and the Audit Commission's (1998) principles of inspection also differentiated between them, claiming that inspection is concerned primarily with the nature of service outcomes and conformity to professional standards, and audit is focused upon issues of financial regularity, value for money and the appropriateness of the audited body's management arrangements. In practice, however, as Humphrey *et al.* (1999) noted, over the last two decades, the boundary has become blurred as inspection has been progressively 'colonised' by audit practices and

the associated performance and managerialist paradigms. The result has, say Humphrey *et al.*, been the emergence of a hegemonic 'audit-and-inspection regime'.

This creates potential for role confusion and perhaps even the possibility of turf wars between auditors and inspectors. In particular, the attempt to promote service improvement is becoming a very crowded arena with District Audit, the Best Value inspectors, the Improvement and Development Agency and even the Department of Transport, Local Government and the Regions (DTLR) (through its 'Local Government Modernisation Team') all queuing up to offer (and in some cases sell) councils advice and guidance. This jostling for position was alluded to by several of our interviewees. A senior member of the Best Value Inspection Service told us:

I'm not surprised if auditors are seen as being more helpful than us by authorities – they live on site, they're keen to be helpful, they want to develop their fee income and there are 1,600 of them. But the point is they are not supposed to give advice. If they do, it brings them smack into our terrain and means that authorities are able to play them off against us.

A senior officer in the District Audit Service told us:

There really is no need for a separate Best Value Inspection Service. Auditors could do Best Value inspection. The inspectors were only created because DA [District Audit] was unwilling to put its head above the parapet.

As a result, external auditors and external inspectors are increasingly operating side by side, with both groups having a role in monitoring local authority performance and seeing themselves as assisting local authorities to improve. As an interviewee from the Best Value Inspection Service acknowledged:

Pragmatically the current arrangements may work but intellectually there is no rigorous basis for the division between what the auditors will be doing and the inspectors' role.

3 The inspectorates

Not only is there scope for confusion between auditors and inspectors, there are also concerns that the activities of the six inspectorates covering local authority services are not sufficiently 'joined up'. Our analysis of their annual reports and mission statements has confirmed that these inspectorates do indeed differ from each other in a number of important respects – they report to different central government departments, have quite different origins and histories, and have somewhat different approaches to inspection.

The Benefit Fraud Inspectorate (BFI)

The Benefit Fraud Inspectorate (BFI) was established in 1997 under the Social Security Administration (Fraud) Act 1997 in response to 'widespread concerns about the estimated high levels of fraud in the social security system'. Its role 'is to maximise counter fraud performance and minimise the risk of fraud throughout the social security system' (BFI, 1999).

Confirmed benefit fraud costs at least £2 billion a year but, if cases where there is high suspicion of fraud are included, the actual figure may be £5 billion. The BFI's aim is to help to reduce this. Its approach to inspection is focused on verification and improving the effectiveness of services by identifying and disseminating 'good practice' to authorities and private sector contractors. The emphasis is on improving standards in partnership with local authorities and its aim is to complete an inspection of all authorities within five years. Central government has indicated that it may direct the BFI to carry out follow-up inspections in at least some authorities and there is a possibility that some future inspections will be thematic.

The BFI has an annual budget of approximately £6 million, which is provided by the Department of Social Security, which also oversees its activities. Its 133 staff are based in four locations – Edinburgh, Harrogate, London and Newcastle – and are drawn from the fields of benefit administration, security, fraud and audit. Inspections last for approximately six months – but vary according to size of service provider being inspected. A memorandum of understanding agreed with the Audit Commission and the Accounts Commission (Scotland) provides the basis for joint working and exchange of information, and the BFI also works with District Audit (a member of DA staff is seconded to work with the BFI).

Her Majesty's Fire Services Inspectorate (HMFSI)

Her Majesty's Fire Services Inspectorate (HMFSI) was established in 1947 under the Fire Services Act 1947. Its activities are also governed by subsequent legislation including the Fire Precautions Act 1971, Fire Precautions (Workplace) Regulations 1997 and the Local Government Act 1999. It was set up as fire services were being denationalised in order to provide the Home Secretary with information about the manner in which fire authorities carried out their functions. It now provides advice to Ministers and brigades on professional and technical matters, and is directly responsible for the enforcement of fire precautions in Crown premises.

The HMFSI's mission is: 'To obtain best value from the fire service by advancing Ministerial, Directorate and Inspectorate objectives' by supporting 'the fire service in its

objective of saving life and property by education, legislation and responding to emergencies. To advise how this can be achieved by the skilful and most cost effective use of resources.'

HMFSI has a budget of £4.7 million (1999–2000) and a workforce of 80 professional staff who are either serving or retired fire service officers. Inspections focus on 'validation, assessment and evaluation', and cover all fire brigades in England and Wales.

All brigades are normally subject to a principal inspection every three years. Shorter, more focused inspections are carried out in the years when no principal inspection takes place. These monitor progress in implementing the authority's action plan in response to recommendations made in the previous reports. In addition, each year, there is at least one 'thematic' review, based on a topic of national significance for the fire service (e.g. equal opportunities) for which data are collected from all brigades by questionnaire with a sample then receiving visits. Terms of reference for inspections are generally agreed with the Chief Fire Officer and/or fire authority concerned and the HMFSI works closely with its counterpart fire services inspectorate in Scotland, as well as the Health and Safety Executive.

Her Majesty's Inspectorate of Constabulary (HMIC)

Her Majesty's Inspectorate of Constabulary (HMIC) dates back to the Police (Counties and Boroughs) Act 1856. Subsequent provisions include Police Acts in 1964, 1994 and 1996, and the Local Government Act 1999. It reports to the Home Secretary and covers all police services in

England, Wales and Northern Ireland. Its aims are to promote the efficiency of these services. It employs five inspectors and a Chief Inspector of Constabulary, and each inspector has a small team of officers and support staff to assist in inspections. Inspectors are normally former police officers, usually Chief Constables. Two inspectors from non-police backgrounds were appointed in October 1993 to incorporate a 'lay' element.

A new model of inspection was adopted in April 2000. This focuses on performance against a number of protocols (statements of excellence). Prior to 2000, every force was subjected to a comprehensive inspection every 18 months. The new model incorporates a strong element of risk assessment approach, concentrating in particular on poor performing forces. Thematic inspections into aspects of policing important to the government's aims, and those identified by the police service as in need of improvement, are also carried out. The HMIC claims to work closely with its counterpart police inspectorate in Scotland as well as with HM Inspectorate of Probation, OFSTED, the Social Services Inspectorate and others in carrying out thematic inspections.

The Office for Standards in Education (OFSTED)

The Office for Standards in Education (OFSTED) was established in 1992 when it replaced the Education Inspectorate (originally set up in 1840). Its activities are governed by the Education (Schools) Act 1992, Education Act 1997 and Local Government Act 1999, and its aim is to improve standards of achievement and the quality of education through regular

independent inspection, public reporting and providing informed advice to the Secretary of State for Education. It is responsible for the inspection of schools, government-funded nursery education and local education authorities (LEAs). Inspections of LEAs review and report on the way authorities are performing all of their functions but focus in particular on the contribution each LEA is making to supporting individual pupils and promoting improvements in educational attainment.

In 1998–99, OFSTED had a budget of £132.6 million and employed 515 staff. Most of its staff are former teachers but school inspection teams also include a ‘lay’ inspector who has no personal experience in the management or provision of education. The length of an inspection varies according to the type of inspection, the size of the body being inspected and its performance. OFSTED undertakes two main types of school inspections. Schools that are deemed to be performing well receive relatively short inspections; others receive a ‘full inspection’ and, depending on the outcome, may receive follow-up visits. OFSTED inspects all schools in England at least once every four to five years and is in the process of inspecting LEAs. It works with the SSI in inspecting secure units for children.

The Social Services Inspectorate (SSI)

The Social Services Inspectorate (SSI) was set up in 1985 when it replaced the Social Work Service (SWS) of the Department of Health and Social Security (DHSS). The SWS was itself formed in 1971 by the amalgamation of the Children’s Inspectorate of the Home Office and the Social

Work Division of the DHSS – both of which can trace their origins back to the nineteenth century. Legislation covering the SSI’s role includes the Audit (Miscellaneous Provisions) Act 1996 and Local Government Act 1999. It reports to the Department of Health and describes its remit as being to:

- support local authorities and other social care providers in the provision of high quality social services
- provide professional advice to ministers and government departments on all matters relating to the personal social services
- assist local government, voluntary organisations and private agencies in the planning and delivery of effective and efficient social care services
- evaluate the quality of services experienced by users and carers
- monitor the implementation of government policy for the personal social services.

The SSI inspects all local authority social services departments. Inspections typically take 90 days, spread over a ten- to 12-month period, and involve an average of 40 days on site in an authority. Inspections are conducted by the SSI’s staff who include qualified professionals with experience of working in social services and lay volunteers. Some inspections cover broad areas such as children’s services or services for older people. Others focus on themes such as adoption or welfare to work.

The SSI targets for particular attention authorities where services have been identified

as causing concern and it works closely with the Audit Commission as part of a joint review team. As noted above, it also works with OFSTED in inspecting secure units for children.

The Best Value Inspection Service (BVIS)

The Best Value Inspection Service (BVIS) was established under the Local Government Act 1999. It is part of the Audit Commission and includes a dedicated Housing Inspectorate. Its remit is to ensure that all local authority functions not covered by existing inspectorates are subject to external scrutiny and that authorities have put in place appropriate arrangements to fulfil their statutory duty to achieve continuous improvement, having regard to economy, efficiency and effectiveness. It is responsible for alerting ministers to failures of 'substance' (poor performance) or 'process' (not complying with the requirements of the Best Value legislation, for example publishing Best Value performance plans late or failing to consult adequately with the public or businesses in the course of Best Value reviews).

The Best Value Inspection Service reports to the Department of Transport, Local Government and the Regions and to the National Assembly for Wales, and its activities cost an estimated £50 million per annum, funded through a combination of fees paid directly to the Commission by authorities and grants from

central government. By the end of the year 2000, it employed around 70 staff but hoped eventually to recruit up to 400 inspectors. It has sought to recruit from the private and not-for-profit sectors as well as from local government but every inspection team includes at least one person with experience of managing the service(s) that is being inspected.

The style, intensity and content of an inspection vary according to the nature of the services being reviewed and the performance of the authority, and there is a promise of 'light touch inspection' in the future for authorities and services that are judged to be performing well. Inspections vary in length from five to 40 days and the focus of an inspection mirrors the authority's approach to implementing Best Value reviews. It may, therefore, be service-based or focus on a 'cross-cutting issue' or on the needs of a specific group. Inspection reports rate an authority's current performance and its capacity to improve on a 0 to 3 'star-rating'.

The BVIS sees itself as playing a major role in identifying and disseminating 'good practice' (in the tradition of the Audit Commission's value-for-money studies). It also carries out 'diagnostic inspections' (aimed at identifying the causes of failure), at the direction of the Secretary of State, where the external auditor has concerns or where an authority's Best Value reviews expose an unsatisfactory situation.

4 Typologies of inspection

Several researchers have developed typologies that categorise different approaches to inspection and could be applied to the inspectorates covering local authority services. Rhodes (1981) differentiated between inspectorates that seek to ensure conformity with particular statutory requirements (enforcement inspection), inspectorates that oversee standards of performance (efficiency inspection) and inspectorates with 'supervisory/regulatory' functions including:

- internal management inspection
- revenue-collecting inspection (e.g. inspection of taxes)
- checking inspection (e.g. checking the performance of contractors to ensure that they conform to contract specifications)
- quasi-judicial inspection (e.g. planning inspection)
- investigatory inspection (e.g. investigation of accidents).

Hughes *et al.* (1997) suggested that inspectorates could be placed on a continuum ranging from 'non-punitive' regimes based on peer review controlled by professions to 'punitive' regimes characterised by managerial approaches subject to direct central government control. They attributed the differences between inspection regimes to variations in the power exercised by inspected bodies, which they believed was in turn determined by their public standing, the kinds of knowledge and expertise they lay claim to, levels of concern about their competence and the extent to which members of a profession worked collectively.

McGarvey and Stoker (1999) also focused on the degree of control exerted by regulators. They suggested a continuum ranging from 'collegial/emancipatory' regimes, which emphasise self-responsibility, self-evaluation, self-regulation, to 'bureaucratic/technicist' regimes, which are based on rules, procedures, accountability, compliance, sanctions. Day and Klein (1990) adopted a similar approach, differentiating between a 'policing' style of inspection concerned with enforcing rules and a 'consultancy' approach involving the use of persuasion.

A number of researchers have also stressed the importance of 'relational distance' (RD), that is, the closeness of the inspectors to those whom they are inspecting and there is a widespread assumption that the shorter the relational distance the less 'punitive' a regime is likely to be. The Citizens' Charter White Paper, for example, claimed that inspectors who are close to inspected bodies 'may be captured by fashionable theories and lose the independence and objectivity that the public needs. Professional inspectorates can easily become part of a closed professional world' (cited in Loughlin, 1992). Hood *et al.* (1999) found that 'The more distant such regulators were from their "clients" in professional-social backgrounds, the more regulatory they tended to be in the sense of more formal and more rule-bound.' They reported that 'The police and fire inspectorates exhibited low RD and a much less rigorous regulatory style, favouring persuasion rather than sanctions.' By contrast, the Audit Commission was seen as having greater RD and making greater use of sanctions. Hood *et al.* also found that, 'Inspectorates with frequent full

inspections of their clients seemed to have less formal relationships with their charges than bodies with less frequent contacts in that form.'

In broad terms, then, all of these typologies differentiate between a 'capacity-building' approach and more 'punitive' forms of inspection. The former is seen as relying on the giving of advice and the dissemination of 'good practice'. It is relatively non-confrontational, relational distance is small and judgements take account of local priorities and performance measures. In a truly capacity-building model, inspectors would probably seek to correct failing authorities in private whilst publicly celebrating those that were seen as succeeding. By contrast, a 'punitive' approach is more directive. Inspectors 'keep their distance'. Success criteria are centrally determined and there is likely to be a strong emphasis on 'naming and shaming' with failure being put on public display as a warning to other authorities. Inspections might even be designed to 'catch out' the inspected bodies with inspectors arriving unannounced.

This schema has a strong intuitive appeal for many local policy makers and practitioners. Most local authorities appear, for example, to regard OFSTED as pursuing a relatively punitive approach whilst the fire and police inspectorates are widely seen as relatively unthreatening. As one chief executive told us:

I was interviewed recently for our fire inspection and it was a hoot! It felt like 'Please sit down. Would you like a cup of tea and, by the way, is there anything you would like to tell us?' It was a completely different experience to our experience of SSI or OFSTED.

The Best Value Inspection Service is also apparently seen as less intimidating than OFSTED. A Best Value officer told us:

If OFSTED and the Best Value inspectors are arriving at around the same time, it's clear which set of preparations the Chief Executive is going to be most concerned to get right.

Some of those within the inspectorates also believe that there are significant differences between inspection regimes. A senior member of the Best Value Inspection Service told us:

I think we're working with a very different theory of human nature to OFSTED. Woodhead thinks people are motivated to change by fear. We believe that people are basically well intentioned and are more likely to change if they have to figure out for themselves what works.

Some researchers share this perception. Hughes *et al.* (1997), for example, reported that:

OFSTED has become a body which belongs very much at the policing end of the continuum of activities of inspection, particularly as they have recently taken on the task of reporting on the effectiveness of individual teachers.

Differences of approach between the inspectorates are reflected in the role played by former service managers and lay inspectors, in differences in the balance between desk-based analysis and site visits, in the importance attached to user or citizen feedback, and in the emphasis placed on service standards as opposed to cost efficiency. Practitioners also see inspectorates as having different levels of influence over ministers and access to different repertoires of threats, sanctions and rewards. As

Braithwaite (1992, quoted in Boyne *et al.*, 2000) observes:

The greater the heights of tough enforcement which the agency can escalate ... the more effective the agency will be at securing compliance.

However, in spite of the widespread perceptions that there are important differences between inspection regimes, it is difficult to categorise them in terms of a simple continuum of the kind suggested by previous studies. Most inspectorates combine elements of 'punitive' and 'supportive' inspection and there are important similarities in terms of the approaches they adopt. All define their role as monitoring performance and promoting improvement. Most use a combination of desk-based analysis and site visits. They all employ experienced professionals who have previously been involved in running or delivering the services being inspected and they all claim to use some form of 'risk assessment' to target particular issues, authorities or services. It is true that some inspectorates (notably the Best Value Inspection Service) have sought to portray themselves as adopting a distinctly 'supportive' and consensual approach (cf. Audit Commission, 2000a), whilst others (notably OFSTED) seem at times to have relished confrontation with inspected bodies. However, OFSTED officials would dispute this view and it remains to be seen whether the Best Value Inspection Service lives up to its early promises. As one local authority leader put it:

This new kid on the block is saying all the right things but we need to wait to see whether they behave themselves.

Moreover, the situation is a dynamic and evolving one in which all of the inspection regimes are changing and perhaps converging with similar trends evident across a number of sectors.

In both education and social services, professional-dominated inspectorates have been replaced by more managerial regimes. The Education Inspectorate used to monitor only a sample of schools, institutions' and not individuals' performance was assessed, there were no nationally agreed performance indicators and there were no cases of schools being closed down as a result of an inspection. By contrast, OFSTED, which replaced the Institute, inspects all schools, examines the performance of teachers and has the power to close schools if their performance and league table position does not improve. Similarly, the DHSS's Social Work Service was primarily concerned with ensuring good professional practices, whilst the SSI, which replaced it in 1985, has focused on measurable performance improvement and good management practice (Day and Klein, 1987), leading to what Henkel (1991) describes as a conflict between the 'humanitarian' and professional values and qualitative evidence base that informed the activities of the Social Work Service and the pressure within the newly created SSI to focus on quantitative performance measures and the pursuit of economy, efficiency and effectiveness. According to this view, the SSI is 'moving fast ... from the professional-consultancy towards the inspectorial model' (Day and Klein, 1990) 'in much the same way as [education] from a largely colleague advisory body to one brought in to identify default' (Kogan and Maden, 1999).

The uniformed inspectorates display similar trends. The HMIC has adopted a more managerialist approach with more extensive use of performance indicators. As Carter *et al.* (1992) report 'After 1983 inspection became a more serious affair in which the inspectors helped set objectives, assessed their achievement, and had the duty of examining financial information.' Reiner (1991) takes a similar view observing that 'The role of the HMIC has been considerably enhanced in recent years as the linchpin of a more centralised co-ordination of standards and

procedures.' HM Fire Services Inspectorate seems to be following a similar route. A 'culture and organisation review', instigated following the appointment of a new Chief Inspector in 1998, concluded that 'Despite the professionalism of the Inspectorate ... there [is] now a need for the corporate body of the Inspectorate to move forward.' This review has in turn led to important changes in the organisation of the Inspectorate and in its approach to inspection.

5 Impacts of inspection

The fundamental question relating to all of the inspectorates that regulate local authority functions is whether they ‘add value’ and, if so, at what cost. In theory, it may produce a range of benefits including:

- a catalyst for improvement
- improved accountability to the politicians and to the public
- a means of identifying instances of failure, thereby helping to protect vulnerable service users and taxpayers
- diagnoses of the reasons for failure and success, thus highlighting lessons for other agencies
- a means of preventing failure in advance by encouraging agencies to take greater care than they might do if their activities were not subject to external scrutiny
- encouragement to agencies to develop a greater capacity for self-evaluation and inter- and intra-organisational learning.

Inspection is, however, expensive. The total cost of inspecting local government functions has been estimated at £600 million for 2000/01 (IPPR, 2000) and the Best Value Inspection Service alone costs £50 million per annum. Moreover, as a number of researchers have pointed out, in addition to the direct costs of running the inspectorates, there are indirect costs, most of which are incurred by inspected bodies. These include the following:

- Compliance costs: the staff costs of putting in place measures to demonstrate that they are complying with a regime – for example, the preparation of written

strategies, performance plans, audit trails and the performance data required by inspectors. Staff usually have to submit to interviews by inspectors and to devote a substantial amount of time to liaising with them – both before and after site visits.

Some inspected bodies also pay consultants to conduct ‘mock’ inspections in advance in order to test out the adequacy of their procedures and documentation.

- Avoidance costs: an alternative strategy deployed by some inspected bodies is to seek to circumvent legislation. This too, however, often requires an investment in staff and legal advice.
- Opportunity costs: the activities that have been put aside as a result of staff time having been ‘diverted’ to preparing for and managing inspection processes.
- Displacement effects: most inspected bodies prioritise activities and outcomes that are monitored and measured by audit and inspection regimes, and give less attention to what may be equally important issues that are not scrutinised.
- A reduced inclination to experiment and innovate: fear of failure may deter organisations from taking risks and developing innovative approaches. As Boyne (1999) argues in relation to Best Value, ‘The fact that all councils will have their attention directed to the same performance indicators may lead to a dull conformity rather than the innovation that Best Value is formally intended to promote.’

- Damage to staff morale: the sense of being checked up on and the workload involved in preparing for inspection can depress morale regardless of the outcome of the inspection. Being judged to be a failing service may make it difficult to attract the calibre of new staff who are needed to turn a 'failing' organisation around.

Many of these costs are, of course, extremely difficult to quantify. Similarly, even where service improvement can be measured, it is often difficult to establish a direct link with inspection. Moreover, views of what constitutes 'improvement', and for whom, are often contested. Improvements in service standards or cost effectiveness that benefit users and/or taxpayers may, for example, require an intensification of labour and/or deterioration in the pay, conditions and employment prospects of front-line staff (Geddes and Martin, 2000). In many cases, the full impact of an inspection will become apparent only after several years. It is perhaps not surprising, therefore, that there have been very few attempts to determine the cost-benefit ratios associated with the inspection. As Power (1994) noted, 'one of the ironies' of the increased reliance on audit and inspection is that 'despite being part of a culture that is concerned with institutional (and personal) performance, it is never easy to see how effective audits are ... In short there is something profoundly elusive about the benefit of audit.' This view was reflected by an Audit Commission senior official who reported recently that:

The effectiveness of all of these new inspection regimes is unproved. There is an awful lot of belief, an awful lot of expectation and an awful lot of politics combined with a great deal of potential for perverse incentives.

An exception is the Audit Commission claim that its value-for-money studies in the 1980s identified £750 million worth of 'opportunities' for savings of which just under a third had been achieved, but attempts to quantify the impacts of school inspection have reached varying conclusions. Scanlon (1999) found that OFSTED had a positive impact, particularly on special measures schools. She believed that improvements were achieved as a result of combinations of factors including changes in management, increased funding and advisory support, and the focus and urgency that the special measures process entails. However, she also notes that there were 'some aspects of school life which seem to have deteriorated substantially since inspection, most notably staff morale' and that there appeared to be an inverse relationship between 'staff morale and improvements in standards of education'. Kogan and Maden (1999) also found evidence of major management changes combined with lower levels of staff satisfaction reporting that:

Following OFSTED inspection, 25% of schools had changed their management structure, 58% of schools had changed their teaching styles and curricular organisation, 20% of schools had experienced more staff retirements, 24% of schools had experienced more staff absence linked to stress.

They found, however, that schools were:

... relatively sceptical about the impact of the inspection findings on school processes or performance, believing that, although OFSTED may have accelerated them, most changes would have happened in any case.

Cullingford and Daniels (1999) reached a very different view, reporting that OFSTED's activities had a negative effect on the percentage of pupils achieving higher grades (obtaining five or more A* to C GCSE grades): 'OFSTED inspections have the opposite effect to that intended. Year on year they lower standards.'

It is of course too early to judge the impacts of the Best Value Inspection Service. However, there are some indications of how its first year was perceived 'on the ground'. Martin *et al.* (2001) found that corporate Best Value officers in the pilot authorities, who at the time had no direct experience of Best Value inspection, had low expectations of inspection at the start of the new regime in April 2000. Almost 70 per cent believed that audit and inspection were going to impose too many bureaucratic burdens on local government, and only a third expected that it would help them to achieve Best Value. Research, funded by the Audit Commission, on the first round of Best Value performance plans

in England confirmed that most authorities had found the process difficult. Most reported that auditors had done little to help them to ensure that reviews were challenging, to improve procurement policies, to find comparative data and to set meaningful targets (Audit Commission, 2000b). Three-quarters of chief executives requested changes in the way in which Best Value was audited, highlighting in particular the costs of audit, what they perceived to be inconsistencies between auditors, the overemphasis on process, and the fact that guidance had been received late and had been confusing.

A survey of local authority chief executives in England and Wales, commissioned by the Local Government Association (LGA) in late 2000, demonstrated widespread support for the principle of external inspection. However, 96 per cent of respondents believed it to be very resource intensive and only 45 per cent felt that it delivered improvements in services. Eighty-three per cent of respondents saw the SSI as a catalyst for improvement compared to 70 per cent for OFSTED, and 63 per cent for the BVIS (LGA, 2001). Only a third believed that inspectorates had well qualified staff and just 10 per cent that there was effective co-ordination between inspectorates.

6 Alternatives to inspection

In spite of the lack of quantifiable evidence of the impact of external inspection, it is currently such a dominant model of regulation of local authority services that some practitioners seem to find it difficult to conceive of other options. There are, however, alternative approaches. Many practitioners have argued that there is a need to develop regimes that give less attention to process and greater emphasis to outcomes. There is also widespread support for a more 'risk-based' approach to inspection whereby authorities and/or services that have a track record of good performance and have put in place what are considered to be appropriate systems and structures receive 'lighter touch' inspection – usually in the form of less frequent and/or less intensive scrutiny. This is seen as having two main benefits. First, it would reduce the costs imposed on inspected bodies that are already performing well. Second, it would enable inspectors to focus their resources on those areas where improvement is most needed. Most inspectorates have embraced this approach to a limited extent but its wider adoption would require a greater degree of trust than seems to exist between central and local government. Its success would also, of course, depend on the ability of inspectors to assess risk accurately.

More radically, a number of commentators have argued for 'inspector-free' approaches to regulating public services. Dunford (1998) and Kogan and Maden (1999), for example, suggested that schools should be encouraged to undertake self-evaluation, with LEAs playing a central role in supporting schools in making changes that they identify as being necessary. Ferguson *et al.* (2000) argued that self-evaluation

could be adapted to produce a system of self-inspection which might be more effective than set-piece OFSTED inspections. Hood *et al.* (1999) identified four possible models of regulation:

- contrived randomness: regulation through processes and pay-offs that are by design unpredictable
- oversight: regulation through command and control
- competition: regulation through the creation of a multiplicity of providers and thus rivalry between them
- mutuality: regulation through group processes.

Two of these approaches (regulation through competition and mutuality) may not require external inspection although, as McGarvey and Stoker (1999) observe, intriguingly, all four have a role in the current Best Value regime.

Contrived randomness involves the creation of uncertainty in order that regulated bodies modify their behaviour in expectation of sanctions or rewards that they believe, but cannot be sure, will follow from failure or success. It is not the dominant mode of control within the Best Value regime. Nevertheless, Best Value has introduced a degree of uncertainty about how the legislation and guidance are to be implemented by authorities, how inspectors will interpret the regulations and how forcibly potential sanctions will be applied. As one Best Value officer told us:

*We still don't really know what Best Value is.
We're just waiting for the inspectors to fail
someone, then at least we'll know what it isn't.*

External inspection of local government

Command and control mechanisms also feature strongly in many of the inspection regimes to which local authorities are subject. Although the Best Value regime relaxes some of the *ex ante* controls placed on authorities, there are still a range of processes to which they must conform including, for example, the detailed regulations about the contents and timing of Best Value performance plans. Moreover, authorities may be subject to intervention not just because of failure to improve but also because of ‘failures of process’.

Competition also features strongly in New Labour’s approach to public service improvement. Central government has repeatedly made it clear that it is more than willing to divert resources and responsibilities to other providers if local authorities do not deliver cost-effective services – see, for example, the Prime Minister’s warning to local authority leaders in 1998 that:

If you are unwilling or unable to work to the modern agenda then the government will have to look to other partners to take on your role.
(Blair, 1998)

The Best Value regime, therefore, requires authorities to promote a ‘mixed economy of provision’ in order to create ‘the conditions under which there is likely to be greater interest from the private and voluntary sectors in working with local government to deliver quality services’ (Cm. 4014, clause 7.30).

Group processes have also become increasingly important in the last three to four years with the establishment of a range of peer review initiatives, ‘learning networks’ and benchmarking clubs. Examples include professional networks, peer review of Best Value initiatives by West Midlands authorities (Freer, 1998), the Local Government Improvement Project and the Beacon Council scheme run by the Improvement and Development Agency (IDeA), regional Best Value seminars orchestrated by the IDeA and the (then) Department of the Environment, Transport and the Regions (DETR), and the Better Value Development Programme (which was jointly funded by participating authorities and the DETR) and the DETR’s in-house team of former senior local authority managers (the ‘local government modernisation team’) whose role is to assist authorities in responding to the ‘modernising agenda’ (Martin, 1999). In many cases, self-regulation and peer review may be a response to external inspection – an attempt by local government to show that it is able to ‘put its own house in order’ without the need for external regulation. As Rhodes (1981) explains:

It is often a feature of self-regulation that it is introduced under the fear or threat that if the interests concerned do not themselves take effective action government will introduce statutory requirements.

7 Key issues and challenges

This paper has provided a brief review of some of the key literature on the role of inspection and a summary of the views expressed by senior policy makers and practitioners (at local and national level) with whom we have conducted preliminary interviews. It is not intended as a comprehensive or definitive analysis of the impacts of external inspection on local government. However, the evidence that we have gathered does highlight a number of issues that we believe need to be addressed by central government, the inspectorates and inspected bodies, and that merit more in-depth research.

There seems to be a widespread acceptance that inspection has a role to play in the regulation of local authority services and, in particular, that it may serve as a useful 'catalyst' for improvement. Indeed, the rapid growth of external inspection in recent years appears to have gone largely unchallenged by the local government community. The Local Government Association has focused its efforts not on resisting new inspection regimes but on influencing the ways in which they operate. For their part, the government and the inspectorates have agreed that, in order to be effective, inspection has to be seen as credible and fair and must be 'owned' by inspected bodies. They have also agreed that inspection should cause minimal disruption to front-line service delivery, that it should be co-ordinated and that it needs to be complemented by other measures that enhance authorities' capacity to improve. The intervention protocol, agreed between central government and the LGA, establishes that intervention must be based on firm evidence of 'failure' and proportionate to the

risks involved in continuing 'failure' (DETR, 1999), and central government has established the Inspectorates Forum to promote more 'joined-up' inspection. It has also worked with the LGA to establish the Improvement and Development Agency (IDeA) and has promised to reward 'excellent' authorities with 'new flexibilities and freedoms'.

In spite of these promising signs, though, it is clear that it will be important that inspection regimes achieve a balance between:

- local diversity and central prescription: allowing authorities to adopt approaches that meet local priorities whilst also ensuring that service users in different parts of the country do not experience wide disparities in standards
- experimentation and 'zero tolerance of failure': dealing with serious and persistent underperformance without discouraging appropriate risk taking
- local capacity building and central prescription: encouraging self-sustaining improvement whilst also making sure that, in those instances where it is clear 'what works', all authorities are encouraged to adopt 'good practice'
- achieving 'early wins' and sustainable improvement: providing incentives for authorities to deal as rapidly as possible with underperforming services whilst also creating the conditions (including the necessary resources and stability) to enable them to reconfigure services in ways that lead to sustainable, long-term improvements

- cost savings and improvements in the quality of services: keeping up the pressure to ensure that services are delivered as cost effectively as possible whilst also making available the funds needed to invest in long-term improvements in infrastructure and training.

Moreover, these issues need to be seen within the wider context of ongoing changes in the framework for the management and regulation of public services as a whole. This poses a series of key issues for policy makers, practitioners and researchers.

The credibility of inspectors

There is a need to ensure that inspection is rigorous, evidence based and perceived to be fair. Inspectors need to demonstrate an understanding of the service(s) that they are inspecting and an appreciation of what is likely to work in individual authorities. This calls not only for technical know-how but also sensitivity to local political contexts. The new inspectorates (the Best Value Inspection Service and Housing Inspectorate) have gone to considerable lengths to establish the credentials of their inspectors. However, it has been difficult to recruit suitably qualified staff and many authorities have embarked on a much larger number of reviews than was originally anticipated by Best Value inspectors. This suggests that they may struggle to cover all reviews in detail. Moreover, there have already been suggestions of inconsistencies between different inspectors. This raises important questions about what inspectors see as their role and whether there is

a common understanding both within and between inspectorates.

Style versus substance

There is a danger that external inspections will focus on style rather than substance. If they do, authorities that are good at producing strategies and plans, collecting performance data and establishing audit trails may be able to 'paper over' problems with service delivery. As noted above, some commentators have, for example, expressed concern that OFSTED inspection visits create 'artificial conditions' which are not an accurate reflection of 'normal school life'. The audit of Best Value Performance Plans in 2000 was also widely seen as being focused on process. A senior officer in one authority told us:

We're sceptical of the value of audit and inspection. We fear that it will end up as a tick box thing ... There's a danger that the inspectors will lose touch with reality.

In another authority, we were told that:

The first meeting I had with the auditors I was faced with 20 pages of tick boxes.

Some external auditors agree. One told us:

This year, all we've had to check was that authorities had performance indicators in the right box. We weren't too concerned with whether it was an appropriate performance indicator and we weren't required to check its accuracy.

The danger is that, if this perception persists, authorities will tend to focus primarily on demonstrating compliance with regulations rather than on genuine attempts to promote service improvement.

Local versus national priorities

There is a concern that national inspection regimes will encourage a standard approach to the management of local services that may not be appropriate to local needs and priorities in all areas. Authorities may be wary of appearing to be different and, faced with inspectorates that already have a clear view of 'what works', many could be disinclined to risk new approaches. In these circumstances, the dissemination of 'good practice' could lead to the widespread adoption of approaches that have worked in some authorities but may not be appropriate to the circumstances facing many other councils. An officer in one of the Best Value pilots told us, for example, that:

We've moved here to a very prescribed form of Best Value – a Best Value review must look like this, with this form of consultation.

As Hargreaves (1995) argued, in the case of education, this is a difficult and important dilemma:

The Government preaches diversity and choice. Parents are paramount: they decide. But the information supplied to parents from inspection reflects the inspectors' model of schools, against which good, bad and indifferent are judged. Applying the OFSTED standard model in practice and on every school in a short time-scale exerts pressure on schools away from current diversity towards the OFSTED model. In other words, divergence from the normative model can become not commendable diversity enhancing choice, but reprehensible deviance demanding suppression.

Understanding the causes of failure and of improvement

There is an urgent need for a rigorous analysis of the causes of 'failure' in different contexts. The Best Value Inspection Service and the IDeA clearly believe that there is a strong link between service failure and corporate structures and performance. However, although there is strong anecdotal evidence of their importance, the nature and extent of these relationships remain unclear and there are authorities in which some services perform well whilst others are failing. Equally importantly, Best Value inspectors are required not simply to rate current performance but also to make public judgements about a service's capacity to improve. The basis on which these judgements are made, the level of consistency between inspectors and the extent to which their views are proved to be accurate in future years are clearly going to become important issues for inspectors and inspected bodies.

Stakeholders' views of inspection

There is also a gap in our understanding of the impacts of inspection on different groups. In many cases, it is senior managers who are most involved with inspection and who appear therefore to be most aware of it. However, its impacts may be felt throughout the organisation. There is, therefore, a need for research on different stakeholders' views. Do the results of inspection cascade 'down' through an authority? Are front-line staff aware of inspections? If so, to what extent do they influence their actions and affect their roles?

What is the public's view of inspectors and inspection outcomes? Do politicians see external scrutiny as a means of enabling them to call service managers to account or as a challenge to their right to determine their authority's priorities?

The limits of performance data

External inspection and audit continue to be very dependent on quantitative performance measures. Compulsory competitive tendering (CCT), fiscal pressures and the increased politicisation of local government have all led to the wider use of performance data (Ball and Monaghan, 1996). However, it is clear that existing performance data remain inadequate. Smith (1995), Boyne (1997) and Tichelar (1998) have all highlighted the deficiencies of national performance indicators (PIs). Boyne, for example, concluded that:

... there is very limited evidence to suggest that levels of performance vary together across services ... performance is not driven by the general characteristics of local councils, but by the circumstances, organisation or ethos of specific service departments. It is therefore inappropriate to categorise councils into 'high performing' and 'low performing' groups across all services.

Midwinter (1994) agreed:

The notion that authorities' performance can be reduced to a few simple, quantifiable indicators which can provide a basis for comparison of organisational efficiency, is fallacious.

Performance measures are therefore best considered as 'hands-off' instruments of control, 'dials' or 'tin-openers' (Carter, 1989).

Moreover, whilst services that were previously subject to compulsory competitive tendering (CCT) often have basic information about unit costs and numbers of service users, even they lack adequate information about service outcomes and user satisfaction. Most Best Value pilots, for example, found that they lacked the performance management systems needed to implement the regime (Martin *et al.*, 2001). As one council (with a national reputation as a 'flagship' authority) told us:

We used to think and to tell everyone that we were good. Now we realise that we simply don't have the data we need to know how well we're performing.

Another reported that:

Management information in this place is a travesty. Our accounting system is geared up to produce local government information, not activity-based costing. Even the trading account information isn't that good. It has made anything to do with comparative costs very tricky.

Not surprisingly, therefore, many local authorities struggled to compile the data required for Best Value performance plans in 2000 and there were major variations between services in the availability and quality of the performance data, as well as difficulties in measuring the contribution made by individual services to the achievement of 'corporate' objectives.

Furthermore, all the signs are that it will continue to be very difficult for authorities or inspectors to measure outcomes in terms of 'cross-cutting' issues (e.g. community safety, health promotion, lifelong learning), or the needs of particular groups (e.g. older people, disaffected youth, people with disabilities). There is, then, a danger that authorities that adopt cross-cutting approaches to Best Value reviews will not be able to measure improvement in a joined-up fashion.

Joined-up inspection

Many of the local authority officers to whom we have spoken were concerned about the existence of six different inspectorates requiring different types of information and using different performance criteria. There was a fear that, unless inspections are co-ordinated more effectively, authorities will experience 'inspection overload'. This is nothing new. More than a decade ago, Day and Klein (1990) suggested that:

There would seem to be considerable advantages if different inspectorates were to build on each other's work instead of, as now, working in isolation. With the same frequency of inquiries by individual inspectorates, their visits could allow a continuous picture of developments over time to emerge: the reports might be cumulative rather than discrete.

Loughlin (1992) suggested integrating the various inspectorates into a 'Commission for Local Government' that would assume responsibility for all the external mechanisms of administrative accountability of local government. Hood *et al.* (1999) quoted a senior

local government officer from a London borough who remarked:

I'm obsessed by what the District Auditor is saying, and what OFSTED is saying about our schools, what SSI might say and where we are in the league tables, but the system isn't co-ordinated and it's hard to cultivate a good relationship with all of them at once.

Whilst central government has accepted that 'Joined-up government requires joined-up regulation to assess the joined-up performance of those joined-up agencies', ministers have made it clear that there are no immediate plans to bring all inspection under the aegis of a single agency. There have been attempts to ensure better co-ordination of the inspection regimes but different services will continue to be subject to different criteria and different styles of inspection. It is therefore important that we develop a better understanding of the circumstances in which joint inspections are most needed and of the contexts in which they are most likely to work. It is also important to monitor whether the newly created Inspectorates Forum is able to act as vehicle for co-ordinating inspection and whether, as is suggested by some practitioners, the joint SSI/Audit Commission reviews offer a model for more integrated inspection.

The implications of partnership working

The government has placed considerable emphasis on the capacity of increased partnership working to promote service improvement, and many authorities are in the process of developing new arrangements for joint working – at both strategic and operational

levels with other public sector agencies, the private sector and voluntary and community groups. However, as a more mixed economy of provision increasingly takes hold, the standard of local services will depend more and more not simply on the performance of local authorities but also on the capacity of their partners. Clearly, this has important implications. Lines of accountability may become less clear and the causes of 'failing' services may become more difficult to pinpoint. Moreover, at present, the duty of Best Value applies only to selected public agencies (including local authorities, national park authorities, police and fire services). Many local councils argue that there is a need for other public agencies and for their partners in the private, voluntary and community sectors to be subject to similar disciplines and to be called to account through similar inspection mechanisms. However, it is not easy to see how this might work in practice and it seems unlikely that many potential private sector partners would be willing to acquiesce.

The capacity to intervene

All six of the inspection regimes covering local government are underpinned by the possibility (or threat) of intervention in cases where authorities are deemed to be 'failing'. This is seen very much as a last resort and is typically preceded by a great deal of informal 'behind the

scenes' activity. In a number of high-profile cases, authorities with 'failing' LEAs have, for example, agreed to outsource or radically reconfigure their education services in response to adverse OFSTED reports – in effect, choosing 'to jump before they are pushed'. The IDeA (with the support of the DETR and now its successor the DTLR) has also been very actively involved in a small number of authorities that have been seen to have chronically failing corporate management systems. If, however, the new Best Value inspectors judge large numbers of services and authorities to be failing, intervention may become more commonplace. This could threaten the largely consensual approach that has surrounded Best Value so far. More fundamentally, it would pose important questions about the extent to which the private sector, and other alternative delivery mechanisms, can in fact produce improvement. Both the inspectorates and central government departments face capacity constraints and many markets remain underdeveloped. If the threat of intervention is to retain its potency, it will therefore have to be used rather sparingly. If it is not, as Hargreaves (1995) has argued (with reference to education), there is a danger that inspection will become a form of quality control that 'merely monitors the failure rate or the site of failure, but does nothing in itself to put the fault right.'

8 Conclusions

There are strong a priori arguments in favour of external inspection. It can help to ensure that standards are checked and that statutory obligations are adhered to. In the right contexts, it may deter fraud, highlight poor administration, increase public accountability and improve service delivery. Set against this, however, are the costs of inspection, and the danger that inspectorates will focus on processes that can be measured rather than on the outcomes that are more difficult to quantify but matter most to service users and citizens.

As Humphrey *et al.* (1999) have argued, it seems likely that governments:

... will need to learn to cope with the complexity and ambiguity already lived out by governed subjects and to curb their obsessive-compulsive quest for information and control without projecting it onto 'the public'.

However, whilst there is clearly a need to ensure that the burdens imposed by inspection are proportionate to the gains that might be derived from it, it is also clear that we do not yet have a sufficiently detailed understanding of what the costs and benefits of inspection are. As one chief executive, who had recently been appointed from the private sector, told us:

I genuinely believe that it's better that we're subject to external scrutiny than that we are not. But I also have to ask myself whether, if we were able to spend the £50 million per year that is given over to Best Value inspection on consultancy support instead, it might produce a lot more change, a lot quicker.

These sentiments reflect a fairly widespread concern. As the Select Committee on Environment, Transport and Regional Affairs

(2000a) put it, there is a danger that local government is being 'inspected to destruction and that this is diverting resources from service provision, stifling innovation, lowering morale and creating confusion.'

The Best Value inspection regime is still relatively new and it is important to avoid jumping to hasty conclusions or premature criticisms about what will almost certainly be looked back on as a transitional phase. Indeed, all the signs are that the inspection regimes covering local government will continue to evolve – in part, in response to the kinds of concerns that we have highlighted in this paper. This, though, makes it all the more important that policy makers and researchers monitor the development of the Best Value Inspection Service and other inspectorates, and develop a more rigorous analysis of the long-term impacts of inspection.

The issues that we have highlighted in this paper amount to a demanding research agenda. Given the time and resources available to us, it will not be possible to address them all in the next stage of our study. Comprehensive analysis of issues such as the level of public support for external inspection, the adequacy of current existing performance management systems, the link between corporate management and failing services, the implications for inspection of partnership working and the effectiveness of intervention would all require in-depth studies of their own. It will therefore be important for policy makers and the research community to find ways of promoting future studies that enable more detailed analysis of these important issues. In the meantime, though, we hope that the second phase of our study will shed some light on some of these issues, thereby

External inspection of local government

stimulating debate and the search for a more sophisticated understanding of the value added by inspection. In particular, there is a need to promote a much more comprehensive analysis of whether, and in what circumstances, external inspection delivers the improvement that ministers are hoping for. As the Select Committee (2000b) put it, there is a need to:

... undertake a study to ascertain whether the inspection regime in local government delivers the significantly enhanced overall benefits to justify the overall cost of an onerous inspection regime.

This will require a concerted attempt to build up a more sophisticated understanding of:

- how improvement is achieved in practice
- the ways in which inspection regimes can contribute to improvement by complementing internal drivers of change
- which approaches work best in which circumstances
- how effectively inspection regimes interact with each other and with other policy instruments.

In an attempt to begin to open up some of these issues, the next phase of our study will explore local experiences of, and perspectives on, the impacts of inspection in a range of different case study authorities, focusing in particular on whether:

- inspectors possess the necessary technical knowledge and awareness of local contexts for their judgements to be seen as useful and credible by inspected bodies
- current inspection criteria are appropriate and promote reliable judgements of the quality and cost effectiveness of services
- external inspection makes sufficient room for local priorities, managerial approaches and political priorities
- existing performance management and measurement technologies are sufficiently robust and reliable to enable improvement to be monitored accurately
- inspectorates are able to co-ordinate their activities and, if they are not, what the consequences are of fragmented inspection in local government
- central government has the capacity to intervene effectively where services are deemed to be failing and also whether viable alternative delivery mechanisms exist
- the benefits of external inspection outweigh the costs and in what circumstances it is able to add the most value.

References

- Audit Commission (1998) *Developing Principles for Public Inspection. A Consultation Document*. London: Audit Commission
- Audit Commission (2000a) *Seeing is Believing*. London: Audit Commission
- Audit Commission (2000b) *A Step in the Right Direction*. London: Audit Commission
- Ball, R. and Monaghan, C. (1996) 'Performance review: the British experience', *Local Government Studies*, Vol. 22, No. 1, pp. 40–58
- Benefit Fraud Inspectorate (BFI) (1999) *Reducing Fraud by Raising Standards*. London: DSS
- Blair, T. (1998) *Leading the Way: A New Vision for Local Government*. London: IPPR
- Boyne, G. (1997) 'Comparing the performance of local authorities: an evaluation of the Audit Commission indicators', *Local Government Studies*, Vol. 23, No. 4, pp. 17–43
- Boyne, G. (1999) 'Processes, performance and Best Value in local government', *Local Government Studies*, Vol. 25, No. 2, pp. 1–15
- Boyne, G., Day, P. and Walker, R.M. (2000) 'The evaluation of public service inspection: a theoretical framework', unpublished paper
- Carter, N. (1989) 'Performance indicators: "backseat driving" or "hands off" control', *Policy and Politics*, Vol. 17, No. 2, pp. 131–8
- Carter, N., Klein, R. and Day, P. (1992) *How Organisations Measure Success – The Use of Performance Indicators in Government*. London: Routledge
- Clarke, J., Gewirtz, S., Hughes, G. and Humphrey, J. (2000) 'Guarding the public interest? Auditing public services', in J. Clarke, S. Gerwitz and E. McLaughlin (eds) *New Managerialism, New Welfare?* London: Sage
- Cm. 4014 (1998) *Modern Local Government: In Touch with the People*. London: Stationery Office
- Cm. 4310 (1999) *Modernising Government*. London: Stationery Office
- Cullingford, C. and Daniels, S. (1999) *An Inspector Calls – OFSTED and its Effect on School Standards*. London: Kogan Page
- Davies, C. (2000) 'The demise of professional self-regulation: a moment to mourn?', in J. Clarke, S. Gerwitz and E. McLaughlin (eds) *New Managerialism, New Welfare?* London: Sage
- Day, P. and Klein, R. (1987) *Accountabilities – Five Public Services*. London: Tavistock
- Day, P. and Klein, R. (1990) *Inspecting the Inspectorates*. York: Joseph Rowntree Memorial Trust
- Department of the Environment, Transport and the Regions (DETR) (1999) *Draft Protocol for Intervention in Failing Councils*. London: DETR
- Dunford, J.E. (1998) *Her Majesty's Inspectorate of Schools Since 1944 – Standard Bearers or Turbulent Priests?* London: Woburn Press
- Ferguson, N., Earley, P., Fidler, B. and Ouston, J. (eds) (2000) *Improving Schools and Inspection – The Self-Inspecting School*. London: Paul Chapman Publishing Ltd

- Freer, S. (1998) 'Making a success of Best Value', *Public Money and Management*, Vol. 18, No. 4, pp. 2–3
- Geddes, M.N. and Martin, S.J. (2000) 'The policy and politics of Best Value: currents, cross-currents and undercurrents in the new regime', *Policy and Politics*, Vol. 28, No. 3, pp. 377–94
- Hargreaves, D.H. (1995) 'Inspection and school improvement', *Cambridge Journal of Education*, Vol. 25, No. 1, pp. 117–25
- Henkel, M. (1991) *Government, Evaluation and Change*. London: Jessica Kingsley
- Hood, C., James, O., Jones, G., Scott, C., and Travers, T. (1998) 'Regulation inside government: where new public management meets the audit explosion', *Public Money and Management*, Vol. 18, No. 2, pp. 61–8
- Hood, C., Scott, C., James, O., Jones, G. and Travers, T. (1999) *Regulation inside Government*. Oxford: Oxford University Press
- Hughes, G., Mears, R. and Winch, C. (1997) 'An inspector calls? Regulation and accountability in three public services', *Policy and Politics*, Vol. 25, No. 3, pp. 299–313
- Humphrey, J. with Clarke, J., Gewirtz, S. and Hughes, G. (1999) 'Audit and inspection in the public sector', paper presented to the Social Policy Association Conference
- Institute for Public Policy Research (IPPR) (2000) *Delivering Change, Supporting Change*. London: IPPR
- Kogan, M. and Maden, M. (1999) 'An evaluation of the evaluators: the OFSTED system of school inspection', in C. Cullingford and S. Daniels (eds) *An Inspector Calls – OFSTED and its Effect on School Standards*. London: Kogan Page
- Local Government Association (LGA) (2001) *An Inspector Calls: A Survey of Local Authorities on the Impact of Inspection*. LGA Research Report 18. London: LGA
- Loughlin, M. (1992) *Administrative Accountability in Local Government*. York: Joseph Rowntree Foundation
- Martin, S.J. (1999) 'Learning to modernise: building the capacity to transform local public services', *Public Policy and Administration*, Vol. 14, No. 3, pp. 54–66
- Martin, S.J., Davis, H., Bovaird, A.G., Downe, J., Geddes, M.N., Hartley, J.F., Lewis, M., Sanderson, I. and Sapwell, P. (2001) *Improving Local Public Services: Evaluation of the Best Value Pilot Programme*. London: DETR
- McGarvey, N. and Stoker, G. (1999) *Intervention, Inspection, Regulation and Accountability in Local Government. DETR – Interim Literature Review*. London: DETR
- Midwinter, A. (1994) 'Developing performance indicators for local government: the Scottish experience', *Public Money and Management*, April–June, pp. 37–43
- Power, M. (1994) *The Audit Explosion*. London: Demos

Reiner, R. (1991) *Chief Constables – Bobbies, Bosses, or Bureaucrats?* Oxford: Oxford University Press

Rhodes, G. (1981) *Inspectorates in British Government*. London: George Allen & Unwin

Scanlon, M. (1999) *The Impact of OFSTED Inspections*. London: National Foundation for Educational Research and the National Union of Teachers

Select Committee on Environment, Transport and Regional Affairs (2000a) Uncorrected evidence: Select Committee on Environment, Transport and Regional Affairs

Select Committee on Environment, Transport and Regional Affairs (2000b) Memorandum by the Department of the Environment, Transport and the Regions (AC 15)

Smith, P. (1995) 'Performance indicators and outcome in the public sector', *Public Money and Management*, October–December, pp. 13–16

Tichelar, M. (1998) 'Evaluating performance indicators: current trends in local government', *Local Government Studies*, Vol. 24, No. 3, pp. 29–35

