

## **AUDIT AND INSPECTION IN LONDON**

### **Foreword**

To re-cast an old adage “Those that can do, those that can’t inspect”: every year, up to £90m is spent on the audit and inspection of the bodies that provide London’s public services.

We want to see that sum dramatically reduced, and the savings invested in the improvement of front line services. We would like to see traditional inspection reserved for services in which failure carries a high risk, and other levers, such as peer review, used to ensure minimum standards are met elsewhere. We also believe there is a key role to be played by bespoke regional arrangements to make sure improvement is locally owned and best practice is shared as widely as possible.

On behalf of the Committee, I would like to thank those who took the time to submit their views to us either in writing or in person at our public hearing. We hope our response to the Government’s review will help to inform the debate that surrounds the role inspection should play in the improvement of public services.

Brian Coleman  
Chairman of the Audit and Inspection Committee

March 2006

## **The Audit and Inspection Committee**

The Audit and Inspection Committee was established by the London Assembly on 11<sup>th</sup> May 2005.

Brian Coleman (Chairman) – Conservative  
Sally Hamwee (Deputy Chair) – Liberal Democrat  
Len Duvall – Labour  
Peter Hulme Cross – One London

The Committee's terms of reference are:

- To examine the impact, effectiveness, focus, and value for money, of audit and inspection of London's public bodies.
- To report [to the London Assembly] with recommendations by May 2006.
- To respond on behalf of the Assembly to consultations and similar processes when within its terms of reference.

On 18 January 2006, the Assembly gave the Chair of the Assembly's Audit and Inspection Committee, in consultation with the Deputy Chair and other Members on the Committee, delegated authority to approve a response from the Committee (acting on behalf of the Assembly) to the Government's consultation paper, *Inspection Reform: The Future of Local Services Inspection*.

## Introduction

The London Assembly warmly welcomes the publication of the Office of the Deputy Prime Minister's consultation paper, *Inspection Reform: the Future of Local Services Inspection*.

We believe the paper is a positive first step in the reduction of the burden of inspection on London's public bodies and a very useful contribution to the debate surrounding the role inspection should play in driving service improvement. In particular, we welcome the commitment to reducing the number of inspectorates and increasing the level of coordination within inspection activity.

However, we have a number of specific concerns about the proposed gatekeeper role, whereby one inspectorate manages all activity for the bodies in its remit, and the capacity of the proposed system to deal with partnership working between local agencies. We are also interested in stimulating debate around a more radical solution than the one set out in the consultation paper. **We believe Government should assess the merits of establishing a single inspection authority for low risk activities co-opting experts as needed.**

Our submission has drawn on evidence received by the Greater London Authority group, (including the London Fire and Emergency Planning Authority and the Metropolitan Police Service), the London boroughs, the Audit Commission and the Commission for Social Care Inspection.

### 1. The government's proposals

1.1 In the 2005 Budget, the government announced its intention to reform inspection to make it more risk-based, proportionate and effective. *Inspection Reform: The Future of Local Services Inspection* sets out a number of proposals, including:

- the rationalisation of public service inspectorates from eleven to four, covering:
  - local services;
  - children and learners;
  - health and adult social care;
  - justice and community safety; and
- the merger of the Audit Commission and the Benefit Fraud Inspectorate to create, by 2008, a local services inspectorate for English local authorities. This body would have responsibility for:
  - local authorities' corporate capacity and performance and all local authority services except children's services and adult social care;
  - local authorities' community leadership and partnership working;
  - fire and rescue authorities;
  - police authorities;
  - all other Best Value authorities;
  - housing associations and registered social landlords; and
  - "area-based cross-cutting outcomes delivered through local partnerships" (e.g. through local strategic partnerships)

1.2 Its consultation paper also seeks to open a wider debate on why, what, when and where inspection should take place, and the role that can be played by inspection in service improvement.

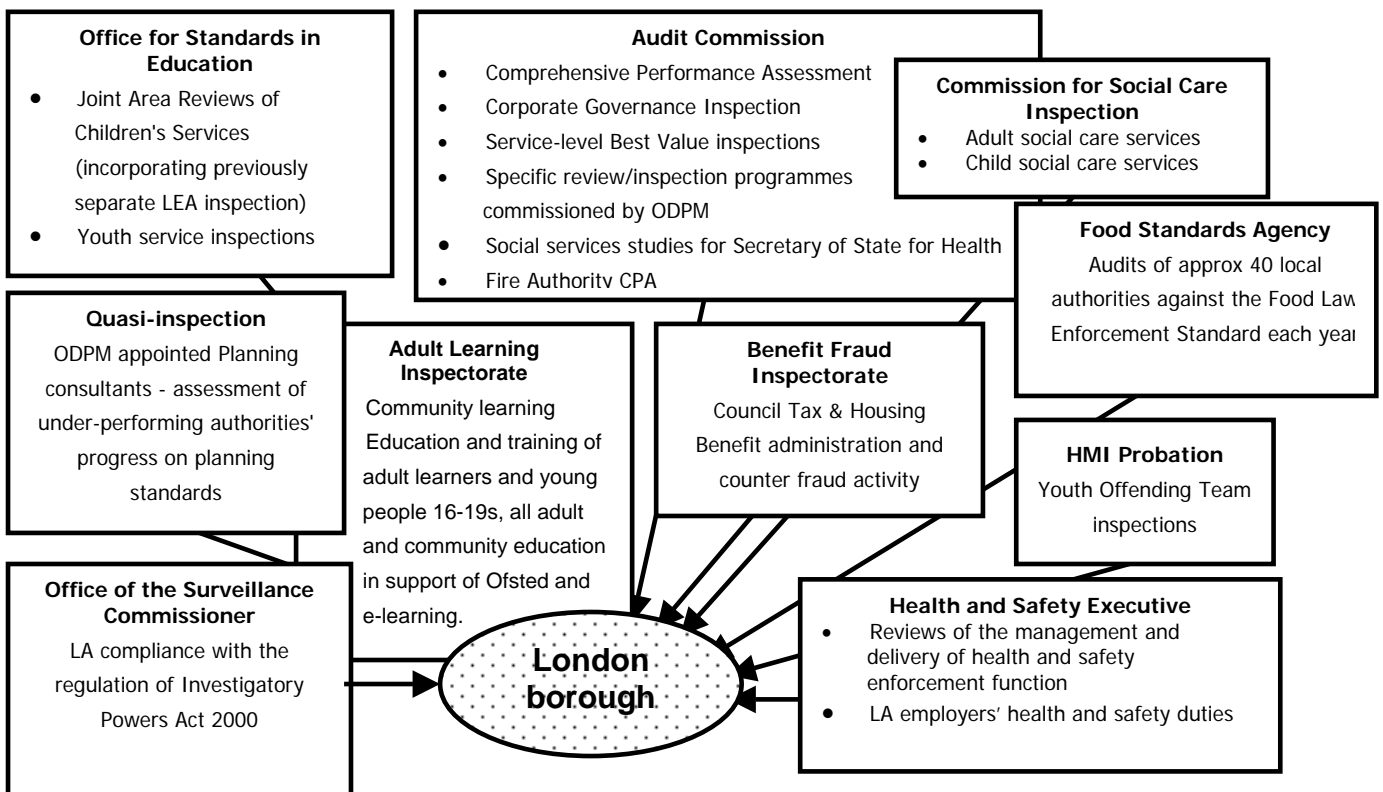
## 2. Cost of inspection

2.1 We estimate inspection costs in London are up to £90m per annum<sup>1</sup> – equivalent to over 3,000 extra teachers.

2.2 Most of that - £72m – relates to the cost of running the eleven inspectorates that currently examine London’s public bodies. In addition, the average London borough spends over £400,000 per annum on inspection, performance audit and financial probity work<sup>2</sup>. For the Metropolitan Police Authority, the figure is over £500,000<sup>3</sup> and for the London Fire and Emergency Planning Authority, £164,000<sup>4</sup>.

2.3 In addition, there is the considerable indirect cost of the time spent by officers preparing for and participating in inspection. One London borough told us that the comprehensive performance assessment (CPA) undertaken by the Audit Commission alone occupies eight officers for three or four months of the year<sup>5</sup>.

2.4 This diagram illustrates the burden of inspection on a London borough:



<sup>1</sup> ODPM estimates cost of running inspectorates is £500m annually. The London figure assumes per capita proportionality. The figure for Borough costs is around £13.5 million.

<sup>2</sup> *Inspection – Time Well Spent?* Research carried out by MORI for the Local Government Association

<sup>3</sup> Metropolitan Police Authority

<sup>4</sup> London Fire and Emergency Planning Authority

<sup>5</sup> Evidence to London Assembly’s Audit and Inspection Committee, 28<sup>th</sup> February 2006

2.5 **We strongly believe that the government's review must lead to a dramatic reduction in the cost of inspection in London, both in terms of the operational costs of running the inspectorates and the costs borne by the inspected bodies.**

### 3. Potential savings

3.1 We heard evidence that the current inspection regime has delivered welcome improvements. Both Enfield LBC and Barking and Dagenham LBC attributed specific areas of progress, for example in housing benefit processing times, financial reporting and street cleanliness, to the external pressure exerted by the inspection process. The London Fire and Emergency Planning Authority said its initial performance assessment had led to a stronger focus on performance management than had previously been the case<sup>6</sup>.

3.2 These improvements have been achieved against a backdrop of a reduction in inspection activity. We heard from the Audit Commission that inspection fees have fallen from £3.5m in 2003/04 to £1.7m in 2005/06 as a result of the more proportionate approach the Commission is taking to inspection<sup>7</sup>. We welcome that reduction as an indication of the scale of the efficiencies that are possible while ensuring that improvements are delivered to frontline services.

3.3 We were disappointed to hear that the Audit Commission's approach to cutting inspection has not been replicated by all inspectorates. Enfield LBC estimated last year it had seen activity from no fewer than thirteen inspectorates in the borough, with the benefits of much of that activity difficult to assess<sup>8</sup>.

3.4 **We believe there is scope for all inspectorates to make substantial reductions in their activity and for the savings to be invested into frontline services, further driving improvement.** In response to the funding options suggested in ODPM's consultation paper, we support option three, whereby audit work is fee funded and inspection is grant funded.

### 4. Role of inspection

4.1 We heard a strong case from boroughs that traditional inspection should be reserved for areas in which failings lead to clear and substantial risks for service users, for example in the care of vulnerable children and adults. Furthermore a separate audit regime is essential to ensure financial probity. In other areas, however, activity would be limited to the collecting and monitoring of data to ensure minimum standards are met<sup>9</sup>.

4.2 **We believe that peer review could play a much greater role as a means of strengthening performance and supporting improvement. We fully support the development of bespoke regional arrangements, such as**

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<sup>6</sup> Evidence to London Assembly's Audit and Inspection Committee, 28<sup>th</sup> February 2006

<sup>7</sup> Ibid

<sup>8</sup> Ibid

<sup>9</sup> Ibid

**London’s “Capital Ambition” initiative<sup>10</sup>, as a means of ensuring that improvement is locally owned and delivered and best practice shared as widely as possible.** There is scope for the inspectorates to cooperate with that process.

- 4.4 There is currently a perception that when an inspection verdict is issued, the public body is left to deal with the issues that have arisen. We believe there is scope for much closer links between performance management and improvement. An assessment – whether delivered by an inspectorate or peer review – must include a clear pathway to improvement. “Capital Ambition” provides a network structure to deliver that support.
- 4.5 We welcome the Audit Commission’s moves to shift the focus of service assessments away from inspection and towards performance information<sup>11</sup>. However, that means there is an even greater need to ensure the performance indicators on which that assessment is based are robust, are owned by the authority in question.
- 4.6 Members also have a vital role to play in creating a climate of self-improvement and, where necessary, triggering intervention. **We believe the role of Members has not been given sufficient weight in the ODPM’s proposals and needs to be further developed.**
- 4.7 Furthermore, we do not believe that the current system of freedoms and flexibilities serves as an effective incentive for improvement, with boroughs perceiving the freedoms open to them as “marginal”<sup>12</sup>. **We would like to see the ODPM’s proposals overhaul the earned autonomy model to make it more able to stimulate improvement.**

## **5. Gatekeeper role**

- 5.1 One of the most persistent problems with the current arrangements is the lack of coordination between, and even within, inspectorates. From the point of view of the inspected body, inspection activity often appears to take place in an illogical and haphazard fashion, generating repeated requests for the same pieces of information. The consultation paper itself acknowledges that attempts to coordinate inspectorate activity on a voluntary basis have in the past failed to eliminate duplication. As a result, a statutory duty of cooperation is to be welcomed as a clear step in the right direction.
- 5.2 **However, we believe the gatekeeper role has been inadequately thought through and we are unclear as to how it will work in practice. There is no evidence that such an arrangement will lead to a reduction in duplication.**
- 5.3 We also have sympathy with concerns expressed by the Commission for Social Care Inspection that it will have its risk assessment ‘second guessed’ by the

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<sup>10</sup> <http://www.capitalambition.gov.uk/>

<sup>11</sup> Evidence to London Assembly’s Audit and Inspection Committee, 28<sup>th</sup> February 2006

<sup>12</sup> Ibid

gatekeeper and therefore be unable to discharge its responsibilities as it sees fit. The Commission also fears the gatekeeper function will add another layer to an already burgeoning bureaucracy<sup>13</sup> and are concerned for their own liability.

- 5.4 We heard a case from Enfield LBC that the four proposed inspectorates should be replaced by a single body which could draw on the expertise of relevant secondees<sup>14</sup>. The need for a gatekeeper function would therefore be eliminated. There is a precedent for this kind of joint work, with, for example, officers from Her Majesty's Inspectorate of Constabulary co-opted onto the team of inspectors examining the Metropolitan Police Authority. We believe there are merits in this argument which should be given further consideration by ODPM.

## **6. Partnership working**

- 6.1 Partnership working, and joint responsibility for outcomes, is becoming an increasingly important feature of local service delivery.
- 6.2 This poses a challenge to the inspection process. Enfield LBC told us "the direction of travel is that we will be judged very much on outcomes that are not directly under our own control"<sup>15</sup>. For example, the verdict of a joint area review may be that hospital emergency departments should be better resourced, an outcome Members may like to see but have no control over delivering. We also heard from the London Fire and Emergency Planning Authority concerns over how its performance can accurately be judged when it operates in radically different ways with each of the 33 London boroughs<sup>16</sup>.
- 6.3 **We believe the ODPM proposals must explicitly address the issue of partnership working and explain how judgements can be made in such a way that those who are responsible for certain outcomes are held accountable for their delivery.**

## **7. Driving Improvement in London**

- 7.1 We fully support "Capital Ambition" and the development of an independent performance office for London, with a view to it becoming the London Performance Agency.
- 7.2 However, while "Capital Ambition" becomes more established, there is clear scope for regional studies to identify and disseminate best practice within London. **Plenary sessions of the Assembly might provide a public forum for these studies to be discussed and lessons learned quickly disseminated.** We would welcome a discussion with ODPM on this issue.

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<sup>13</sup> Commission for Social Care Inspection's response to the ODPM consultation paper 'Inspection Reform: the Future of Local Services Inspection'

<sup>14</sup> Evidence to London Assembly's Audit and Inspection Committee, 28<sup>th</sup> February 2006

<sup>15</sup> Ibid

<sup>16</sup> Ibid

## **Appendix 1: Evidence submitted to the Committee**

The following witnesses attended the Committee's evidentiary hearing on 28<sup>th</sup> February 2006 to be questioned by Members on audit and inspection in London:

- Rita Dexter, Director of Corporate Services, London Fire and Emergency Planning Authority;
- Colm O'Callaghan, Head of Finance, LFEPA;
- Rob Leake, Chief Executive, Enfield LBC;
- Nick Kingham, Assistant Chief Executive, Barking and Dagenham LBC;
- Mike Haworth-Maden, Relationship Manager and District Auditor for the Greater London Authority and the Metropolitan Police Authority, Audit Commission; and
- Ken Davis, Relationship Manager for the London Development Agency, LFEPA and Transport for London, Audit Commission.

Written evidence was also received from:

The Commission for Social Care Inspection  
The Local Government Association and the Improvement and Development Agency  
The Greater London Authority  
The Metropolitan Police Service



## **Appendix 2: Principles of Assembly scrutiny**

The powers of the London Assembly include power to investigate and report on decisions and actions of the Mayor, or on matters relating to the principal purposes of the Greater London Authority, and on any other matters that the Assembly considers to be of importance to Londoners. In the conduct of scrutiny and investigation the Assembly abides by a number of principles.

Scrutinies:

- Aim to recommend action to achieve improvements;
- Are conducted with objectivity and independence;
- Examine all aspects of the Mayor's strategies;
- Consult widely, having regard to issues of timeliness and cost;
- Are conducted in a constructive and positive manner; and
- Are conducted with an awareness of the need to spend taxpayers money wisely and well.

More information about scrutiny work of the London Assembly, including published reports, details of committee meetings and contact information, can be found on the London Assembly web page at [www.london.gov.uk/assembly](http://www.london.gov.uk/assembly)

## Appendix 3: Orders and Translations

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