

Housing

Consultation

May 2007



# Short notice inspection of housing associations

The Commission's proposals for a pilot programme

# Introduction

## Short notice inspections of housing associations

- 1 Since April 2003, the Audit Commission has been the statutory inspector of registered social landlords (commonly known as housing associations). In 2006, an independent committee, chaired by Sir Les Elton of which the Commission was a member, reviewed the regulatory burdens on housing associations.
- 2 The Elton review produced a report with 84 recommendations for action by a range of organisations and bodies involved in the regulation of housing associations, including the Commission. The recommendations in the report have received the full support of the Housing Corporation and the National Housing Federation.
- 3 One of the recommendations made to the Commission was that it should implement ‘a new style of short-notice inspections, particularly for those (housing associations) with no more than adequate services’. (Paragraph 89 page 40 of the Elton report) as part of its inspection programme.
- 4 The Elton review acknowledged that the housing associations’ inspection programme is increasingly based on an analysis of risk and this makes better use of scarce (inspection) resources, as well as concentrating inspections where they are likely to do most good by encouraging improvement in services to tenants.
- 5 However, the review also acknowledged that limited resources meant that there were long periods between many associations’ inspections and that some associations were committing too much time and resources to preparing for their inspections. The review also recognised that the scope of housing associations’ inspections could be more selective, principally focussing on weaker areas of performance or those issues causing most concern to residents and the Corporation.
- 6 The Commission regularly reviews the methodology used in the inspection of the many different types of organisation which it inspects. In February 2007, the Commission’s Board agreed to proceed with a pilot programme of short notice inspections of housing associations (HAs) in the second half of 2007/08.

- 7 The Commission is now consulting on a methodology for short notice inspections of HAs, which is designed to address the issues raised by the Elton review. These are principally around reducing the resources allocated to individual inspections, reducing the scope of these inspections and increasing the targeting of inspections at particular service areas. **A number of specific questions are posed within this document and the responses to these questions will help us to finalise our plans for the pilot programme of short notice inspections of HAs.**
- 8 Feedback and learning from the pilot programme of short notice inspections of HAs will be reviewed and assessed in early 2008. This assessment will be used by the Commission to inform its deliberations over the future use of short notice inspections and whether they are to become a regular part of our HA inspection programme from 2008/09 onwards. Should the review of the pilot programme, which will include feedback from those HAs inspected, lead to a decision to implement an ongoing programme of such inspections, there will be a separate consultation exercise covering such a proposal.
- 9 In order to address the Elton review's findings and recommendations in this pilot programme the main focus of the new, short notice inspections will be on those HAs that have already been inspected and received a 'Fair' one star rating (or the equivalent score from the previous Housing Corporation inspection regime) and a number of associations will be selected on this basis. This is intended to focus the inspection resources in a proportionate manner and where they can have most impact.
- 10 However, for the purposes of this pilot programme we will also be open to HAs to volunteer for a short notice inspection – volunteers can either be HAs that have not yet been inspected, or who have been inspected and received a 'Fair' one star, or a 'Good' two star rating. Currently we automatically re-inspect any HA which receives a 'Poor' zero star rating, usually within 15-18 months of the publication of the initial inspection report. For this reason we are not proposing to include any 'Poor' rated HAs in the pilot programme.
- 11 The main purpose of a short notice inspection will be to assess the current quality of services, the progress made by the HA in delivering improvements since the previous inspection and the impact these have had on customer services. Because of the more limited time allocated to these inspections - probably no more than three days on site - they will have a narrower focus than the standard scope of housing management service inspections of HAs. Currently we would typically inspect the repairs and maintenance,

housing income management, tenancy and estate management services, as well as the HA's approach to access to customer services, diversity and value for money. Short notice inspections will be targeted at the weaker performing areas within these services as assessed in the original inspection report, updated with more recent information.

- 12 Reports from the pilot programme of short notice inspections of HAs will **not** be published by the Commission, but they may result in follow-up action depending on the outcome of the inspection and our discussions with the Corporation.

**Q1. Do you agree that the main focus for the short notice inspections should be on those HAs that have already been inspected and received a 'Fair' one star rating? If not what would you advocate should be our approach?**

---

## Outline of the consultation document

- 13 Paragraphs 20 to 32 outline the proposed methodology for the pilot inspections.
- 14 Paragraphs 33 to 36 outline our proposals for piloting the proposed methodology.

## Responding to the consultation

- 15 The consultation will continue until Friday 6 July 2007. Responses to the consultation should be clearly headed 'Consultation on pilot short notice inspections of housing associations' and sent to [hi@audit-commission.gov.uk](mailto:hi@audit-commission.gov.uk) or posted to:

Housing Inspectorate  
 Audit Commission  
 1st Floor, Millbank Tower  
 Millbank  
 London SW1P 4HQ

- 16 Please note that all replies must be sent in by **6 July 2007**. This consultation exercise is taking place over six weeks and it only relates to the proposals for the pilot programme. A further consultation will take place should a decision be made to introduce short notice inspections as a standard part of our methodology.
- 17 HAs wishing to take part in the pilot programme as volunteers should notify us by 6 July when this consultation closes. We are willing to receive late requests from HAs to take part in the programme on a voluntary basis until Friday 27 July 2007.

- 18 We aim to publish a summary of the feedback received following this consultation exercise by the end of July 2007. A more detailed statement about our methodology will be produced as a result of this consultation exercise.
- 19 The pilot programme of short notice inspections of HAs will end in March 2008. We will evaluate our learning from the pilot programme and consider whether to introduce short notice inspection for HAs formally from 2008/09 onwards, as well as deciding on the methodology to be used.

## The proposed methodology

- 20 Short notice inspections are designed to assess the performance of HAs at improving services to residents by focusing on the current outcomes for customers and taking account of the impact of changes made since their previous full service inspection (where appropriate) and the delivery of follow up action plans.
- 21 HAs that have previously been inspected and assessed as providing a 'Fair' one star service to residents with poor, uncertain, promising or excellent prospects for improvement (or have scope for considerable improvement and fail to demonstrate capability, show weakness or are raising standards under the previous HC scoring system) are likely to be the main group of HAs in the pilot programme of short notice inspections. We are willing to consider requests for inclusion in the pilot programme from other HAs, such as those with a 'Good' two star service, or those not previously inspected.
- 22 The selection of HAs for the short notice inspection programme will be based on the risk assessment framework set out in our joint work plan with the Housing Corporation which can be found on both the Commission's and the Housing Corporation's web sites.
- 23 The scope of these inspections will be determined by performance against current, relevant PIs and the key weaknesses which were identified in the previous inspection report (where appropriate). We will not attempt to cover the full scope of the previous inspection, but will focus on assessing progress in up to three service areas which we consider, subject to the risk assessment, are the key areas where most improvement can be made.

**Q2. Do you agree with the proposals for limiting the scope of a short notice inspection to no more than three of the weaker performing service areas (for short notice inspections in the pilot programme)?**

---

- 24 Where there are no relevant published PIs for the services within the inspection's scope (for example, on meeting statutory requirements on gas servicing), HAs will be asked to provide their standard management information on their current performance to the inspection team while they are on site. The trend in performance since their previous inspection (or the trend over recent years for those not previously inspected) culminating in the most recent performance information available will be used to inform our assessment of the quality of the services being inspected.
- 25 There will be no requirement or expectation that HAs will complete a self assessment prior to the inspection. However, HAs will be asked to provide copies of any current plans for improving service delivery and to identify how previously weak services feature in those plans together with any relevant evidence which demonstrates performance in the delivery of outcomes for residents.
- 26 Short notice inspections will include an assessment of how the HA is meeting the three cross-cutting themes – Access and Customer Care, Diversity and Value for Money – for the services which are included in each inspection. Inspectors will use the relevant KLOEs for collecting evidence, as well as the usual inspection tools including reality checks, interviews, focus groups and surveys. The inspection will also be informed by the latest information on the HA from the Corporation.
- 27 An assessment of the Prospects for Improvement will also be included in the inspection. This will review the performance of the HA in addressing previously identified areas of weaker performance (where appropriate).

**Q3. Do you agree that short notice inspections should include an assessment of the Commission's three cross cutting themes and on HAs' prospects for improvement?**

---

- 28 It is our view that HAs will normally receive five working days notice that the inspection is about to take place and three inspectors (including a tenant inspection advisor) will normally spend up to three days on site. For large HAs with a widespread housing stock, it is possible that the on-site period may be a little longer or spread over a longer period.

- 29 Reports arising from short notice inspections will be shorter than those produced after a standard service inspection. They could include a response to the inspectors' findings from the HA and the inspectors' assessment of the HA's response.

**Q4. Do you agree with the proposals for limiting the on-site work to no more than three days in most circumstances and for the production of shorter reports?**

---

- 30 The Commission is considering what type of rating it should use for the pilot programme of short notice inspections. We see three different approaches:
- For consistency with the current star rating system we could award stars according to the assessment of Poor, Fair, Good and Excellent services. However, these would be based on a narrower assessment with less evidence than is normally collected and used.
  - Another option would be to award the same ratings but qualify them (in some way) as being the result of a short notice inspection.
  - Finally we could move to a system which reflects the degree of improvement since the previous full service inspection in a similar way that the Commission rates councils on their improvement, which is termed their 'Direction of Travel'. The assessment ratings used in Direction of Travel are also based on a four stage grading – with the organisation classified as either:

Improving strongly,  
Improving well,  
Improving adequately, and  
Not improving adequately.

**Q5. Which of these approaches do you think has most merit?**

---

- 31 Where a short notice inspection results in a 'Poor' zero star score (or a similar rating, of the services assessed), or it identifies a deterioration from a higher level, this will probably result in a more substantive assessment, such as a full service inspection, within the following 12 to 18 months after consultation with the Corporation. Where the outcome is a 'Fair' one star service, the appropriate follow-up action is likely to be determined in consultation with the Corporation.

- 32 Where HAs are judged to be providing a ‘Good’ two star or ‘Excellent’ three star service for their residents from a short notice inspection, they are unlikely to feature automatically in a future inspection programme. However, we are considering how this improvement in performance should be recognised and we are aware some organisations might welcome an opportunity for a revised star rating. We would welcome views and comments on this issue.

**Q6. Where the Commission identifies a significant improvement in an association’s service performance, what do you think should be the appropriate action to take given the fact this is the outcome of a short notice inspection with a limited focus?**

---

## Pilot short notice inspections

- 33 The pilot programme of short notice service inspections of housing associations between October 2007 and March 2008 may consist of up to 12 inspections.
- 34 Volunteers are invited for this pilot programme. However, if there are insufficient volunteers to fill the pilot programme, we still aim to include up to 12 HAs in the programme and they will be selected on the basis set out above (i.e. principally those with a fair rating from an earlier inspection or where other performance information raises a cause for concern).
- 35 All participating HAs (whether volunteers or not) will not be given early notice of the date of their inspection and will be subject to the proposed five day notice periods specified earlier in this document.
- 36 We will **not** publish reports arising from the pilot inspections, but they will be shared with the Housing Corporation and HAs will be encouraged to share them with their key stakeholders, including tenants. We would be happy for HAs to use their own websites and other means to publicise the outcomes from their short notice inspections. However, if the Commission decides to proceed with short notice inspections (based on our experience and learning from the pilot programme) as a regular feature of our inspection work in the future, then these inspection reports will be published.

## Additional questions for the consultation exercise

**Q7. Do you agree with our overall approach to short notice inspections for housing associations?**

---

**Q8. Do you have further suggestions which you would like us to consider?**