

Statement of methodology for the piloting of short notice inspections of housing associations

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Introduction

- 1.1 Short notice inspections are being designed to assess the performance of housing associations (HAs) at delivering and improving services to their residents. They will focus on the outcomes for residents, as well as on the impact of changes since a previous full service inspection (for those HAs which have already been inspected) and performance against service improvement plans (for those HAs which have not already been inspected). They are being designed to reduce the cost and burden of inspection on HAs and their residents.
- 1.2 As the statutory inspector of HAs, the Audit Commission has a duty to protect the wider public interest in ensuring that HAs provide value for money in the management of tenants' homes. This also means we have a responsibility to ensure our inspections of HAs provide a clear and robust assessment of the performance of HAs in improving both the value and quality of the services which we inspect.

Our response to consultation on the development of our methodology for short notice inspections

- 2.1 In the summer, we consulted on our initial proposals for short notice inspections. A copy of the consultation paper and a summary of the responses we received are on our website. The proposals in this statement of methodology will not be the subject of further consultation at this stage, but we welcome comments on the content of this document. Details of how we are dealing with the responses to our earlier proposals are set out in the appendix to this paper.

The pilot programme

- 3.1 Following the consultation process, we have decided to include in the pilot programme only HAs which volunteered for a short notice inspection. We are focusing mainly on HAs with a Fair, 1* rating (from an earlier inspection) but we will also include some HAs which have not been inspected before. We will aim to include different types of HAs – those which are partners in HA groups as well as stand alone HAs; traditional HAs and stock transfer HAs; and HAs from across the country.

- 3.2 The pilot programme of 12 inspections will be carried out between October 2007 and March 2008.
- 3.3 Priorities for inclusion in the pilot programme will be informed by the risk assessment model which is set out in our joint workplan with the Housing Corporation (HC) and which will be updated in the light of the HC 2006/2007 performance indicators (PIs) (due to be published in the autumn of 2007) as well as feedback from the HC's regulatory staff on HA performance in delivering services to customers. We will also take into account the risks to the public interest in HAs which are in current receipt of high levels of public funding through the HC Investment Programme and the transfer of local authority housing.

Risk assessing the selection of services to be inspected

- 4.1 We will take into account risk assessment priorities and feedback from HC regulatory staff on HA performance based on the following – the 2007 HC Self Assessment Compliance Statement, Annual Viability Review or other health check, the Regulatory and Statistical Return and other recent regulatory engagement, such as statements on the completion of action plans arising from previous inspections.

Confidentiality

- 5.1 Regulators, inspectors, affiliate inspectors and tenant inspection advisors (TIAs) are required to keep all information on forthcoming short notices inspections confidential.

Initial assessment

- 6.1 For short notice inspections, we will make an initial assessment of HA performance based on feedback from the regulator on:
- the HA's most recent inspection report (where appropriate);
 - a report from the regulator on the outcomes from a completed action plan showing whether actions have been fully or partially completed, and their impact on HA performance;
 - the last three years' HC PIs;

- the current Housing Corporation Assessment (HCA) and the Annual Self Assessment Compliance Statement to the HC; and
 - the most recent HC Annual Viability Review Report for high or medium risk HAs or a Financial Health check for low risk HAs.
- 6.2 These will be used for a desk top review of service delivery in order to identify weaknesses and strengths in service delivery before the inspection is announced to the HA.
- 6.3 The following documents will be requested from HAs selected for a short notice inspection and prior to the inspection team going on site:
- a copy of the most recent performance report to the governing body;
 - a copy of the most recent performance report sent to tenants;
 - a copy of the current strategy for improving service delivery and the most recent progress report;
 - relevant information used by the HA to manage its performance; and
 - any existing self assessment for the services due to be inspected.
- 6.4 The scope of the inspections will be determined by current performance. We will not automatically replicate the scope of the previous inspection unless performance continues to be weak in the same services. We will normally focus on assessing progress in no more than three services areas.
- 6.5 Short notice inspections will include an assessment of how the HA is meeting our three cross-cutting themes – Access & Customer Care, Diversity and Value for Money – for those services which are included in the inspection’s scope.
- 6.6 Inspectors will use the key lines of enquiry (KLOEs) for collecting evidence, as well as reality checks, mystery shopping and an improvement plan from the HA, as well as the annual Self Assessment Compliance Statement provided to the HC.
- 6.7 Where the HA is unable to supply any of the information which is requested, the inspection team will make their assessment on the basis of what evidence they have.

Initial notification of the short notice inspection

- 7.1 HAs will normally receive five working days notice that the inspection is about to take place.
- 7.2 The intervening period will give the inspection team time for reviewing information provided by the HA and for discussions with the HA's chief executive (or their nominated lead officer) on the services which will be inspected, the timetable and other arrangements. This will involve discussions on the arrangements for obtaining feedback from staff and residents, meetings with board members and the facilities available to the inspectors for their use while on site. It may include the involvement of resident inspectors and other planned events which may affect the inspection.
- 7.3 The aim of this dialogue is to ensure that the inspection causes as little disruption to the ordinary day to day work of the HA, while giving the inspection team a clear picture of performance on which it can make robust judgements of current performance and the prospects for improvement.

The on-site inspection

- 8.1 A team of three inspectors (one of whom will be a tenant inspection advisor) will normally be on site for three days – the Tuesday, Wednesday and Thursday of the inspection week. Friday will be kept free for unforeseen eventualities, such as a staff conference already planned for one of the inspection days, and for follow up work such as telephone contact with staff or residents, or other key stakeholders such as a local authority partner.
- 8.2 On the first morning, the Principal Inspector will provide a brief presentation of the team's initial assessment of the services which will be inspected to the HA's chief executive (or their nominated lead officer for the inspection) and any other key persons whom the HA wishes to attend, such as the chair of the board and key residents. This will also be the opportunity to explain the arrangements for the on-site inspection and to make any small changes which may be necessary.
- 8.3 The Principal Inspector will also provide a brief written feedback at the end of the on-site inspection, which is likely to be limited to the identified key strengths and areas for improvement.

Follow up to the on-site inspection

- 9.1 At the beginning of the week following the on-site inspection, the inspection team will draft a report for review by an Audit Commission consistency panel. This panel will be made up of the Lead Housing Inspector for the inspection, the HC regulator, the inspection team and an external reviewer from another Audit Commission regional team.
- 9.2 The draft report will then be sent to the HA, which will be given two days to comment. A roundtable feedback meeting will then take place with the HA, usually within two to three weeks.

Inspection reports

- 10.1 The target length for reports from short notice inspections is ten pages, which will include one page for a response from the HA on its plans to improve services in the light of the inspection. This response from the HA should be sent to the Principal Inspector within five working days of the roundtable meeting.
- 10.2 The reports of inspections for HAs in the pilot programme will not be published by the Audit Commission, but HAs will be encouraged to publish the report for key stakeholders and residents and a copy of the report will automatically be shared with the HC regulator.

Follow up to inspection

- 11.1 We will inform the HC of the results of a short notice inspection so they can consider what action they will take.
- 11.2 The results of short notice inspections will be considered as part of our risk assessment, which informs the production of future inspection programmes. Where the services looked at during a short notice inspection are considered to be poor, this is likely to be prioritised as a higher risk in our risk assessment work.

Evaluation of the pilot inspection programme and possible follow up activity

- 12.1** As part of our evaluation, there will be a telephone survey of a sample of HAs which have received 1* and 2** in inspections since September 2005 about their experience of a full service inspection. This will assist us in developing a baseline of experience against which we can evaluate the short notice pilot programme.
- 12.2** HAs which have volunteered and chosen to take part in the pilot programme will also be invited to take part in the evaluation of the short notice programme. An interim evaluation will be carried out of the October short notice inspections and where appropriate, amendments will be made to the methodology for the January – March 2008 pilot inspections.
- 12.3** A formal evaluation of the pilot programme will be carried out at the end of the pilot and the results will be published by the Audit Commission. There will then be a formal consultation on the Commission's proposals on the use of short notice inspections in subsequent years.
- 12.4** The results of the pilot programme will also be used to consider the implications both for HAs and the wider social housing domain of local authorities, arm's length management organisations, private sector providers and in developing the arrangements for a single housing regulator as recommended in the Cave Report.

Appendix

A copy of the consultation paper on the short notice inspections pilot programme and a summary of the responses we received are available on our website. Details of how we are dealing with the responses to our proposals are set out below.

Our response to the consultation on short notice inspections

Question 1 – our proposal to focus on HAs that received 1* in a previous inspection. As a result of the responses received we will:

- focus on HAs which have received 1* and, where possible, include HAs which have poor or uncertain prospects for improvement;
- include HAs with 1* scores which have volunteered, based on risk; take into account the direction of travel in performance as shown in the last three years' HC PIs and evidence provided by HAs themselves;
- include a range of types – HAs which are partners in HA group structures; stand alone HAs; traditional HAs and large scale voluntary stock transfer HAs; while taking into account the risks to the public interest in HAs which are in current receipt of high levels of public funding through the HC investment programme and the transfer of local authority housing;
- consider volunteer HAs which have not yet been inspected in order to assess whether the short notice model is suitable for a first inspection; and
- give priority to risk assessment based on HC PIs and feedback from the regulator.

Question 2 – Our proposal that short notice inspections should focus on three services identified as weak. As a result of the responses received we will:

- focus on the services which have been identified as weak, based on current HC PIs and feedback from the regulator; include public information available from the HA, such as its website;

- request HAs to provide us with feedback on the outcomes of their own performance monitoring as reported to the board and their plans for service improvement when they are given notice of the inspection. This and on-site discussions with the HA, will assist the inspection team to focus its discussions on current performance and improvement planning; and
- consider how a short notice inspection can be used to identify notable practice; consider in our evaluation exercise whether the methodology has enabled us to obtain a balanced assessment of overall performance and whether our judgements have been robust

Question 3 – our question about whether short notice inspections should include an assessment of the Commission’s three cross-cutting themes and HAs’ prospects for improvement. As a result of the responses received we will:

- focus our initial assessment on the direction of travel indicated in HC PIs and feedback from the regulator on evidence provided in the annual HC Self Assessment Compliance Statement;
- focus our on-site inspection of Access and Customer Care, Diversity, Value for Money, and the Prospects for Improvement on the three services which are being inspected;
- take account of evidence which the HA is able to provide us with on site on its own planning and delivery of general performance through existing improvement plans and board (or resident) scrutiny. This will be done through the scrutiny of existing evidence and on-site follow up);
- make our judgements based on outcomes for residents and the delivery of improvements rather than the policies and procedures for achieving them; and
- take account of the challenge of obtaining direct feedback from residents through a short notice inspection, and will not expect HAs to do any more than they are already doing to obtain feedback.

The key evidence which we shall welcome is the HA's own feedback from residents on service delivery, whether through meetings or surveys and its use to improve service delivery. If there is a residents' meeting or focus group during the on-site period, we may ask if we can attend; where there are resident board and committee members available, we may ask to meet them; where HAs have their own resident inspectors, they will be welcome to take part in the inspection and provide us with feedback on the outcomes of their inspection; we may also carry out a short telephone survey of residents.

Question 4 – our proposals for giving five working day's notice of inspection, limiting the on-site work to three days and the move to shorter reports. As a result of the responses received we will:

- test the three days on site during the pilots, and we will set aside a fourth day which can be used for follow up calls or to cover unforeseen eventualities, such as a longstanding staff conference planned during the three core days;
- include a range of different HA structures and geographical spread in order to assess whether the HA can provide us with robust evidence of its performance and improvement planning (the basis of assessment will be the HA's own existing evidence of outcomes for residents and improvement planning rather than detailed investigation, for example, evidence of residents' involvement in improving service standards and feedback on satisfaction); and
- set a target of ten pages for the report which will be a summary of the findings of the inspection and include a one page response from the HA on its plans to improve services in the light of the inspection. HAs will also be provided with a short written feedback at the end of the on-site inspection.

Question 5 – our options for scoring short notice inspections. As a result of the responses received we will:

- pilot the continuing use of the star rating system badged as a short notice inspection and an assessment of the prospects for improvement;
- not formally publish the reports of the pilot inspections; we shall, however, send a copy to the regulator with a request that it takes appropriate regulatory action and suggest to the HA that it should publish the report for key stakeholders and residents; and

- review the status of the scores as part of our evaluation of the pilot programme. If the pilot is successful, we will (in consultation with the Regulator) consider whether short notice scores from the pilot programme should be accredited as formal scores for ongoing regulation and inspection.

Question 6 – about future action for HAs that are judged to provide a poor service, or those which provide a good or excellent service. As a result of the responses received we will:

- consider the results of short notice inspections will as part of our risk assessment, which informs the production of future inspection programmes. Where the services looked at during a short notice inspection are considered to be poor, this is likely to be prioritised as a higher risk in our risk assessment work; and
- consider, as part of our evaluation of the pilot programme, the impact of improved scores on inclusion in future inspection programmes.

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