

# Short notice inspection of housing associations

Statement of methodology



Audit Commission  
Housing Inspectorate  
methodology statement  
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 **audit**  
commission

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# Introduction

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- 1.1** Short notice inspections (SNIs) have been developed to encourage improvements in the performance of housing associations (HAs) in delivering services to their customers: tenants and leaseholders. They focus on the outcomes for residents and work on the basis that HAs will concentrate on improving services rather than preparing for an unprogrammed inspection, which could happen at any time.
  - 1.2** SNIs are more flexible than standard inspections of HAs, being capable of greater variety in their scoping, a more bespoke design and implementation within a short timescale. They take up less time and fewer resources from the HA, so are delivered at less cost to the inspected HAs and their residents. They can be commissioned and delivered in a short time-frame and allow a quick reaction to changing circumstances.
  - 1.3** The scope of each HA inspection undertaken by the Audit Commission (AC) will be agreed in consultation with the Housing Corporation (HC). The HC's role will pass to the Tenant Services Authority (TSA) when the TSA becomes operational in late 2008/09. The AC will continue to undertake inspections of HAs after the TSA is established.
  - 1.4** The Audit Commission has a responsibility to ensure that our inspections of HAs provide a clear, fair and robust assessment of HAs' performance in improving both the value and quality of the services which we inspect.

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## Our response to consultation on the development of our methodology for SNIs

- 2.1** In the summer of 2008 we consulted on our proposals for SNIs following a successful pilot programme undertaken between September 2007 and April 2008, when 12 volunteer HAs were subject to a SNI. Following the pilot programme and feedback received from the HAs taking part (Board members, tenants, leaseholders and staff) we proposed various changes to the methodology. The changes were the subject of a consultation exercise that closed on 12 September 2008.
- 2.2** A copy of the consultation paper and a summary of the responses we received are on our website<sup>1</sup>. The proposals in this statement of methodology will not be the subject of further consultation but we will amend and republish this statement of methodology when the TSA becomes operational.
- 2.3** The responses to the consultation exercise revealed strong support for the proposed SNI methodology. As a result, much of it is staying the same as the methodology used in the pilot programme but with some changes that build on our experiences gained during the pilot programme.
- 2.4** Changes to the SNI methodology are set out in the body of this paper, but the main changes can be summarised as:
- The scoring approach used for Judgement 1, which answers the question ‘How good are the services?’ will:
    - provide a word-based judgement for each of the inspected service areas, but
    - does not produce a composite or summary score (a star rating) for the HA;
  - Separating the reporting of Judgement 1 (How good is the service?) and Judgement 2 (What are the prospects for improvement?). Following receipt of the Judgement 1 report, the HA should consult tenants and leaseholders on the content of an improvement plan (for the services inspected) before this is submitted to the AC;
  - Providing a summary of our Judgement 1 findings and the main reasons for these, in a short letter to the inspected HA’s tenants and leaseholders; and
  - Allowing the inspected HA to submit a limited number of additional documents during the pre-site and on-site stages, providing these are clearly relevant to the inspected services and the service outcomes for customers.

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# The SNI methodology for HAs

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The methodology to be used by the Audit Commission in SNIs of HAs is set out in the following sections, from paragraphs 3.1 to 11.3.

## Risk assessing the selection of HAs and services to be inspected

- 3.1** The AC and HC will continue to take a risk-based approach to identifying the HAs for a SNI and the services to be included within the inspection.
- 3.2** The AC and HC will take into account risk assessment priorities, such as the results of Performance Indicators over the previous three years and their trend. We will also take into account feedback from HC regulatory staff on HA performance, based on the following:
- the latest available 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 any previous inspections by the AC or HC.
- 3.3** The main focus of SNIs will remain on previously inspected HAs, which have received a 'Fair' one-star rating from the AC or the equivalent rating from the HC.
- 3.4** The scope of a SNI will normally include up to three weaker-performing services. We may also use them more flexibly in future to inspect a different number of services, services in a specific neighbourhood or geographic location or even a mix of weaker and better-performing services.
- 3.5** We will continue to use the AC's published Key Lines of Enquiry (KLOEs) as the basis for undertaking the inspection and in making the inspectors' judgements. This will continue at least until the time when the TSA has published its service standards framework, which is expected to be finalised in late 2009.

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## Initial assessment

- 4.1** For SNIs, the AC will make an initial assessment of the HA's performance-based on a variety of regulatory returns including:
- The HA's most recent inspection report (where there is one);
  - A report from the HC regulator on the outcomes from a completed action plan (arising from an earlier inspection) showing whether actions have been fully or partially completed, and their impact on the HA's performance;
  - The last three years' HC performance indicators;
  - 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.
- 4.2** The main focus of SNIs will continue to be on those HAs that have previously been inspected and given a 'Fair' one-star rating. However, in the future it is also likely that some SNIs will be used for HAs with different ratings or possibly for some HAs that have not previously been inspected. Although initially our focus will be on weaker-performing services, this might change over time.
- 4.3** The AC will normally focus its work in SNIs on assessing progress in no more than three services areas. However, the focus of SNIs could change in the future with the HC or TSA requesting the AC to inspect a different number of service areas, or to focus on services provided in a single geographic area.
- 4.4** SNIs will include an assessment of how the HA is meeting the AC's three cross-cutting themes: Access and Customer Care, Diversity and Value for Money. However, our focus will be directed towards how these aspects are addressed within those services which are included in the inspection's scope.
- 4.5** Inspectors will continue to use the KLOEs for identifying, collecting and assessing evidence, as well as reality checks, mystery shopping and any improvement plans from the HA.

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## Initial notification of the SNI and the documents requested

- 5.1** HAs will receive five working days' notice that an inspection is about to take place. The initial notification will normally be made by a telephone call from the Lead Housing Inspector who is managing the SNI. This call will usually be followed by an email to confirm the details.
- 5.2** HAs selected for a SNI will be asked to provide the following documents 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 and leaseholders;
  - 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
  - The most recent resident impact assessment(s) completed for the services being inspected. (This is the only additional document we will request ahead of a SNI and this should already be produced by HAs annually in accordance with HC requirements).
- 5.3** If the HA has already produced a self-assessment for the services to be inspected then it may wish to submit this along with the above documents. The preparation and submission of a self-assessment is not a requirement. However, many HAs have found its completion to be useful and the AC's inspectors will accept this document if one is submitted by a HA. (This will not count as one of the additional documents which HAs are allowed to submit during the pre-site stage of the inspection.)
- 5.4** In addition, the AC will accept up to five further documents from an inspected HA in the period before the inspectors arrive on site. The HA will need to decide which, if any, additional documents it wishes to submit and provide the inspectors with a brief statement on the documents' relevance to the inspection.
- 5.5** The period between the initial notification and the inspectors arriving on site will give the inspection team time for reviewing the 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 HA board members and the facilities available to the inspectors for their use while on site.

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- 5.6** The aim of this dialogue is to ensure 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 of the specific services under examination. It is also designed to give the inspectors sufficient information to make fair and robust judgements of current performance and the prospects for improvement.
- 5.7** Where the HA is unable to supply any of the information which is requested, the inspection team will attempt to collect this information while they are on site. If they still cannot gather this information, then they will base their assessment on what evidence they have.

## The on-site phase of the inspection

- 6.1** A team of up to three inspectors (one of whom will be a tenant inspection adviser) 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.
- 6.2** On the first morning the inspectors will present the team's initial assessment of the services being 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, to make any small changes that may be necessary and for the HA to comment on the briefing.
- 6.3** Tenants and leaseholders' views on the quality of services will be sought, using various reality checks before and during the on-site part of the inspection. The inspectors will conduct interviews and focus groups with HA board members and staff, as well as carrying out appropriate checks. This is likely to include file checks, property inspections, observing work in progress and so on.
- 6.4** At the end of the inspection, the inspectors will provide a brief written feedback to the HA. This will be limited to a summary of the identified key strengths and areas for improvement.
- 6.5** The HA will be invited to respond to this feedback with any comments it wishes to make. The response will need to be sent to the Principal Inspector by no later than close of business two working days after the inspectors have left site. (This will usually be the Monday after the on-site part of the inspection has been completed.)

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- 6.6** During the on-site part of the inspection, the inspectors may ask for evidence to support statements made by representatives of the HA. Alternatively, the HA may want to submit additional evidence. One of the benefits of an SNI is the reduced paperwork associated with them, so we will strive to keep the additional documents requested (by the inspectors) or volunteered (by the HA) to an absolute minimum.
- 6.7** We do not expect the number of additional documents voluntarily provided by the HA during the on-site phase to exceed five documents. As in paragraph 5.4, the HA will need to provide a brief statement on the relevance of the document to the inspected services. This will include their bearing on outcomes to customers and which specific parts of the documents submitted are the most relevant.

## **Follow up to the on-site inspection**

- 7.1** At the beginning of the week following the on-site week, the inspection team will draft a report for review by an AC consistency panel. This panel will be made up of the Lead Housing Inspector for the inspection, the HC's regulator, the inspection team and a reviewer from another AC regional team.
- 7.2** The draft report will then be sent to the HA, which will be given five days to comment on points of accuracy. A roundtable feedback meeting will then take place with the HA, usually within two to three weeks. Ideally the HA's chair or other board members will be present at the roundtable meeting. This may also be attended by the HA's regulator.

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## Inspection reports

- 8.1** The target length for reports from SNIs is ten pages. Much of it will consist of bullet points, with a focus on judgements about services and the impact on tenants and leaseholders.
- 8.2** The reports of all SNIs for HAs will be published by the AC on its website. Each inspection report will be published in two sections – the first section will focus on the services provided by the HA to its customers, while the second section will cover the HA's prospects for improving the inspected services. The two sections will be published separately, approximately two to three months apart.
- 8.3** The first section of the report will normally be sent to the HA within two to three weeks of the on-site part of the inspection completing. The front cover will clearly state that the report is the outcome of a SNI and which services were inspected.
- 8.4** As well as providing the HA with a copy of its report on the services inspected, the AC will also provide the HA with a letter for the HA's tenants and leaseholders. This letter will consist of a short summary of the inspectors' findings. The HA will be asked to share the letter with its customers. This may be done through publishing it on the HA's website, or by including it in a tenants or leaseholders newsletter, or through other means which it uses to communicate with its customers. Copies of inspection reports may also be sent by the AC to the local media in areas where the HA operates.
- 8.5** The HA will be invited to consult its customers on the content of the inspectors' findings and the content of any resulting action plan for improvement. The final copy of the agreed improvement plan should be sent to the AC within two months of the HA's inspection report (first section) being received. The HA should also send to the AC evidence of how the letter was shared with its customers and how tenants and/or leaseholders were consulted over the content of the action plan for improvement.
- 8.6** Following receipt of the HA's action plan for improvement, the AC will assess the HA's prospects for improvement in the service areas inspected. This judgement will be reached using the Judgement 2 KLOE and be based on the action plan submitted and evidence collected from the on-site phase of the inspection. The AC will consult with the HC before finalising its judgement on the HA's prospects for improvement. This will be set out in a second section of the inspection report, which will be sent to the HA (for comment) prior to its publication on the AC's website.

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## Judgements used in the inspection

**9.1** The system used for reporting on the quality of services (Judgement 1) will no longer consist of a single judgement and star rating. Instead we will provide a written summary judgement on each of the inspected services. The table below shows a comparison of the 'existing' ratings (which will continue to be used for standard inspections) and the written judgements used in SNIs for describing individual services.

### Changes in the terminology and ratings used for describing the quality of services delivered to tenants and leaseholders

Standard inspection scoring ratings used for overall assessments	SNI judgements to be used for describing individual service areas
3 stars, Excellent	Strengths considerably outweigh weaknesses
2 stars, Good	Strengths outweigh weaknesses
1 star, Fair	Strengths and weaknesses are in balance
0 stars, Poor	Weaknesses outweigh strengths

**9.2** For Judgement 2 in which we assess the HA's prospects for improvement, we will continue to use the standard terminology and ratings: excellent prospects, promising prospects, uncertain prospects and poor prospects for improvement.

## Follow-up to SNIs

**10.1** The HC will be involved in the decision-making processes which agree the results of a HA's SNI.

**10.2** The HC will consider the results of SNIs as part of their risk assessment, which informs future regulatory action and the production of future inspection programmes.

**10.3** Where the services looked at during a SNI are judged to be one where weaknesses outweigh strengths, this is likely to be prioritised as a higher risk in our jointly agreed risk assessment work.

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## Quality assurance and review

- 11.1** Our quality assurance arrangements are designed to ensure that the judgements reached by inspectors are robust and evidence-based and that inspectors have applied the inspection methodology appropriately. The main quality assurance stages take place at the following stages:
- Scrutiny of the design and scope of each inspection;
  - Briefing to the organisation at the beginning of fieldwork;
  - Findings, judgements and reports in advance of presenting the draft report to the organisation; and
  - Post-publication review – learning about our own performance in each inspection.
- 11.2** We recognise that, from time to time, disagreements about scored judgements will occur. In such cases we will use a review procedure to re-assess the evidence that led to the disputed score. Details of the full review procedure are on the Commission's website.
- 11.3** An inspected body should not wait until the end of the inspection to raise issues that could reasonably have been resolved during the course of the work. We expect inspected organisations to raise any issues at the earliest opportunity so that they can be dealt with as soon as they occur.

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# Appendix one

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## Equality Impact Assessment (EIA) Short Notice Inspections of Housing Associations

### Stage 1: Initial assessment

#### 1.1 State the aims and objectives of the activity

The SNI methodology is designed to deliver a framework from which to assess the performance of housing association services. This framework is narrower in scope, and less time consuming, than the methodology used for standard inspections of housing associations.

#### 1.2 State how this activity will:

- **1.2.1 Encourage continual improvement in public services to meet the changing needs of diverse communities. State intended outcomes**

The introduction of SNIs will encourage a different approach to improvement in that housing associations will need to remain prepared for the possibility of a random or snap inspection at any time. The outcomes should be the continual review and refinement of services provided to customers. Continual improvement is one of the key aims of the SNI process, and we will discuss with our Tenant Inspection Advisers how this is working and what the impact of the work is.

- **1.2.2 Deliver value for money for all communities. State intended outcomes**

Value for money (VFM) considerations are part of the Audit Commission's inspection regime. Our approach is inclusive and we expect housing associations to be able to demonstrate best use of resources and optimum quality of service for all communities.

- **1.2.3 Promote excellence in governance and accountability to all communities. State intended outcomes**

The process will involve an examination of governance as well as the opportunities open to service users to influence governance. Inspectors will investigate what the organisation's awareness of its communities is, as well as looking at how those communities are empowered to participate.

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### **1.3 Meeting diversity scheme and business plan targets**

Will the methodology/policy/study assist in meeting the Audit Commission's diversity scheme action plan and your directorate's diversity business plan?

The methodology supports the Audit Commission's diversity scheme and the Local Government, Housing and Community Safety directorate's business plan. It meets Objectives 1, 2 and 9 of the Diversity Scheme and addresses the associated criteria within the business plan:

- 1: Provide better leadership and consistency of approach;
- 2: Making better use of the information we gather to inform ... our external stakeholders about the performance of local public services in meeting their duties to eliminate unlawful discrimination; and
- 9: Communicate and report our progress more consistently and effectively and make sure our information is accessible.

### **1.4 Who are the key stakeholders and how will they be consulted? Summarise feedback and actions taken as a result**

The key stakeholders will be drawn from the social housing sector as a whole, and we welcome feedback from independent practitioners and consultancies. Arrangements are being made to consult internal stakeholders, tenant inspection advisers and affiliates, and in particular those representatives of groups who may be affected by our work, such as older people, people with caring responsibilities and those with disabilities. Their input will be used to shape the final product and, as far as possible, to ensure that we are able to tailor our services to the needs of service users.

### **1.5 Summarise the actions you will take to ensure that your product has a positive impact**

We have considered how the product can best be used to meet the needs of stakeholders and, using the diversity KLOE, have sought to better involve stakeholders and residents in ensuring that the final product is fully effective. The results of a consultation exercise about SNIs are being published on the Audit Commission's website, with further consultation taking place with Tenant Inspection Advisers.

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## **1.6 Summarise the actions you will take to avoid or minimise negative impacts**

We planned the consultation and the collation of the results to ensure that feedback was accurately and appropriately reflected in both the response to the consultation and in the revised methodology which followed. In addition, this will feature in the actions of the EIA lead officer on a semi annual basis.

### **1.7 No equalities impacts identified**

Not applicable.

## **Stage 2: Monitoring**

### **2.1 Set out how you will gather evidence to assess whether the equalities impacts you identified were achieved**

We will collect comparative data on the improvements made in managing diversity, and use the methodology to promote positive practice. These findings will be used to improve and refine the methodology in future, and this will be done in consultation with stakeholders as appropriate. As noted above, this will be timetabled into the lead officer's work.

### **2.2 Identify how often you will monitor this evidence**

Bi-annually.

### **2.3 Publishing the results of stages 1&2**

The results will be publicised on an annual basis and as part of the review of the progress of the SNI methodology.

## **Stage 3: Evaluation and recommendations**

### **3.1 Set out how and when you will evaluate the evidence collected through the agreed monitoring**

On a six-monthly basis, officers will establish whether the anticipated equalities impacts achieved, what the outcomes, both positive and negative were, and whether any unexpected impacts had arisen.

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