



Consultation on Short Notice Inspection (SNI)

Background

The Northern Housing Consortium (previously the Northern Consortium of Housing Authorities 1974 - 2002) was established in April 2002. It is an independent non-party political, membership organisation working to improve and promote housing services across the North. Its 202 members include Local Authorities, Registered Social Landlords (RSLs), Large Scale Voluntary Transfers (LSVTs), Arms Length Management Organisations (ALMOs) and other organisations involved in housing.

The Northern Housing Consortium is governed by its members, who between them manage over 86% of social housing in the North, over 1.3 million homes. These organisations are drawn from the three Northern Government Office regions of the North East, North West and Yorkshire & Humberside, as well as the Housing Corporation (North).

Overall commentary on SNI

The Northern Housing Consortium held 3 consultation events in early September 2008 to give members the opportunity to express their views on the Audit Commission's methodology and proposals. A total of 31 organisations attended these events.

The purpose behind introducing Short Notice Inspection (SNI) has been described as a way of reducing the time and cost invested by both the Audit Commission and the inspected body. In many cases in the run-up to inspection, organisations spend considerable time preparing for the inspection itself and the focus on delivering the core services is subsequently reduced. By giving only a few days notice of an inspection, the Audit Commission hope to see the 'real' service and reduce the administrative burden on the organisation and the regulator. The focus of the SNI will be on an organisation's three weakest services, thus driving improvements, and the time spent by inspectors on site would be three days.

A pilot was run in early 2008 and in June 2008 the Audit Commission board agreed to proceed with SNI for Housing Associations. A pilot programme has

since been agreed for Local Authorities' housing services and ALMOs. A consultation document was published for changes to HA methodology at the end of July 2008 and it is to this we are responding in this paper.

The Audit Commission undertook an evaluation study with Warwick University using both those inspected previously and those who took part in the SNI pilot. Outcomes of this were that:

- There was a positive impact on the time, money and disruption to the inspected bodies
- Inspector time was halved (to 19 days instead of the current 45 days)
- The reports were shorter with more detail given on strengths and weaknesses
- Due to the nature of the inspection and the focus on weaker services, the Audit Commission found that it was more difficult to pick up on positive practise
- The shorter length of the inspection meant in some cases the inspectors found it more difficult to grasp the context of the inspection
- The time in which inspected bodies had to respond to their feedback was not long enough

The Audit Commission said that there would be flexibility around the days they would spend on site; for example if a key person was absent, then they would try to build their time on site around this. Full KLOEs may not be used, but certain parts would be, and organisations can influence the scope of the inspection if there is a proven reason to do so.

A combination of research, benchmarking and mystery shopping would be carried out when choosing organisations for SNI, and Performance Indicators would be used to define the three weak areas. A previously inspected organisation which had received a 1-star/uncertain prospects rating would be likely to attract a short notice inspection, and also organisations that had previously only been inspected under the old Housing Corporation rules.

One area of contention following the evaluation study was around the scoring of SNIs. Due to the focus being on the three weakest areas and not the whole service, and the lack of positive practise gleaned, HAs felt that giving a single score on the basis of their worst services was unfair.

With this in mind, options for Judgement 1 could be around; differentiating between SNI and a full inspection when giving the score; scoring the individual services only; or removing the star rating altogether and replacing it with commentary on the balance of strengths and weaknesses found.

Options for Judgement 2 could be around; retaining the descriptors as they are, but based only on the services inspected and ambitions for the organisation to

improve within 2 months; to base this judgement on the organisation's customer focus; to look at the priority and timescales given to improve the inspected services; or to base the judgement on the resources allocated to the delivery of improvements.

Another area of contention was the level of resident involvement afforded by SNI. Due to the nature of the inspection, it proved difficult to get this element organised and in only having three days on site, inspectors found it difficult to visit tenants on their estates. The Audit Commission are considering a variety of ways to tackle this, including:

- To start the pre-site reality checks earlier, but this would have to be balanced with the risk of alerting the organisation to their SNI prior to the official notice period of 5 days
- To increase the use of tenant inspectors to get a broader range of customer involvement
- Whether to ask organisations to submit a customer impact assessment including how they have influenced outcomes
- To focus some of the time on-site to assessing how residents have been involved in VFM and quality
- To focus some on-site time to talking to all tenants who had used the service that week
- To produce a two-stage report where residents would be consulted on the HA's action plan, and the second judgement would then be given within two months of giving the first
- To send a letter to tenants and leaseholders with the outcome of the inspection, or to hold a round-table for or with residents
- To hold a tenant inspectors' focus group and invite tenants to the TPAS conference

Other issues to be addressed were:

Scope of the inspection

There is a pressure on the Housing Corporation/TSA to get this right, which may involve the development of a risk tool. Additionally SNI might be used in a whole area where a service appears poor across the board.

Other elements to consider within the scope are whether to apply the short notice inspection to a full inspection (lasting 1 or 2 weeks) and how the cross-cutting KLOEs will be used (Access and Customer Care, VFM and Diversity).

Time given to HAs to respond to feedback and draft report

There are plans to increase the feedback time for the initial written feedback from 24 to 48 hours, and to increase the time given to respond to the draft report from 2 days to 5 days.

Documents on site

To try to reduce the number of documents required, there are plans to use existing performance reports submitted to the HA's board, executive team, management team and staff, and information reported to tenants. In this case Self Assessment documents would be useful to the Audit Commission but not a requirement, and instead organisations could submit a one-page document covering their strengths and weaknesses.

Inspection follow-up

This area has not been finalised but the following proposals were put forward: that after rating an organisation, if it received 0 stars then this may be followed by a full inspection. Those rated 1 star could have a follow-up SNI within 3 – 6 months, and those given 2 or 3 stars would be considered at reduced risk and therefore there may be no follow-up.

Further thoughts around SNI were that the HC/TSA could change their annual self assessment compliance statement to focus more on outcomes, and that SNI could be used in other housing areas such as Private Sector Housing. Inspections could be commissioned by the Homes and Communities Agency, on condition of them receiving investment funds. Short notice inspections could also be applied to other areas of the Audit Commission's work, such as benefit inspections and audit, and pilot programmes could be launched in other areas.

Next steps are to publish the responses to the consultation in late September 2008, and to then finalise and publish the SNI methodology for HAs. Pilot programmes will then be launched for LA and ALMO housing services, and the HA inspection programme for the second half of the year will be finalised. The list of those to be inspected under SNI will be agreed from October 2008.

Specific response to consultation questions

The Northern Housing Consortium, in conjunction with its members, would like to offer a response to questions asked in the consultation paper.

Question 1: Do you agree that the main focus for short notice inspections continues to 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?

Organisations which have previously scored well can change, and it seems fair and reasonable to focus on all organisations, not just those given 0-star/1-star. Mergers and other major changes could affect the performance of an organisation and for this reason we propose that all organisations should receive SNI. One idea could be that any major changes to an organisation, or a dip in recent performance indicators, would trigger instigation of SNI. Additionally a more varied approach would allow for good practice to be picked up more easily which would be better for the sector as a whole, and 2-star/3-star organisations would not become complacent.

Another point raised on this matter was around recognition for high-performing organisations – for example, an organisation previously rated 2-stars may not receive another inspection, and therefore any improvements made which might take them to 3-stars would never be recognised, so consideration needs to be given to this.

Question 2: What is your preferred approach for scoring the quality of inspected services – is it the current star rating system or a statement about the relative strengths and weaknesses?

There is overall support for retaining the star rating, as people understand this. A strengths and weaknesses approach would be useful, but preferably as part of the report rather than the rating itself. NHC are keen that services are scored individually and not just given one overall rating.

Question 3: What is your preferred approach for scoring the prospects for improvement (J2) – do you agree that we should retain the current systems and terminology or is there an alternative approach you can suggest?

There was much support for retaining the current terminology, but that it would be more constructive to give Judgement 2 at a later date, thus allowing a more sound judgement based on action taken since the short notice inspection was carried out. This would also give a better indication of the intent of the organisation as the Audit Commission would be able to quickly see whether or not the inspected organisation had acted upon recommendations on weak areas.

The Audit Commission had proposed that J2 be given around 2 months after J1, but members feel strongly that this is not enough time to formulate an action plan and then act on it, so a longer time period should be considered.

Question 4: Do you agree with the proposals for increasing the focus on customer involvement? What, if any, further changes would you propose in order to increase the involvement of customers in the assessment of services during an inspection?

NHC agree that customer involvement should be high on the agenda, but consideration must be given to how suitable the tenant inspector is – the Audit Commission and the inspected body will need to have confidence in the tenant inspector and they need to be well briefed and well trained.

Suggestions put forward for increasing tenant involvement were to use a whole variety of methods to contact tenants – telephone, email and in person.

Question 5: Do you agree with the proposals for changing the scope of short notice inspections? What do you think of applying the short notice period (of five working days) to all of our inspections?

It was agreed that this was a good idea, and would give a more realistic picture of the service and increase the appetite for continuous improvement.

Question 6: Do you agree that short notice inspections should include an assessment of the Commission's three cross cutting themes of access and customer care, diversity and value for money?

Again this proposal received full support. People are familiar with these themes and therefore assessments made would be on a solid platform. NHC also felt that the cross-cutting themes need updating and perhaps a specific customer involvement KLOE could be looked at.

Question 7: Do you agree with our intention to limit the documents which are requested and accepted by inspectors?

This proposal receives our full support, although we would ask that the lines of communication remain open and that if supporting evidence is required at any time during or after the inspection, further documents can be provided by the organisation.

Question 8: Do you think that HAs which are having a short notice inspection should not be required to prepare and submit a short and focused self assessment or do you think this would be a helpful requirement which would benefit both the HA and the inspectors?

There was overall strong agreement that self assessment documents are useful to both parties, and most organisations should have documents like this which are kept up to date as this helps organisations stick to their corporate plans, and the Northern Housing Consortium fully supports the retention of the self assessment documents.

The Audit Commission stated that the self assessment documents won't be mandatory, but will be used if they are available.

Question 9: Do you agree with our overall approach to short notice inspections for Housing Associations?

All agreed that SNI will give a more realistic picture of the services and that there would be both time and money savings. However there are concerns that because SNI is focused on weak areas it could give an unbalanced view of an organisation, and there will be no recognition of areas of strength which could affect staff morale. It was suggested that SNI could focus on two weak areas and one strong area to address this.

Question 10: Do you have further suggestions which you would like us to consider?

A suggestion put forward was that organisations give access to all necessary documents via the internet, then the Audit Commission could do more pre-site work remotely.

Conclusion

The Northern Housing Consortium supports the introduction of SNI as a tool to help drive improvements without the monetary and administrative burden which is currently felt by both the inspectorate and those undergoing inspection. We support the retention of the current star rating system and a delay in giving Judgement 2, providing organisations are given sufficient time to act upon recommendations.

We believe that the use of some form of self assessment documents is vital to an organisation, whether undergoing inspection or not, and strongly support the retention of these.

Northern Housing Consortium
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