

# The new framework for housing inspection: What you need to know

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Roger Jarman

## About the author

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**Roger Jarman** is an Associate with the Housing Quality Network where he provides consultancy services, leads training programmes and writes on housing regulation and other matters. He is also a non-executive director of two housing organisations. From 1991 until 1999, he was Head of Housing Management at the Housing Corporation and then from 1999 until 2011 he was Head of Housing at the Audit Commission, overseeing the 1,400 housing inspections undertaken by the Commission during that period. He was a member of the team that produced the Cave Review of social housing regulation in 2007. He is leading a range of training and briefing sessions on the new regulatory framework.



## Overview

Seven years in the making, we now know what the new framework for social housing regulation will look like. Integral to the new regime is the return of housing inspection. The last housing inspection was carried out by the Audit Commission in 2010, before the agency was abolished under the Localism Act 2011.

Here we bring together what we know about housing inspection, as set out in a bewildering array of documents published by the Regulator of Social Housing (RSH) on 29 February. Indeed, it takes some time just assembling the relevant documents from the labyrinthine contents on the Regulator’s website. Hopefully, this digested briefing will save you time accessing the material online.

The key document is the 800-word long [‘Inspection Plan’](#), which is published under statute. This confirms that ‘programmed inspections’ for landlords with over 1,000 properties will take place “at least” every four years. We also learn that providers will “usually” be given six weeks’ notice before an inspection begins (presumably this is when the work starts on site, although this is not stated).

Inspections will be at a ‘group parent level’. For the largest associations, it is uncertain if the results of these inspections will be particularly meaningful. This will especially be the case where such landlords operate in different parts of the country and deliver a wide range of services to their tenants and residents. Under these arrangements tenants will not be able to make sense about landlord performance at a local level.

In line with [previous briefings](#) we are advised that where inspections are undertaken outside the four-year cycle, this will be following a risk assessment process.

Inspections may have a broad or narrow focus. Also, where an issue needs to be addressed urgently, inspections could take place at short notice (within six weeks but undefined).

Much more detail about inspection methods is set out in the 2,500-word [‘Approach to Inspections’](#). Here we learn that housing associations will be inspected on a wider range of matters than local authorities. This is because the RSH is not responsible for overseeing the governance and financial viability of local authorities. The inspection focus for different providers is summed up in the table below.

| Component        | Inspection focus                                                                                                                                                                                                              | Applies to                                |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Service outcomes | Delivery of outcomes relating to stock quality, repairs and maintenance, health and safety compliance, local co-operation, anti-social behaviour and hate incidents, the management of domestic abuse and tenancy sustainment | All providers including local authorities |

| Component                                  | Inspection focus                                                                                                                                                                                                                                                                          | Applies to                                |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| Transparency, Influence and Accountability | The extent to which the landlord treats all tenants with fairness and respect, takes action to meet the diverse needs of tenants, provides meaningful opportunities for tenant-led engagement, collects and uses performance information (including the TSMs), and handles complaints     | All providers including local authorities |
| Strategy                                   | <ul style="list-style-type: none"> <li>• Short-term and medium-term priorities</li> <li>• Strategic approach to value for money to deliver objectives</li> <li>• Consideration of risk and return</li> </ul>                                                                              | Housing associations only                 |
| Structure                                  | <ul style="list-style-type: none"> <li>• Corporate, financial and governance structures</li> <li>• Interaction between landlord and connected organisations</li> <li>• How risk flows between them</li> </ul>                                                                             | Housing associations only                 |
| Risk management                            | <ul style="list-style-type: none"> <li>• Alignment of risk appetite and risks associated with delivery of strategy</li> <li>• Board assurance on key risk and compliance areas</li> <li>• Quality of stress testing and mitigation strategies</li> </ul>                                  | Housing associations only                 |
| Financial Resilience                       | <ul style="list-style-type: none"> <li>• Financial performance (inherent financial strength)</li> <li>• Debt levels, sources of liquidity, future funding requirements</li> <li>• Costs and drivers for costs</li> </ul>                                                                  | Housing associations only                 |
| Governance                                 | <ul style="list-style-type: none"> <li>• Role of the board in delivering outcomes, promote long-term success</li> <li>• Alignment of leadership capacity and governance with activities</li> <li>• In practice overall effectiveness of arrangements – key risks and decisions</li> </ul> | Housing associations only                 |

The rent standard applies to councils as well as housing associations. The RSH notes that local authorities could also be subject to inspection on the implementation of the rent standard.

When inspecting local authority landlords, the RSH may request some contextual information such as:

- The operational management structure of the council and where responsibility for housing management sits within it
- The local authority's wider governance structure
- Its strategy or long-term plan for its housing stock.

## Inspection methods

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In preparing for an inspection the Regulator will share the inspection scope with the provider. This will set out:

- The areas the RSH will be focusing on under the different components of the inspection
- The kind of documents that are likely to provide relevant evidence.

The documents required will depend on the scope of each inspection. The RSH will look for documentary evidence that boards, councillors and senior officers are receiving the information they need to carry out their role in ensuring that the landlord is delivering the outcomes of the standards. The Regulator will also seek evidence that tenants and their representative bodies have sufficient information and opportunities to be able to scrutinise and influence their landlords.

Landlords will normally have two weeks to submit documents following the initial request.

The Regulator will put a lot of store in the quality of the data held by a provider. This will assure the RSH that a landlord has the information it needs to deliver services at the required standard to its tenants. Relevant data will be collected by the RSH on a regular basis.

Tenant satisfaction measures (TSMs) will be reviewed by the Regulator and will help determine what providers are subject to inspection and what parts of the housing service delivered by a provider will be subject to such scrutiny.

Programmed inspections will involve the observation of meetings and on-site interviews. The RSH will normally observe one or more meetings. In the case of housing associations, this is likely to include a board meeting. For local authority landlords, recognising the diversity of different governance arrangements, the Regulator will decide what is likely to be the most appropriate meeting(s) to observe on a case-by-case basis.

Measuring tenant engagement with providers is a critical part of the inspection process and this will be achieved through:

- Observing landlord forums which enable tenant-led influence and scrutiny
- Seeking direct tenant insight through meetings with tenants engaged in those forums.

The RSH will have a range of options for assessing service outcomes for tenants. Where appropriate, this will include meetings, interviews, focus groups with tenants and estate tours. These options will be used flexibly, depending on the issues at the landlord and the type of insight that the RSH is seeking.

We are told that programmed inspections will involve in-person or virtual on-site work. Tenants and others might be concerned that inspections could – in effect – be held remotely. The Regulator should set out the criteria it will use to carry out inspections on a remote basis. Onsite inspections will include meetings with the senior executives as well as councillors or board members. The purpose of these meetings will be to add to the RSH's evidence base and to explore in further detail the key points identified in any document review. Depending on the subject matter, the inspection may involve staff beyond the executive team.

The guidance sets out that where a local authority has an arm's length management organisation (ALMO), the RSH may meet with ALMO board members and senior staff, as well as senior officers and councillors of the local authority. Presumably these arrangements would be extended where there is a tenant management organisation (TMO) in place, or indeed where housing services are delivered by another third party (such as a private contractor through a private finance initiative).

Once the onsite work is concluded the RSH will look to triangulate the different sources of evidence to determine the level of assurance that has been secured during the inspection process.

'Assurance gaps' may emerge and this can result in further evidence being sought from the inspected body. Through this process the landlord will have the opportunity to provide additional documents or clarify points raised by the Regulator. This accords with the co-regulatory principle adopted by the RSH.

The RSH will then prepare provisional findings through its corporate quality control and quality assurance procedures. Following the completion of these internal processes, the landlord will be advised of the outcome of the inspection.

A regulatory judgement will then be issued which will include a summary of the Regulator's inspection findings. A meeting with the landlord will also be held to discuss the findings and verbal feedback will be sought from the landlord on their experience of the inspection.

## Regulatory judgements/gradings

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The RSH allocates [regulatory judgements](#) to indicate how well a landlord is delivering outcomes against the published standards:

- For housing associations, a regulatory judgement can cover the outcomes against any of the standards
- For local authority landlords, a regulatory judgement can cover the outcomes against the consumer standards and rent standard only.

Following a programmed inspection, the RSH will publish a regulatory judgement and grade for large landlords. Alongside that, where the Regulator follows up on issues through its responsive engagement, an inspection outside of the regular cycle of inspections may be undertaken. This may result in the publication of a new regulatory judgement and, where appropriate, a revised consumer grade.

Importantly, the RSH will make clear in the published regulatory judgement the scope of the inspection where a grade has been issued. For instance, the RSH will note where there has been a focus on one or more specific issues of concern rather than an assessment of the landlord's delivery of the outcomes of the consumer standards overall.

The documents published on 29 February confirmed that the RSH would be allocating grades to providers against its consumer standards. There will be four gradings matching the scores currently allocated to housing associations for their performance meeting the economic standards (governance and financial viability). In summary, the gradings for the consumer standards are described thus:

| Grading | Description                                                                                                                                                                                                                       |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| C1      | The RSH judgement is that overall the landlord is delivering the outcomes of the consumer standards. The landlord has demonstrated that it identifies when issues occur and puts plans in place to remedy and minimise recurrence |
| C2      | The RSH judgement is that there are some weaknesses in the landlord delivering the outcomes of the consumer standards and improvement is needed                                                                                   |
| C3      | The RSH judgement is that there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed                                                                      |
| C4      | The RSH judgement is that there are very serious failings in the landlord delivering the outcomes of the consumer standards. The landlord must make fundamental changes so that improved outcomes are delivered                   |

When the Audit Commission inspected housing providers in the 2000s, the top 3\* rating was used when a provider was judged as delivering 'excellent' services. The other ratings were 'good/2\*', 'fair/1\*' and 'poor/0\*'. Clearly, the RSH rating system is somewhat different from that used for inspecting providers 20 or so years ago. In effect, the top grade under the new rating system measures 'satisfactory' performance only in that the consumer standards are being met – but that is all.

Also, it could be argued that there are inconsistencies in measuring provider performance against the consumer standards compared to the grades allocated for governance and financial viability under the economic standards. The C2 rating seems to suggest that standards are not being met and therefore could be interpreted as demonstrating non-compliance. For the governance and financial viability standards, only the C3 and C4 ratings are non-compliant.

## Post inspection engagement with the Regulator

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There are several papers that were published on 29 February which cover details about the [engagement between providers and the Regulator](#) between inspections. Much of this is familiar to housing associations as they are used to continuous engagement with the RSH on matters pertaining to the regulation of the economic standards. For local authorities this is effectively new territory.

We are advised that the Regulator will review a range of information that landlords are required to send in about their delivery of housing services. In particular, the RSH will assess the TSM submissions of all large landlords. Following those reviews, the Regulator will be able to identify landlords which appear to be outliers based upon the TSM data supplied. Where this is the case, the Regulator may ask for extra information, either:

- Because there are concerns about the quality of the TSM data
- Because the landlord has been identified as being potentially at risk of failing to deliver the outcomes of the consumer standards.

Where a landlord's TSM data suggests it may be at risk of failing to deliver the requisite outcomes, the Regulator will engage with the landlord. The most appropriate course of action will be decided on a case-by-case basis. This may involve 'responsive engagement' and/or an inspection.

In cases where a landlord has been allocated a C2 grade (or worse) there will be areas where the Regulator will want to see improvements in performance. For those landlords, the Regulator will expect to see plans in place setting out how performance will be improved. There will be active engagement with such landlords between programmed inspections to monitor the progress against improvement plans.

The Regulator could arrange to meet the executive teams of some landlords in years when a programmed inspection is not planned. The chair or other board members/councillors could also be invited to such meetings. These meetings might be held with larger and more complex providers, including local authority landlords, particularly where a change in the provider's risk profile has been identified.

## Getting ready for the new inspection regime

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### **1 Make sure everyone knows it is coming – each and every staff member is critical**

Get the main points out to all staff that will be delivering the standards, such as call handlers, repairs operatives and housing managers. Every time they talk to a tenant it is an opportunity to show how strong the service is. If anything is getting in the way of doing a good job, speak up.



## **2 Make sure all your data is correct – and act on it**

The RSH will grill you about:

- Stock condition data
- Safety data
- Perception/satisfaction figures.

Tell them how you gather the figures and check that they are accurate. Show how you use the data to improve services. Do not hide problems – make plans to fix them. But be realistic.

## **3 Make sure that board members/leading councillors are ready for the new regime**

Tell them about the new standards, the gradings and the penalties for failure. Brief them on the sorts of questions inspectors will ask them. Give them tight, clear performance reports. Keep them match fit with briefings – inspection might be just six weeks down the road. Use the HQN self-assessment toolkit to check compliance and keep it up to date<sup>1</sup>.

Make sure the right governance structures are in place that provide assurance you are compliant with the full range of standards.

## **4 See yourself as others see you**

What are tenants saying about you? What are shared owners saying? Does it vary by area? Does it vary by age, gender or ethnicity? How are you handling complaints? If people are unhappy, find out why and do something about it.

You need to comply with all the consumer standards. But your tenants and residents will want to make sure you are particularly focused on meeting the safety and quality standard.

## **5 Money makes the world go round**

Times are tight for councils, ALMOs and associations. Show that you grasp your finances and make wise choices. What is your plan B if things go wrong? If you do not have the cash, standards will slide.

## **6 Outcomes are key**

Remember – it is outcomes that are important. Your policies and procedures are a means to an end.

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<sup>1</sup> The HQN toolkit is being revised in line with the finalisation of the regulatory framework as set out by the RSH on 29 February

## Concluding remarks

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This briefing has focussed on the **essential** elements of the inspection methods adopted by the Regulator. Inevitably, when a provider is actually subject to an inspection, further detailed study of the inspection methodology will be warranted.

HQN provides written briefings, consultancy services, training and other resources to help landlords make sense of the new regulatory framework and related changes.

The next event on the new framework is being held on [21 March](#) and is being run by the author.

Work has begun on revising the existing toolkit designed to help providers meet the new consumer standards. This will be completed in April/May.

For more details about the services available to members on the new regulatory framework please contact [Anna Pattison](#).

## Fast, practical guidance on everything to do with housing

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HQN provides high-quality advice, tailored support and training to housing associations, councils, ALMOs and other housing providers.

Find out more about HQN and our network membership by visiting [hqnetwork.co.uk](http://hqnetwork.co.uk) or call us on +44 (0)1904 557150.



Rockingham House, St Maurice's Road, York, YO31 7JA

Tel: +44 (0)1904 557150

Email: [hqn@hqnetwork.co.uk](mailto:hqn@hqnetwork.co.uk)

Visit: [hqnetwork.co.uk](http://hqnetwork.co.uk)

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