
Regulating and inspecting housing associations

Joint workplan 2007-08

February 2007

Housing Corporation Audit Commission

Joint work plan for the regulation and inspection of housing associations – 2007/08

Introduction

1. This annual work plan sets out the programme of joint work which we have agreed to meet the commitments in our third Memorandum of Understanding (**Ref 1**). Detailed operational guidance is also available. The guidance sets out the day to day work of inspectors and regulators in the planning and undertaking of housing association (HA) inspections.

Relationships

2. The Corporation is the principal regulator for HAs. It has a statutory role in overseeing their governance, financial viability and management of performance. The Corporation is also the main source of public grant funding for the provision of affordable housing for rent or for sale, both to HAs and to other, non-registered bodies.
3. The Commission has a wide role to play across a number of sectors. In the housing sector it is the statutory inspector of the housing services of local authorities, ALMOs and HAs. It is therefore the key contributor to the regulatory assessment of the service delivery performance of HAs. The Commission also inspects the strategic and enabling functions of local authorities, including their work with housing associations, and other local and regional bodies. It also inspects the provision of Supporting People services by local authorities.
4. Both organisations are statutory non-departmental public bodies and both are sponsored by Communities and Local Government (the Department).
5. The Housing Corporation and the Audit Commission, in their working arrangements, will be guided by the principles of good regulation and inspection. Our current arrangements will be updated to take account of changes in the methodologies of both organisations for regulating and inspecting housing services, as detailed further in this document.

The Corporation and the Commission

6. The Corporation is responsible for investing public money in HAs and other accredited bodies (which may include LAs, ALMOs and private sector organisations) and for protecting that investment, ensuring that it provides decent homes and suitable services for residents. It invests in HAs and accredited bodies in order to meet local needs. It employs its

- regulatory powers to ensure that people will want, and will be able, to live in these homes, now and in the future. Its powers are laid down in the Housing Associations Act 1985 and the Housing Acts 1988, 1996 and 2004. These include the regulation and supervision of HAs, the accreditation of other housing bodies and the promotion of improved performance.
7. The Commission is responsible for ensuring that public money is spent economically, efficiently and effectively and provides high-quality local and national services for the public. Its work covers local government, housing, health, criminal justice and the fire and rescue services. As an independent watchdog, it provides information on the quality of public services. As a driving force for improvement, it provides costed recommendations and promotes best practice. The Commission's role in the HA sector is defined in section 40 of the Audit Commission Act 1998 and in section 41 (as amended by section 109 of the Local Government Act 2003). The Commission has the power to inspect the quality of services provided by HAs, LAs and ALMOs, and the arrangements that they have in place to ensure continuous improvement.
 8. In addition to the regulatory and inspection interface, the Corporation and the Commission will continue to work on a series of value for money studies under the provisions of the Housing Act 1996, and other research projects which are designed to improve services to tenants. In the forthcoming year we are working together on a study looking at procurement in the HA sector.

Regulation and Inspection activities

9. The annual programme of HA inspections is determined on the basis of a risk assessment agreed between the Corporation and the Commission. The criteria for determining which HAs are to be inspected and the agreed principles of risk assessment are set out in Appendices 1 and 2. The annual programme of inspections is formally agreed by the Chief Inspector of Housing and the Director of Regulation.
 - **Regulation.** As the principal regulator of HAs, the Corporation maintains a sustained focus on the quality of their governance and management, their financial viability and investment capacity. This requires a continuous relationship and dialogue with HAs, which varies in frequency and intensity according to the Corporation's assessment of risk which is based on the submission of annual self assessment compliance statements and compliance with the Corporation's Regulatory Code (**Ref 2**). The broader arrangements for the regulation of HAs are set out in the Corporation's 'How We Regulate' series of documents. In addition to risk-based regulation, the Corporation also focuses on the relative efficiency of HAs and on the Government's

targets for increased efficiency in the sector, based on the submission of Annual Efficiency Statements and other financial information.

- **Inspection of housing organisations.** As the statutory inspector of HAs, ALMOs, LAs and Supporting People services, the primary focus of the Commission's Housing Inspectorate is on the periodic review of the outcomes of service delivery and an assessment of the prospects for improvement in services. The Commission has adopted a standard assessment framework for all social housing inspections, which applies a star rating for the services provided by inspected bodies. The scope of each HA inspection is based on risk and reflects the knowledge that the Commission has of a HA's activities. It will take into account, for example, information arising from the Corporation's regulatory engagements, the Corporation's performance indicators, and a self assessment and supporting evidence provided by each HA to be inspected. All housing inspections currently include the inspection of Access and Customer Care, Diversity and Value for Money as they affect specific service areas. For many inspections of LAs' housing services, the Commission will ask the Corporation for its assessment of the quality and impact of the authorities work.
- **The Approach to Service Inspection and Key Lines of Enquiry (KLOEs)** KLOEs are the basis of the Commission's inspection methodology. A set of KLOEs has been developed for housing inspections which set out the key questions which inspectors may use when inspecting housing organisations and descriptors of the outcomes which they will be looking for during the inspection. The outcomes are not an exhaustive list of answers to the questions and should not be used as a compliance checklist. The Commission consults the Corporation and other stakeholders on proposals for changes in its methodology, and it includes the Corporation's regulators in its quality assurance of draft inspection reports and judgements. Both the Commission and the Corporation are committed to a focus on outcomes for customers in their inspection and regulation of housing services, and are working together to improve the way in which this is achieved.
- **Housing management policies** The Commission and the Corporation are both committed to ensuring that improvement in service delivery is a fundamental objective of both regulation and inspection, and are working together on the development and promotion of good regulatory and inspection guidance which is given force through Corporation circulars, KLOEs and other good practice publications.
- **Engagement with governing bodies.** In the HA sector, issues of corporate governance are the responsibility of the Corporation. In the inspection context, the Commission aims to ensure that HA boards are fully engaged with the inspection process. To this end, the Commission's Lead Housing Inspector will write to the chair of the

governing body and liaise closely with a HA's senior officers prior to, during and immediately after an inspection. Specifically, the Commission will examine the way that the governing body of a HA ensures effective service delivery and secures service improvement. Both the Commission and the Corporation believe there is an important relationship between organisational governance and the outcomes experienced by users of a HA's services. Inspectors will bring to the attention of HA boards those services which are judged to be failing. The Commission will work closely with the Corporation to ensure that inspection findings inform regulatory activity which will secure improvements in the quality of services to tenants and residents.

- **Assessment of local authorities.** The Commission undertakes service inspections of local authorities from time to time and also under the comprehensive performance assessment (CPA) framework. Some of these inspections specifically examine the strategic and enabling role of local authorities. Other service inspections assess the role that local authorities play in handling Supporting People and homelessness and housing need. In these activities, the Commission will assess the relationship the authority has with those HAs which are assisting the council in fulfilling these roles. It will also seek the views of the Corporation on the contributions which councils make towards the development and delivery of regional and sub regional investment strategies.
- **Value for money and efficiency.** The Corporation and the Commission are working together to raise the performance and efficiency of the HA sector in service delivery in the following ways:
 - The Corporation has developed a regulatory approach to assessing efficiency through self assessment and the submission of Annual Efficiency Statements, and produces sector-wide analysis of the comparative operating efficiency and performance of HAs.
 - As part of its inspection activity and its approach to strategic regulation, the Commission has developed a Key Line of Enquiry (KLOE) and supplementary guidance on Value for Money which is a core element of every housing inspection. The supplementary guidance also sets out how Corporation and Commission staff will share information and assessments of value for money for HA inspections. The VFM KLOE ensures that inspectors consider the costs of services to customers, looking at value for money both from a customer point of view and an organisational point of view. To ensure that inspection delivers better value for money, the Commission generally only makes recommendations in its reports if it considers that the benefits will be at least commensurate with the costs of implementation or where statute and/or regulations are being breached. The inspectors also make an estimate of the relative cost of implementing the recommendations.

- The Commission and Corporation work together on a joint programme of studies that make recommendations to improve the economy, efficiency and effectiveness of HAs. In 2007/08 this includes a study of the procurement practices of HAs. The Corporation meets the cost of this programme, which is undertaken by the Commission and must be agreed by both organisations. HAs have made practical use of the studies to assist them deliver continuous improvement in service delivery. We envisage that future studies in the series will relate closely to the Corporation's wider programme of work on efficiency in the sector.
- **Supporting People.** The Commission and the Corporation are both, from different perspectives, monitoring the implementation and the impacts of Supporting People. The Commission inspects the policies, practices and performance of the 150 administering authorities. The inspections cover issues such as the use of grant, application of government requirements and value for money, rather than on a detailed assessment of the performance of service providers. In this area, the Corporation's primary interest is in viability and risk-management issues facing those HAs that have a significant portfolio of supported housing.
- **Housing market renewal.** Both the Corporation and the Commission are working to support those agencies charged with tackling the challenge of housing market renewal and regeneration set out in the government's Sustainable Communities Plan (**Ref. 3**). The Corporation has published its policy for regeneration and market renewal, '*Adding value to what we have*' (**Ref. 4**), and is represented on the boards of the market renewal pathfinders. It invests significant capital resources in renewal and other regeneration areas and is developing tools and techniques to increase the effectiveness of regeneration activity. The Commission's role is to support, scrutinise and monitor the market renewal pathfinders. It produces reports on the work of each of the nine pathfinders and summarises their collective progress in an annual review.
- **Regional arrangements.** We will develop our work to support the emerging relationships between regional housing boards, regional planning boards and other regional agencies – particularly the Greater London Authority.
- **National Fraud Initiative.** The Corporation works with the Commission and HAs with more than 1,000 homes involved in the National Fraud Initiative (NFI). The NFI has been developed by the Commission and is designed to prevent and detect fraud committed against public service bodies. In the housing sector, the NFI covers a wide range of risk areas, which include housing benefit, current and former tenancies, Right to Buy, and creditors, and is there to supplement the internal arrangements that HAs have to prevent and detect fraud.

Co-ordinating regulation and inspection

Reducing the burdens of regulation and inspection

10. The Commission and the Corporation will work together on exploring and implementing recommendations from the Department and others on proposed changes in regulation and inspection. In particular, we will work together on following up the recommendations in:
 - regulatory engagement reflecting the Better Regulation Task Force's (now the Better Regulation Commission) five key principles and, in particular, tailored and proportionate to the risks of and potential impact of a HA failing to meet the Regulatory Code;
 - the key strategic objectives established in the Commission's current five year strategy and principles of strategic regulation;
 - the principles set out in the Cabinet Office commissioned report Inspecting for Improvement;
 - the principles established by the Local Services Inspectorate Forum (LSIF) within which the Commission undertakes inspections across public services;
 - the precepts of the Hampton report which are noted in the Elton report; and
 - the report of the NHF's Tenant Involvement Commission, which the Corporation and the Commission will work together with the NHF on following up recommendations.

The recommendations of the Elton report (Ref. 5)

11. Chaired by Sir Les Elton, this review of the regulatory and compliance requirements for registered social landlords was published in April 2006. We are working together to explore and implement the recommendations on:
 - The setting up of a Regulatory Review Group and a Housing Inspection Sounding Board (both bodies have been established);
 - Risk assessment both for the annual inspection programme and for scoping individual HA inspections. (Details of the risk assessment for 2007/08 are set out in **Appendix 2**);
 - Options for short notice inspections;
 - Focused and thematic or area-based inspections;
 - Our focus on outcomes in both regulation and inspection;
 - The inspection of HA groups and large HAs;

- Reinforcing the message that improvements in service delivery are a fundamental objective of both regulation and inspection;
- Reviewing the information which is collected by the Commission and the Corporation in order to reduce the burden of regulation;
- The review of the Corporation's Involvement Policy; and
- The exploration of models of tenant-led inspection.

Planning the annual inspection programme

12. The Commission sets the annual inspection programme for HAs in line with its Strategic Plan (**Ref. 6**). Before setting its annual inspection programme, the Commission consults the Corporation. The programme will take account of:
 - the criteria for inclusion in the HA inspection programme. See **Appendix 1**;
 - the principles of risk assessment agreed by both the Corporation and Commission. See **Appendix 2**;
 - policy priorities at national and regional levels, such as the Decent Homes Standard, tenant satisfaction with services overall, and tenant satisfaction with opportunities for tenant participation;
 - the resources available to carry out the inspection programme;
 - current Corporation supervision activity; and
 - previous inspection ratings.
13. The current priorities are to:
 - complete the first round of HA inspections, focusing in particular on those HAs which have not yet been publicly inspected, based on risk;
 - re-inspect those HAs that have been identified as the poorest performers following initial inspections; and
 - prioritise those HAs with more than 1,000 homes. The Commission may also consider inspecting HAs with between 250 -1,000 homes should significant risks be identified.
14. In addition, the annual programme will include a proportion of better performing HAs, so the Commission can independently assess the quality of services and identify notable practice across the HA sector. Self assessments may also be used in helping to determine inspection priorities.

Risk assessment

15. The principal attribute of the working arrangements is that they are designed to be risk-based. In this context, the Corporation's objective is to systematically and objectively address the risk of failure of HAs (collectively and individually) to meet the regulatory requirements set out in the Regulatory Code, to provide good-quality, well-managed services, which are responsive to the expectations of their residents, and which indicate a commitment to co-operation with local authorities and other stakeholders in meeting housing need.
16. The Corporation's approach to risk assessment is set out in **How We Regulate 2: Risk based regulation**. The arrangements set out here are integral to the delivery of risk based regulation. The Commission's approach to risk is set out in its **Approach to Service Inspections** which makes clear that it will concentrate inspection work where it will have most impact, so that it is proportionate and based on an assessment of risk.

Self assessments

17. For both the Corporation and the Commission, self-assessment of performance by HAs is an integral part of their regulation and inspection regimes.
18. Competent self-assessment provides an indication both of the quality of performance in different service and business areas of an organisation, and of the capability of the organisation's governing body and executive management to demonstrate their capacity to apply resources efficiently to service improvement.
19. Self-assessment is a continuing activity, the primary purpose of which should be to assist HAs in decisions about the allocation of resources and management effort, and not an activity that is undertaken only in response to regulatory requirements or notification of inspection.
20. Demonstration of competence and quality in self-assessment is therefore an intrinsic part of the analysis of risk by the Corporation and the Commission, and therefore a significant determinant of the design of the inspection programme.

The principles of risk assessment for scoping the inspection of HA group structures

21. One of the key strategic objectives of inspection by the Commission is to understand the service which is being provided from the point of view of the customer or resident. In order to achieve this, inspectors must first obtain a picture of the basis on which services are being provided.

22. The Commission's general view is that there is no single way to inspect HA group structures. All HA structures – group and members, are different in the geographical areas in which they operate, their size, the services which they offer and the way the services are provided.
23. The Commission, in consultation with the Corporation, carries out a risk assessment which takes account of service delivery performance information in order to prioritise which HAs should be inspected. We also review the way in which services are provided in a group and then decide whether to inspect on a group or individual association basis. We will discuss the proposed inspection arrangements with the HA group when the annual programme is published and through meetings with Lead Housing Inspectors.
24. We will base our inspections on the service which residents receive rather than the legal entity which provides the service. A HA which provides direct services to tenants and residents in different ways from other members of a group will normally be inspected as a separate organisation.
25. HAs which are members of a group structure which is regulated by the Corporation in one of the Commission's regions and whose areas of operation are, primarily, in another region will normally be inspected by staff from the Commission region in which the majority of its homes are located. This will enable the Lead Housing Inspector, in consultation with the Corporation's regulator, to scope better the local and regional context in which services are being provided and to organise the inspection arrangements.
26. Where the group provides common services to tenants and residents in similar locations, for example, general needs and shared ownership HAs in the same group with a large number of multi tenure developments, it may be appropriate to plan one inspection.
27. Where there are large national HAs and groups with regional offices, committees and tenant involvement models, it may be appropriate to carry out the inspection based on a sample of regional offices. Inspection of HAs which provide services in a large number of local authority areas may need to have detailed scoping in order to pinpoint which areas of operation should be used for assessing performance.

The use of risk assessment in scoping individual inspections

28. Lead Housing Inspectors will consult Corporation regulators and discuss with the HAs being inspected, the scope of their inspection. They will review current performance information and obtain feedback from regulators on the quality of data supplied by the HA in the RSR and other

statistical returns in order to identify specific risks before deciding on the service areas to be inspected.

29. In addition to our three strategic cross-cutting themes – Access and Customer Care, Diversity and Value for Money – which are included in every inspection, HA full service inspections normally include the following core services:
 - Stock investment and asset management;
 - Income management;
 - Estate management, including tackling anti-social behaviour; and
 - Resident involvement (as an integral part of the above services and in relation to the three cross cutting themes).
30. They may also include supported housing, shared ownership and leasehold management, either in addition to or as an alternative to the above core services.
31. The Lead Housing Inspector will also take into account the size of the organisation which is being inspected, and the range and location of services which it provides, for example, general housing, leasehold and supported housing.
32. The Corporation will advise the Commission of any significant current and anticipated regulatory activity that may affect individual inspections.
33. The annual programme of inspections starts in April each year. Planning for the programme is completed in time for the Corporation to take account of forthcoming inspections in HAs' regulatory plans. The Commission publishes the annual inspection programme on its website.

The link between inspection judgements and the regulatory framework

34. As part of its inspection framework for housing services, the Commission publishes KLOEs, explaining the tests it will apply to different aspects of service provision and indicating its grading criteria.
35. Updated KLOEs are issued no more than twice a year, in April or October. HA inspection reports also highlight aspects of a service which, in the inspectors' view, do not meet the requirements of the Corporation's Regulatory Code.
36. Inspection results have a material impact on the published Housing Corporation Assessment (HCA) for a HA or group. The Corporation will, in each case, take a view on the significance of inspection results as an indicator of overall management performance – taking account of factors such as whether the inspection covers the full service delivery operation of the HA or group. The table below is indicative.

37. A recent inspection report (published within the last 12 months) is a material event, influencing the Corporation’s view of a HA’s management performance, and the ‘traffic light’ judgement that summarises that view.
38. In reaching its overall view the Corporation will also aim to reflect how purposeful the HA has been in responding to the inspection and its recommendations. The Corporation’s regulator will assess the quality, extent and timeliness of the HA’s post inspection service improvement plan. The regulator will monitor progress against the plan and make a judgement on the HA’s commitment to service improvement and its performance in delivering improvements. This will be reflected in its HCA.

Assessing management performance: indicative impact of inspection results on HCA management traffic lights

39. The following table demonstrates the link between inspection outcomes and the resulting impact on HCA traffic lights.

Prospects for improvement					
Excellent	Amber	Green	Green	Green	
Promising	Amber	Green	Green	Green	
Uncertain	Red	Amber	Green	Green	
Poor	Red	Amber	Amber	Green	
	Poor	Fair *	Good **	Excellent ***	Quality of service

40. Irrespective of the scope of an inspection, the Corporation will formally consider supervisory action against any HA which has been judged as delivering ‘poor’ services with either ‘poor’ or ‘uncertain’ prospects for improvement. Similar considerations will apply where a HA has failed to draw up a post-inspection service improvement plan or does not make adequate progress in improving its services. It will also consult the Commission before making a decision on supervision as a result of an inspection judgement.

Follow up to inspections

41. The Corporation will ensure that service delivery is a fundamental concern of day to day regulation in its follow up to inspections. Corporation regulators will revise a HA’s HCA within one month of the publication of its inspection report. If there are significant delays in the publication of an inspection report and the HCA is revised and published, it will reflect the occurrence of the inspection, the impending publication of the inspection

- report and the further revision of the HCA which will follow. The results will also be used to review the Corporation's assessment of risk for the HA.
42. Regulation staff will ensure that HAs produce a SMART (specific, measurable, achievable, resourced and timebound) service improvement plan which sets out how they will implement the recommendations in the inspection report. They will also monitor the implementation of the plan, and its impact on performance through their ongoing regulatory engagement. Performance on implementing the recommendations and improving service delivery will be reflected in the judgements made in the HCA, and feedback to the board and senior managers.
 43. Where there is no clear evidence of improvement in services, the Corporation will take further regulatory action and consider whether to ask the Commission to undertake a further inspection of the HA. Decisions will be taken on an individual basis, but the outcome could be a re-inspection or an assessment of just part of a HA's service.
 44. The degree of regulatory engagement following inspection will be risk-based and proportionate as indicated by the quality of service revealed by the inspection, and the HA's ability and track record in delivering continuous improvement in its services. The Corporation will make robust judgements on performance and service delivery through its annual review of performance indicators and the HA's self assessment compliance statement.

Key references

- 1 Memorandum of Understanding between the Audit Commission and the Housing Corporation (Third version February 2007)
- 2 Housing Corporation, *Regulatory Code and Guidance*, Housing Corporation, 2005.
- 3 Communities and Local Government, *Sustainable Communities: Homes for all*, ODPM, 2005.
- 4 Housing Corporation, *Regeneration and Market Renewal Policy: Adding value to what we have*, Housing Corporation, 2004.
- 5 Housing Corporation, *Review of regulatory and compliance requirements for RSLs*, Housing Corporation, 2006
- 6 Audit Commission, *Strategic Plan 2006*, Audit Commission, 2006.

Key links

Audit Commission: *Key Lines of Enquiry for Housing Services*, Audit Commission ([www.audit-commission.gov.uk/housing/key lines of enquiry](http://www.audit-commission.gov.uk/housing/key%20lines%20of%20enquiry)).

Housing Corporation: *Regulatory Code and Guidance* ([www.housingcorp.gov.uk/Regulatory Code](http://www.housingcorp.gov.uk/Regulatory%20Code))

Appendix 1

Criteria for the 2007/08 HA inspection programme

45. The criteria for the 2007/08 HA inspection programme are:
- HAs with more than 1,000 homes which have not previously been inspected, based on an assessment of risk;
 - Re-inspections of poorly performing HAs; and
 - HAs with significant risk factors identified by the Corporation which have been previously inspected or identified through regulatory activity and other information.
46. In the second half of the year, subject to agreement by Communities and Local Government and following consultation on the methodology, we will also include the following:
- Four thematic or local area inspections;
 - Focussed or forensic inspections of HAs where poor performance is indicated by evidence in regulatory returns or performance indicators in specific areas of a HA's services; and
 - Short notice inspections of HAs (subject to agreement by the Department).

Appendix 2

The application of the criteria and our approach to risk assessment

47. The focus of inspection work is primarily on assessing service quality, particularly from a customer perspective, and on the organisation's prospects for delivering continuous improvements in its customer services. Our aim is to drive service improvement forward and to maximise the positive impact of inspections.
48. To help us identify those HAs to inspect in any given period we take account of a range of factors when we undertake a risk assessment. Some of these are numeric or readily compared on a systematic, objective basis. Others are assessed using information and evidence which is specific to individual associations. It is relatively unusual that any single factor will determine whether an inspection will occur within any given programme. Similarly our inspection programme will not be restricted to those HAs who might be termed 'high risk' but will also include HAs which are performing well – this will provide independent assurance to the HAs and their customers, and identify notable practice across the HA sector.

Application of the criteria

Re-inspection

49. Where an inspection report reveals poor performance on either or both judgements, the Corporation and the Commission will consider at that point whether a re-inspection should take place and at what time. Re-inspections of this kind are subject to no further risk assessment in determining their inclusion in the programme. Re-inspections of HAs providing a poor service will normally take place within 18 months of the first inspection being reported on.

Associations not already inspected or inspected as part of the pilot or pathfinder programme (for whole service inspections)

50. For all other inspections in the 2007/08 programme, a risk assessment will be undertaken. The purpose of this is to determine which HAs should be subject to inspection in this annual programme, not whether or not those who have not yet been inspected should be inspected at some point in the future.
51. For HAs which have not yet been inspected, we consider the following:
 - We would not normally expect to inspect new LSVT HAs earlier than 18 months following the transfer of properties from a local authority;
 - We look at the full range of performance indicators (PIs) which are available and use a scoring mechanism which takes account of quartile performance to aggregate current and former years' PI performance to rank HAs. Specific elements of this component of our risk assessment are:
 - We attribute increased weighting to PIs relating to tenant satisfaction and to the delivery of Decent Homes Standard compared with other PIs; and

- We consider whether reported PI performance is improving or deteriorating.
 - We will take account of the Corporation's risk assessment (i.e. whether according to the Corporation's risk model, HAs are low risk, medium risk, high impact or high probability). This does not mean that we will inspect all high probability or high impact HAs as a higher priority than low risk HAs, but will want to understand whether there are specific risk factors which are relevant to the quality of service delivery. This includes the impact of lead or sub partner status for the Corporation's National Affordable Housing Programme;
 - We will take account of the Housing Corporation Assessment (HCA), and the regulatory information which informs that document, primarily in relation to the extent to which this relates to assessments and regulatory information which relates to the quality of service delivery; and
 - We look at the outputs of the Operating Cost Index model. As this is a model which generates a distribution around a mean point, we are primarily concerned with significant outliers, taking account of the contextual information which the Corporation has considered, for example to produce its Annual Viability Review, or in considering the Annual Efficiency Statements submitted by HAs.
52. There is not a formulaic mechanism which creates a scoring threshold across all these factors which triggers automatic inclusion in any given inspection programme. However, the following attributes will tend to increase the likelihood of inclusion:
- PI scoring approach indicates that PI performance is consistently below average, particularly if it is a deteriorating trend;
 - HAs are investment or sub partners for the Corporation's National Affordable Housing Programme, and therefore providing assurance that the quality of management services provided by HAs who receive significant public funding for new homes is of an acceptable standard;
 - The extent to which the Corporation's HCA reflects a view that a HA has failed to satisfactorily evidence, particularly through its Self Assessment Compliance Statement and Annual Efficiency Statement, that it has effective approaches to delivering continuous improvement and compliance with key regulatory policies;
 - HAs which have not yet been inspected will normally be a higher priority than those which were inspected as part of the pilot or pathfinder programmes of inspection, but the latter may be inspected where the range of other factors suggests that there is a clear performance reason for doing so.
53. One of the purposes of inspection is to provide a stimulus to organisational learning within the social housing sector. We are seeking to identify good as well as poor practice, and to disseminate this more widely to help others find ways of improving their services. This means we will actively seek to include a range of performance and a range of HAs within the inspection programme.
54. Inspection is not intended to be a penalty for suspected poor performance, although it is clearly a safeguard to ensure that where poor performance is identified, that action is taken to remedy it. Nor is inspection designed to seek out

and confirm suspected faults indicated by regulatory returns or data. For this reason, a proportion of the planned inspections will be determined at random from those who have not yet been inspected without any other consideration of risk factors (other than the minimum period post-registration for new stock transfer HAs indicated above).

The PI scoring approach

55. The following PIs are included in the analysis, showing their relative weighting:

PI	Definition	Weighting
GNPI17	Percentage of dwellings failing to meet the Decent Homes Standard	2
GNPI22	Percentage of tenants satisfied with the overall service provided by their landlord	2
GNPI23	Percentage of tenants satisfied with opportunities to participate in management and decision-making in relation to housing services provided by their landlord	2
	Operating Cost Index	2
GNPI34	Rent arrears of current general needs tenants at the financial year end as a percentage of rent debit	1
GNPI30	Rent lost through general needs dwellings being vacant	1
GNPI31	Percentage of self-contained dwellings vacant and available to let at 31 March	1
GNPI32	Percentage of self-contained dwellings vacant and not available for let	1
GNPI11	Average re-let time for dwellings	1
GNPI14	Average SAP rating (energy efficiency) of dwellings	1
GNPI18	Percentage of emergency repairs completed within target	1
GNPI19	Percentage of urgent repairs completed within target	1
GNPI20	Percentage of routine repairs completed within target	1

56. Supported Housing PIs used in the risk assessment

PI	Definition	Weighting
SHPI15	Percentage of annual rent debit for supported housing that was collected	1
SHPI18	Rent arrears of current supported housing and housing for older people tenants at the financial year end as a percentage of annual rent debit	1
SHPI17	Rent lost through supported housing dwellings being vacant	1
SHPI7	Average re-let time for dwellings	1

57. For each of these PIs, a score is given for each HA on the basis of its quartile position over a four year period. These scores are aggregated, and are also averaged from year to year to identify whether there is an overall pattern of improvement or deterioration.

58. Where the Corporation reduces or changes the available PI set for HAs, the Commission's risk assessment tool will be reviewed and any changes incorporated in a subsequent updating of this document.