



HOUSING CORPORATION REGULATORY CIRCULAR

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Note: 'housing association' is used as a generic term for registered social landlords. 'Corporation' means Housing Corporation.

TITLE: **The External Validation of the Performance Reporting Systems of Housing Associations Regulatory Requirement.**

SUMMARY: **This circular sets out the Housing Corporation's expectations and how housing associations can demonstrate compliance with the new regulatory requirement.**

THIS CIRCULAR IS FOR THE ATTENTION OF:
(tick to indicate which)

- ✓Registered Social Landlords; more than 250 properties
- Registered Social Landlords; less than 250 properties
- Co-ownership Societies
- Co-ownership Equity Sharing Societies
- Almshouse Charities
- Abbeyfield Societies
- Co-operatives
- Local Authorities
- ✓Registered Social Landlords' Auditors
- Registered Social Landlords' Solicitors

1 Legislation, Regulation and Policy Requirements

- Housing Corporation's Regulatory Code (The way forward, our approach to regulation).
- External Validation of the Performance Reporting Systems of Housing Associations: Framework & Guidance.
- Validation applies to 13 performance indicators relating to rent, vacant dwellings and lettings, stock condition, repairs performance and service to tenants. Financial performance indicators are not included. For further information see Framework and Guidance.

HOUSING CORPORATION REGULATORY CIRCULAR

2 Definitions

See the External Validation of Performance Reporting Systems of Housing Associations: Framework and Guidance.

3 Corporation Expectations

- All housing associations with 10,000 dwellings or more to have their performance reporting systems externally validated by March 2004 (this is now complete).
- All housing associations with 2,500 dwellings or more to have their performance reporting systems externally validated by March 2005.
- We will confirm by December 2004 whether we intend to include all housing associations with 250 dwellings or more to have their performance reporting systems externally validated by March 2006.

- All housing associations affected to make plans for validation to take place within the timescales set out above.

- Housing Association Boards must ensure that independent and competent firms are appointed to conduct the validation of their performance reporting systems.
 - Internal audit cannot undertake the validation of performance reporting systems even when this function is outsourced.

- All housing associations to have their systems revalidated every 3 years except for in the following circumstances, (further explanations regarding the opinions are given in the Framework and Guidance):
 - 'Non-compliant' opinions - Housing associations are required to revalidate those systems within 12 months.
 - 'Compliant except for' opinions – Housing associations with three or more of these opinions will need to discuss with their Lead Regulator if those systems will need to be revalidated within 12 months.
 - After changes such as mergers, acquisitions and new IT systems. (For full details please refer to the Framework and Guidance).
 - Housing associations which were involved in the Round 1 pilot programme must have the full set of relevant performance indicators validated by March 2006.

- Housing associations with 'Non-compliant' or three or more 'Compliant except for' opinions will be required to produce an action plan to remedy the deficiencies identified. Housing Association Boards will need to consider the action plans and monitor their implementation.

HOUSING CORPORATION REGULATORY CIRCULAR

- We have agreed with the National Housing Federation that we will identify trends and issues emerging from the validation requirement. Therefore, for the first round of validations, i.e. all those with 2,500 dwellings or more, all housing associations must send copies of their validation report directly to:
Assistant Director Regulation Policy
Regulation Division
Housing Corporation
Maple House
149 Tottenham Court Road
London
W1T 7BN.
- Associations are requested to share their validation report with their Lead Regulator if requested to do so.

4 Assessing Compliance

- We will expect housing associations to identify any material deficiencies highlighted from validation in their annual self assessment compliance statement.
- Validation reports will be used to inform our published assessment of an association/group's overall performance (Housing Corporation Assessments) and relevant mandatory and discretionary regulatory activities.
- For those housing associations with non-compliant opinions the Housing Corporation will issue a 'health warning' to associations with non-compliant systems by stating that one/some/all of its performance indicators failed validation in a particular year and that any further queries should be addressed to the housing association. This statement would remain until the association is revalidated.
- Where our risk assessment indicates a housing association may not be complying or the impact of non-compliance is particularly high we may undertake a more detailed review in accordance with our normal regulatory engagement.
- We will take account of and include any relevant findings from inspection reports in making a risk assessment and may instigate a more detailed review in accordance with our normal regulatory engagement.

5 Enquiries about this circular should be directed to:

Please direct any enquires about this circular to the regulation team at the appropriate regional office of the Housing Corporation or enquires@housingcorp.gsx.gov.uk