

Leading the way

Achieving resident-driven
accountability and excellence

Richard Warrington
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Chartered Institute
of Housing



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Leading the way: achieving resident-driven accountability and excellence

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Foreword

CIH exists to support the people who are involved in providing and managing housing to, in turn, provide the best services they can to their customers – residents. One of the best ways to ensure housing services are the best they can be is to involve customers in regulating them. That's why CIH is proud to have written this break-through report on resident-led self-regulation – funded by the Housing Corporation through Innovation and Good Practice.

Please don't be put off by the term '*resident-led self regulation*' – it may not trip easily off the tongue but, if implemented appropriately, it has the power to transform housing organisations' businesses and relationships with customers. It also supports our sector's efforts to improve our accountability, to make us more genuinely customer-focused and, as Professor Cave has said, to make sure every tenant matters.

Our report contains a wealth of good practice ideas that are backed up by sound policy thinking and testing by critical friends – and its recommendations are also endorsed by the Housing Corporation.

I hope you will make time to read it and, more importantly, that you will use the ideas contained within it to make sure your organisation, and those you are involved with, puts residents at the heart of future regulation.

Paul Diggory

CIH President

Resident-led self-regulation matters because it will bring a new focus on the positive role tenants can play in housing. It will bring a real and immediate picture of things as they are in an organisation. It can direct spending to relevant service delivery areas, bringing effective services and improvements resulting in real efficiency gains.

The housing sector needs to take tenants seriously; thus a real cultural change is needed in the sector and in how it works with tenants. Housing providers need to reflect on how, through their business plan and management strategies, they can take account of who they are serving. The sector needs to be more radical in its thinking and more rooted in the core part of its work in affordable housing.

I want to see resident-led self-regulation introduced because I think it is the way forward. I believe that within the tenant population there is a wealth of resources that need to be released and used for good within housing. This is a new opportunity, with some risk, but also with exciting possibilities for tenants and housing organisations.

Eileen Hutchinson

Tenants' panel member and Contour Housing tenant

Executive summary

CIH wants the housing sector to deliver excellent services that meet the needs and aspirations of current and future customers. Making services and decisions accountable to, and contestable by, residents, and responding to the resident voice, are vital to achieving and maintaining such excellence in housing. In this document, we set out our proposals for achieving the key outcomes of excellence and accountability.

Leading the way is a policy proposal made to housing organisations, residents, and the new regulator for a way to increase residents' empowerment to drive accountability and excellence that can link into and benefit the operation of a new resident-focused system of regulation. It:

- aims to help housing providers and the regulator to achieve resident-driven accountability and excellence in services and decision making
- sets out an effectual system of resident-led self-regulation that housing providers can use to ensure that their internal processes for managing performance and business decisions are resident-centred
- shows how the system can be made sufficiently robust that it commands the confidence of internal and external stakeholders
- suggests how the system could operate within a new system of regulation to ensure effective performance and accountability to customers and to inform regulatory activity conducted by the Office for Tenants and Social Landlords.

Changing policy context

Resident empowerment is increasingly seen as being the key to service improvements, accountability, and meeting local needs. Recent and forthcoming changes in housing policy mean that social housing providers will be expected to spend more time “looking outwards to the people who really matter”.¹

Recommendations for resident-focused changes in policy and practice in housing providers and housing regulation have been made to support further moves away from “looking upwards to government”.

The extent to which these objectives for increased resident empowerment and resident-focused regulatory reform in social housing will be implemented will only become apparent as regulatory reform takes shape over the next few years.

Resident-led self-regulation

Resident-led self-regulation, a concept developed by CIH, TPAS and Tribal and supported by the Housing Corporation as part of its response to the Elton Review, offers a way to increase the focus on residents in housing organisations as well as in external regulation. It can increase residents' empowerment to drive organisational accountability, contestability and excellence and can link in to a new, resident-focused, system of regulation.

Resident-led self-regulation is an approach to housing providers' internal processes for directing, accounting for, monitoring, assessing and modifying their own **behaviour** and **performance** (self-regulation) that places residents' **priorities, views** and **engagement** with relevant processes **at their heart**. It draws on tried and tested resident involvement activities that relate to scrutiny (such as mystery shopping, tenant inspectors and service review panels) and enhances their coordination, influence and impact.

¹ Ruth Kelly, 19 June 2007

It is put in place by using internal policies and procedures to establish **formal** structures, remits and roles for residents, staff and the board/executive that give residents collective **power** to challenge and effect change whilst remaining **independent** from other governance and management structures.

Resident-led self-regulation can potentially be applied in all housing organisations to processes for scrutinising and making decisions about behaviour and performance in:

- **services**
relates to quality and performance in front line services and policies
- **business direction**
relates to the activities and priorities that the business will pursue
- **governance**
relates to appraisal of the board/executive and governance structures
- **constitutional structures**
relates to retention/adoption of charitable status, pursuit of groups or mergers, rationalisation of local ALMOs, and stock transfer decisions.

The scope of application will depend on the type of organisation it is used in, the reach of existing resident involvement activities, and residents' aspirations for participation. In many organisations it is likely that resident-led self-regulation would start from a focus on service delivery, with expansion into other areas of activity and influence as trust, confidence and capacity grows.

A number of core elements make up the model:

- a resident-led self-regulation group, run by residents, plays a central part in performance management and decision making. This group holds the ring on resident scrutiny activities (co-ordinating activities and acting on the priorities of the wider resident body) and links in to organisational management of performance and behaviour at all levels of the organisation
- residents have power, through the resident-led self-regulation group, to direct the housing organisation's programme of self scrutiny and to demonstrably influence the agenda for priority areas of improvement by working with the board/executive (or the most senior relevant body)
- safeguards are in place to ensure the effectiveness and probity of the resident-led self-regulation approach:
 - the composition of the group reflects the organisational demographic as far as possible, to help it be seen as representative
 - procedures are in place to ensure succession planning to prevent stagnation and formation of a 'clique'
 - the regulator sets standard competencies for the group to guarantee a minimum standard of operation
 - group members make an individual and collective commitment to capacity building so they have the skills to fulfil their role
 - the group has a mandate to scrutinise any area of the organisation's work so its work is meaningful and valued by residents
 - the group works with a mentor to gain support and advice with scrutiny, scheduling of work and interpretation of findings
 - a clear and enforceable code of conduct ensures high standards of behaviour
 - terms of reference covering rights and responsibilities of the group are in place to ensure probity
 - the mentor assesses when the group can perform adequately, and reduces their involvement so the group can be more independent
 - the group holds a budget so it can commission work and command accountability
 - the group can commission scrutiny work to ensure it has self-direction and covers the required areas

- the group draws on a list of priority areas prepared with internal and external input to ensure good coverage by scrutiny
- the group is required to scrutinise one area of interest to the housing organisation (rather than the residents) every year to avoid important areas being neglected
- the work programme is jointly agreed by residents and the board/executive, to promote good joint working
- the board/executive has a formal duty to respond to the group's findings, queries and recommendations
- the board/executive retains primacy but commits to responsiveness and accountability to the residents' requests
- the group has internal and external powers to get responses and drive change where the board/executive is uncooperative
- a dispute resolution protocol is in place to find mutually agreeable solutions to issues that arise between the resident-led self-regulation group and board/executive or within the resident-led self-regulation group
- the board/executive can bring about external scrutiny of the resident-led self-regulation group if there are concerns about effectiveness and probity
- the group accounts publicly for both its choice of areas to scrutinise and its activities, to ensure that the aspirations of residents and communities are put first
- resident-led self-regulation is regularly self assessed against core performance standards set by the regulator to guarantee a minimum standard of operation and provide evidence of outcomes achieved
- the operation and outputs from resident-led self-regulation are recognised by the external regulator and taken into account in regulatory processes
- a local set of performance indicators, negotiated and jointly owned by the resident-led self-regulation group and the housing organisation, is developed to focus on the aspirations of residents and/or local challenges.

It takes all of these elements to achieve effective resident-led self-regulation. It may appear bureaucratic, but this is simply a consequence of explaining and justifying a robust process in some detail.

Resident-led self-regulation achieves a high level of resident involvement and empowerment in housing providers' performance management and decision making, as envisaged in recent proposals for regulatory reform. It improves on current resident involvement structures by increasing residents' power to drive performance improvement through a clear and self-managed mechanism. In these ways, it helps to achieve resident-driven accountability as well as organisational performance and behaviour that are excellent because they meet the needs and aspirations of residents.

Contributions to a reformed regulatory system

Resident-led self-regulation could enable reform of the regulatory system in line with the resident focus proposed by Cave and accepted by government.

In a reformed regulatory system, application of resident-led self-regulation could:

- Support culture change in regulation by promoting a true co-regulatory approach which is more about the relationship between the regulated organisation and its customers and less about the regulated organisation and the regulator.
- Give residents real and meaningful power to act on performance data provided to them.
- Protect residents as customers, by providing them with a robust group that has the right to approach the regulator with concerns that cannot be resolved.
- Inform the regulator's risk assessment of a housing provider.

- Offer housing organisations the prospect of reduced regulatory intervention, and no routine regulatory intervention in service delivery. It would provide the landlord with sufficient improvement drivers and give the regulator sufficient evidence of performance and resident empowerment to remove the need for intervention.
- Enable housing organisations to evidence compliance with resident-focused regulatory requirements.

Recommendations

We make a series of recommendations that are intended to help introduce robust systems of resident-led self-regulation in the housing sector so that organisational excellence, and accountability and responsiveness to residents, can increase.

Recommendations for all housing organisations

H1 All providers should establish formal arrangements to enable residents to make periodic assessments of the quality of services provided. Providers should ensure they are responsive to these assessments and accountable for their resulting actions and associated decision making. Such resident focus will ensure services and business decisions meet the needs and aspirations of current and future residents.

H2 Those intending to use resident-led self-regulation should start to do so in advance of the introduction of the new regulatory system to enable early integration, process testing and a smooth transition.

H3 Existing scrutiny-related resident involvement activities and structures should be reviewed on an ongoing basis to see whether they offer the maximum opportunities for resident influence, co-ordination and self-determination, and whether they confer real power on residents to drive change. Steps should be taken to increase these opportunities wherever possible.

H4 Residents and boards/executives should be supported to know what an 'excellent' service is in order to raise aspirations and help drive service improvements.

H5 Any organisation adopting resident-led self-regulation should have a plan for its development and expansion to support a focus on continuous improvement throughout the organisation that in turn commands stakeholder confidence.

H6 Effective resident-led self-regulation relies on residents having access to information and being able to do something with it. Mechanisms should be put in place to enable residents to act on comparative performance data provided by the regulator, drawing on information provided by organisations such as Housemark. Resident-led self-regulation is such a mechanism.

Recommendations for the new regulator

These recommendations are for consideration between now and 2009 as the new regulator emerges.

R1 The regulator should set out a framework of competencies for resident-led self-regulation groups to support robust and effective operation of resident-led self-regulation.

R2 The regulator should promote effective resident-led self-regulation by setting standards that housing organisations can use to assess and demonstrate that its performance is effective.

R3 The regulator should ensure it has the capacity to respond to resident complaints alongside its planned programme for risk-based engagement with providers, so that resident concerns are of equal importance to those of the regulator.

R4 To ensure ongoing resident influence and related resident-focused performance improvements, residents should be involved by the regulator as appropriate if intervention is made with their landlord.

R5 To help resident-led self-regulation be as robust and effective as possible, the regulator should support the adoption and operation of resident-led self-regulation by agreeing the parameters which will prompt review of failing resident-led self-regulation groups on behalf of boards/executives, and agreeing to undertake such reviews and support their outcomes.

R6 To fulfil its proposed objectives of supporting resident voice and choice, evidence that decisions on business direction have been made in conjunction with residents should be taken into account when the regulator wishes to challenge organisations for pursuing or not pursuing particular directions. This would be of particular relevance for the current debate on how housing association surpluses should be used.

R7 The regulator should commission a full pilot of resident-led self-regulation with willing organisations to test any uplift in performance outcomes and establish comparative outcomes between resident-led self-regulation and current systems.

R8 The regulator should consult with the sector on the benefits and disadvantages of making resident-led self-regulation mandatory, so that an informed policy decision that supports excellence and regulatory objectives can be made.

R9 The regulator should require provision of opportunities to empower tenants, including giving them real power over responsiveness and direction of business, in order to drive excellence and accountability in the sector.

R10 To make resident-led self-regulation meaningful, in carrying out regulatory oversight and intervention the regulator (and any inspection body working on its behalf) should take account of residents' assessments of housing provider performance, and trust them as being accurate. Where professional and customer views differ, further investigations should be used to establish why and to provide justification of regulatory decisions.

R11 Resident-led self-regulation should reduce the risk of non-compliance with regulatory requirements and so its use should be taken into account when the regulator assesses such risk, in particular around resident voice and empowerment.

R12 Resident-led self-regulation could help to reduce the regulatory burden, so its potential to provide assurances and information should be considered when the new regulator is deciding its information requirements.

R13 Resident-led self-regulation groups that can provide evidence that they are properly constituted as set out in this publication should be accepted as a representative group that can take concerns and complaints to the regulator.

R14 To avoid artificial constraints on residents' use of knowledge and expression of priorities, reports of concerns or complaints about any aspect of a housing providers' operation, not just services, should be accepted from residents.

R15 Evidence of poor resident empowerment and opportunities for involvement should be a trigger for regulatory intervention to support residents and so that its importance is underlined.

R16 The new regulator should ensure that housing organisations have a basket of resident-focused performance indicators

Recommendations for others

O1 Relevant organisations, for example Housemark,² should consider how their collection and dissemination of comparative data could support resident-led self-regulation groups, and offer appropriate services.

O2 A national mentor and/or support network should be set up to support residents involved with resident-led self-regulation. It could help them to work well, raise the quality of their work, and share experiences and expectations with others.

O3 Independent arbitration can help to sustain resident-led self-regulation when disputes arise, and can give credibility to solutions proposed. The 'national tenant voice' and Ombudsman should prepare to take on the role of arbiter for internal disputes in resident-led self-regulation.

O4 Relevant organisations, including CIH and the NHF, should work with housing organisations and the regulator to evaluate and disseminate good practice in the operation of resident-led self-regulation to help improve outcomes from use of the approach.

O5 The 'national tenant voice' should draw on information from resident-led self-regulation to inform its evidence base of residents' experiences as consumers.

O6 Consideration should be given to setting up a social enterprise to employ resident inspectors to increase capacity for resident-oriented scrutiny and increase employment opportunities for residents.

² Housemark is a wholly owned subsidiary of CIH and the NHF which provides benchmarking information to housing organisations

Introduction

CIH wants the housing sector to deliver excellent services that meet the needs and aspirations of current and future customers, and this is clearly an aspiration shared by the Housing Corporation. Making services and decisions accountable to, and contestable by, residents, and responding to the resident voice is vital to achieving and maintaining such excellence in housing.

The early months of this year suggested that 2007 would be a 'year of the tenant' in terms of housing policy and practice. The Hills report emphasised the need for social housing providers to focus more on existing tenants and to increase 'resident voice' in the sector. The Cave Review followed closely on its heels, recommending reforms to increase social tenants' power as consumers and better protect their interests through regulation.

The Housing Corporation was already exploring ways in which to move to a more risk-based system of regulation and was therefore keen to support the development of a model which put residents at the heart of a new approach to regulation. The Audit Commission is also moving to a more risk-based approach to inspection. These changes meant that external attention given to some housing providers' performance and service delivery, described by many as a driver for performance improvement, would be reduced.

It was therefore the perfect time to find an effective way to increase residents' empowerment to drive accountability and excellence, and link it to a new resident-focused system of regulation. Supported by Housing Corporation Innovation and Good Practice (IGP) funding, we have designed a system called **resident-led self-regulation** that can be used within housing organisations to do this. This publication describes a model, but it is the outcomes that it can lead to that are of value.

Leading the way is a policy proposal made to housing organisations, their residents, and their new regulator. It has four key aims:

- to help housing providers and the regulator to achieve resident-driven accountability and excellence in services and decision making
- to set out an effectual system of resident-led self-regulation that housing providers can use to ensure their internal processes for managing performance and business decisions are resident-centred
- to show how the system can be made sufficiently robust that it commands the confidence of internal and external stakeholders
- to suggest how the system could operate within a new system of regulation to ensure effective performance and accountability to customers and to inform regulatory activity conducted by the Office for Tenants and Social Landlords.

The aims, appearance, and characteristics of resident-led self-regulation are described in clear and simple terms. Much more detailed discussion of how to make the model effective follows, setting out the options considered in development of the proposal and the reasons why particular choices about the detail of the model were made. The proposal also sets out ideas about how resident-led self-regulation could work within a new regulatory framework and how it could contribute to a resident-focused system of regulation that will be set up using the Housing and Regeneration Bill. It contains recommendations for housing organisations, the new regulator and others to help them work towards resident-led self-regulation approaches to deliver excellence and accountability.

The model we suggest here represents a way of delivering new relationships between housing organisations, residents and the regulator by developing some current practices in resident involvement. As the Tenant Involvement Commission showed, landlords must adopt approaches to resident involvement that best fit the needs of their residents. Accordingly, we are not proposing that use of resident-led self-regulation should be mandatory. However we do feel that the level of

accountability it offers, and the impact of this accountability on organisational excellence when coupled with contestability and responsiveness, will not be attained by other approaches that we have considered.

Application across the social housing domain

The project to develop resident-led self-regulation was commissioned by the Housing Corporation before the Cave Review and subsequent government policy decisions made application of the same regulatory system to all types of social landlord a real possibility. It has therefore focused predominantly on a model that can be applied in housing associations and be linked to the regulatory system that applies to them. The need for a model that gives the same offer to all residents in social housing and can work in a domain-wide regulatory system became more pressing in the later months of this project.

We are confident that our model can work within the performance management and governance structures of housing associations, ALMOs, local authorities, Tenant Management Organisations (TMOs), and private companies. The necessary differences in application in different types of provider are outlined later in this paper.

Previous publications on resident-led self-regulation

CIH produced two short briefings on resident-led self-regulation in housing associations before this publication. Both were funded by the Housing Corporation through its IGP programme and are available to download for free from www.cih.org/publications.

Resident-led self-regulation: potential and prospects outlines our initial ideas for the concept of resident-led self-regulation, considers what it could offer to housing associations, and assesses the possibility of housing associations being able to implement it at the present time.

Resident-led self-regulation: development and application presents practical ideas for how housing associations can develop and apply resident-led self-regulation within the current regulatory framework. It considers what it might look like in practice, and the activities and procedures required to implement it.

Methodology

Our initial ideas for resident-led self-regulation were developed using our knowledge of resident involvement activities and regulatory practices, and were heavily influenced by our aspirations for future housing practice and a reformed regulatory system.

Discussions with stakeholders and experts enabled us to turn our outline concepts into a model that is practical for housing providers, residents and the regulator to engage with and is robust and effective, with the potential to command the confidence of stakeholders.

Our work has been supported from the outset by a tenants' panel, a group of tenants who are heavily involved with their landlords and have a wealth of experience of different resident involvement activities. This group has helped us to consider different options for resident-led self-regulation, and together we have worked through knottier issues.

We held two workshops with housing association staff to consider the attractiveness and workability of our proposals, and had similar discussions with inspection and regulation teams at the Housing Corporation and Audit Commission.

It was not possible to pilot our ideas because of time pressures and the inability to operate a different regulatory system for the pilot organisations. Instead, we ran three 'virtual pilots'. We held detailed discussions with three organisations to evaluate what skills, resources, policy and procedural changes they would need if they were to adopt a system of resident-led self-regulation, and to compare the impact, benefits and operation of our model to their current systems. Messages from the virtual pilots for organisations setting up resident-led self-regulation are presented in Appendix A.

These activities have been supplemented by discussions held with housing professionals and residents at a number of conferences and workshops, and with individual housing organisations that have got in touch to discuss their intention to use our earlier publications to move towards implementing resident-led self-regulation.

The opinions and suggestions arising from all of these activities have been invaluable, and have contributed to development and refinement of our proposals for resident-led self-regulation and its links to a reformed regulatory system.

Policy context

A general political desire for greater influence on public services at a local level by the communities that use them has been expressed in *Strong and prosperous communities*, the Lyons Review and, most recently, CLG's *Action plan for community empowerment*.

There has also been a government-wide drive to improve regulation by increasing focus on risk, reducing negative impacts caused by regulatory burdens, and taking deregulatory approaches where possible.

Discussions of the need for greater empowerment and regulatory reform have been at the fore of social housing policy for the last 12 months.

In June 2007, Ruth Kelly spoke of the need for "...a new phase of reform... Which starts with the people who really matter. Which puts tenants in the driving seat."³ This announcement signalled government's commitment to increase resident power, and followed a series of policy documents and independent reviews that emphasised the need to focus more on users of housing services as customers.

The Tenant Involvement Commission had said in 2006 that housing associations, and by extension all social housing providers, should go the extra mile and get the basics right; give tenants a choice; make involvement personal; and be accountable.⁴

John Hills said that "the varied options for tenants to use more 'voice' power need to be strengthened".⁵

Of course, resident involvement is not new. The Housing Corporation and Audit Commission have been stating the business case for involvement activities for some time. But involvement is not just about managing risk and achieving good public relations and contractor performance. The Housing Corporation's current involvement policy states that "housing associations should build the capacity of all people that are involved to enable them to better meet their expectations and empower individuals and groups",⁶ recognising the moral imperative to create opportunities for involvement in a sector where residents have very little market power through which to express and act on their views and preferences.

But the Cave Review made it clear that the current state of play is not good enough – there is "inadequate concern for tenant interests"⁷ in the regulatory system. The Elton Review had facilitated regulatory reform for housing associations. Its main aim was to reduce burdens on providers and regulators and it recommended CIH should develop a model to build on tenant inspection to support reduction in regulatory scrutiny. The Cave Review came from a different standpoint: that the customer comes first. *Every tenant matters* contained several strong recommendations for a future regulatory system that were intended to make regulation and the delivery of social housing more resident-focused. These included:

- a co-regulatory approach where many of the activities necessary to achieve the regulatory objectives will be undertaken by regulated social housing providers rather than directly by the regulator
- achievement of core standards by common ownership of the standards, self-improvement mechanisms, regular tenant-led and other independent reality checks on progress and a continuous sharing of good practice

3 Ruth Kelly, CIH conference 19 June 2007

4 *What tenants want (executive summary)*, NHF 2006

5 *Ends and means: the future roles of social housing in England*, Hills 2007

6 *People first*, Housing Corporation 2007

7 *Every tenant matters*, CLG 2007

- regulatory encouragement for a plurality of mechanisms to be used by providers to drive them to achieve better outcomes for tenants
- an expectation that empowered tenants would play a key role in assessing performance and holding landlords to account for weaknesses in performance.

Implementation of these recommendations would complement reforms in regulation that are already underway, such as the intentions to introduce short notice inspections of housing providers (to encourage continuous performance improvement) and to replace Comprehensive Performance Assessments with Comprehensive Area Assessments (to increase focus on collective outcomes from local services for communities).

As Ruth Kelly said in June 2007, housing providers have spent “too much time looking upwards to government, and too little time looking outwards to the people who really matter – the tenants”. Regulators share the blame for this, because the requirements they “place on some social landlords mean they spend too much time talking to government when they could be talking to their tenants”.⁸

The recent announcement on the Office for Tenants and Social Landlords shows the government’s intention to implement further resident-focused changes in regulation, although it did underline that the regulator must meet the needs of lenders as well as residents.

The extent to which these objectives for increased resident empowerment and resident-focused regulatory reform in social housing will be implemented will only become apparent as regulatory reform takes shape over the next few years.

8 Ruth Kelly, CIH conference 19 June 2007

Resident-led self-regulation

Resident-led self-regulation offers a way to achieve resident-driven accountability and excellence in housing organisations.

It is an approach to housing providers' internal processes for directing, accounting for, monitoring, assessing and modifying their own **behaviour** and **performance** (self-regulation) that places residents' **priorities, views** and **engagement** with relevant processes **at their heart**.

It can be applied to organisations' processes for scrutinising and making decisions about behaviour and performance in:

- **services**
relates to quality and performance in front line services and policies
- **business direction**
relates to the activities and priorities that the business will pursue
- **governance**
relates to appraisal of the board/executive and governance structures
- **constitutional structures**
relates to retention/adoption of charitable status, pursuit of groups or mergers, rationalisation of local ALMOs, and stock transfer decisions.

Resident-led self-regulation draws on tried and tested resident involvement activities that relate to scrutiny (such as mystery shopping, tenant inspectors and service review panels) and enhances their coordination, influence and impact.

It has been called 'resident-led self-regulation' rather than 'tenant-led self-regulation' so that it can include the wider customer base of housing providers. In particular, it is important to include households that have a contractual relationship with the landlord as shared owners or leaseholders. The use of the term 'resident' also leaves the possibility for the model to be extended to users of non-housing services offered by the housing organisation or, within the place shaping agenda, the wider community.

Reasons to use resident-led self-regulation

Improved outcomes from resident involvement

Resident-led self-regulation offers benefits to residents and housing providers, and fits well with emerging policy approaches to regulation and community empowerment. Significantly increasing formal resident power alongside an arms-length regulatory system offers advantages in achieving innovative actions and solutions that are based on local challenges identified by residents and housing providers.

Excellent services focus on the needs and aspirations of residents. There are some superb approaches to resident involvement in use in the housing sector which give information on, and some responsiveness to, residents' needs and aspirations. However, few give real power or control over processes and outcomes to residents. Resident-led self-regulation offers the opportunity to increase community confidence in the way that the housing organisation is accountable to residents, and embeds responsiveness to residents' needs and aspirations in performance management and decision making structures. It meets a key government objective of increasing public participation in decision making which may be beneficial not only for landlords and residents but for wider considerations of civic renewal. If our recommendations for the new regulator are accepted and providers use resident-led self-regulation well, the amount of interaction with the external regulator will be reduced (although this gain will be tempered by a necessary increase in reporting to users). It offers housing organisations an opportunity to replace

sometimes onerous cyclical planning for inspection with a culture of ongoing performance improvement which engages with a wide range of stakeholders. The ability of residents to drive ongoing self scrutiny should also improve housing organisations' ability to 'constructively engage' with local authorities' strategic housing function, by providing local authorities with evidence that local housing needs and aspirations are being met.

H1 All providers should establish formal arrangements to enable residents to make periodic assessments of the quality of services provided. Providers should ensure they are responsive to these assessments and accountable for their resulting actions and associated decision making. Such resident focus will ensure services and business decisions meet the needs and aspirations of current and future residents.

The relationship between organisations and the bodies that scrutinise them are complex. However, as the Lyons Review showed in the local authority context, when scrutiny by non-specialists works well it can create innovative solutions to seemingly intractable problems and takes an active part in managing the performance of an organisation. Effective scrutiny committees in the local authority context show that it is possible to achieve independence of approach and action from a position inside an organisation. We believe that resident-led self-regulation groups can replicate this delicate balance.

In developing these proposals we considered whether there were other ways in which landlords could be encouraged to focus on residents and become more 'learning organisations'. We looked in particular at three options, which are set out in more detail in Appendix B:

- cyclical inspection of resident involvement
- third party consultant accreditation
- resident inspection, carried out by residents through a social enterprise company.

Third party consultant accreditation and resident inspection both offer viable alternatives to resident-led self-regulation that were attractive to residents and housing professionals. On balance our preference is for the resident-led self-regulation model because it offers two distinct benefits over the other two:

- it can be used in tandem with the other two options, with those involved with resident-led self-regulation commissioning work from external consultants or tenant inspectors as they see fit
- the scrutiny aspect of resident-led self-regulation is ongoing, demonstrates the golden thread of involvement in practice, and drives internal self management.

Changes in regulatory philosophy

Many residents and housing organisations would agree that the current national regulation and inspection framework has driven up standards and drawn a clearer baseline for success. However the Cave Review, largely accepted by government, makes it clear that regulation and inspection need to be less closely controlled from centralised agencies and that the focus on customers needs to increase. The proposed resident focus of the new regulatory system means that resident involvement practice that is currently considered to be of a good standard may not be viewed in this way in the future.

There is a tension at the heart of many debates around increasing the power of communities (and in housing, residents). On one hand there is the reasonable wish to ensure that basic standards are comparable across all public service providers. On the other hand there is recognition that central targets can stifle innovation and do not leave space for local priorities to develop around the things to which communities aspire. Emerging ideas around social housing regulation envisage an environment in which partnerships between residents and housing organisations develop far greater freedom to find innovative solutions to old and emerging problems. However, with greater freedom and flexibility it will be necessary for communities, and the regulator, to be assured that robust practices are in place to achieve and surpass basic minimum standards.

In social housing, a partial solution to this tension is to develop a system of ongoing resident-led input into, and checks on, housing providers' decisions and performance. This formal resident-led scrutiny and influence work, providing it is delivered effectively, will be a positive substitute for external oversight from a regulator.

Resident-led self-regulation is therefore a way for housing organisations to demonstrate that it is safe to change the approach and practices of housing regulation in the ways proposed by Cave because they can guarantee a focus on residents in their operations and take responsibility for ongoing improvements in performance.

H2 Those intending to use resident-led self-regulation should start to do so in advance of the introduction of the new regulatory system to enable early integration, process testing and a smooth transition.

Appearance

As set out above, resident-led self-regulation is basically a resident-centred approach to performance management and decision making within housing organisations. It is manifested in internal structures and processes for managing and scrutinising behaviour and performance.

Resident-led self-regulation has three key characteristics that are central to its impact and effectiveness:

- it has **formality** in operation, which is achieved through prescribed structures, remit and roles
- it gives residents **power** to challenge the organisation and effect change
- residents involved have **independence** from other governance and management structures.

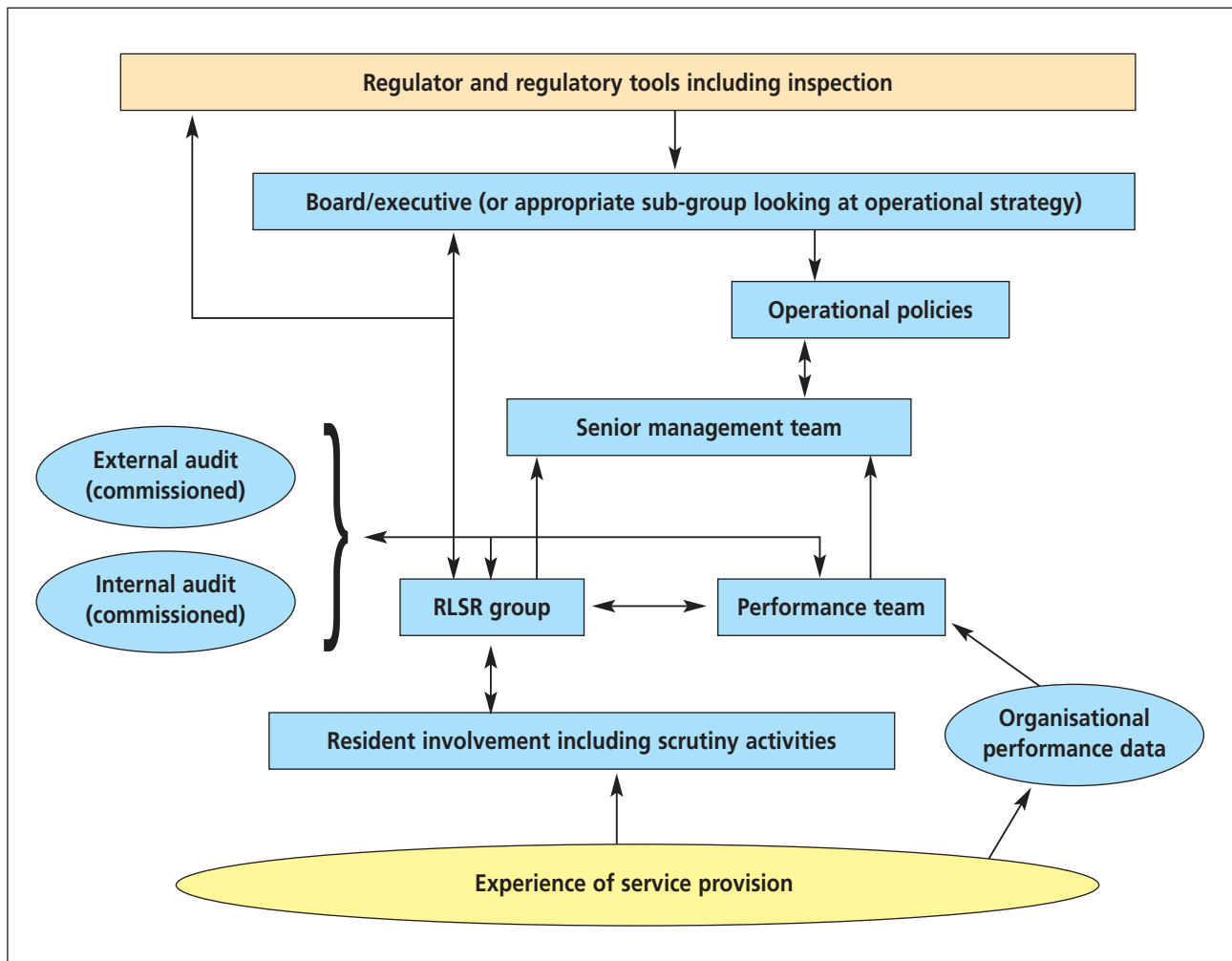
A number of core elements make up the model:

- a resident-led self-regulation group, run by residents, plays a central part in performance management and decision making. This group holds the ring on resident scrutiny activities (co-ordinating activities and acting on the priorities of the wider resident body) and links in to organisational management of performance and behaviour at all levels of the organisation
- residents have power, through the resident-led self-regulation group, to direct the housing organisation's programme of self scrutiny and to demonstrably influence the agenda for priority areas of improvement by working with the board/executive (or the most senior relevant body)
- safeguards are in place to ensure the effectiveness and probity of the resident-led self-regulation approach
- the resident-led self-regulation group is recognised as a 'representative group' for the purposes of collective resident complaints to the regulator
- the operation and outputs from resident-led self-regulation are recognised by the external regulator and taken into account in regulatory processes
- a local set of performance indicators, negotiated and jointly owned by the resident-led self-regulation group and the housing organisation, is developed to focus on the aspirations of residents and/or local challenges.

It takes all of these elements to achieve effective resident-led self-regulation. It may appear bureaucratic when explained in full, but this is simply a consequence of explaining and justifying a robust process in some detail. Resident-led self-regulation would not be bureaucratic in operation, but it would contain the safeguards and assurances needed to make it robust, trusted and effective.

Resident-led self-regulation can potentially be applied to housing organisations' processes for scrutinising and making decisions about behaviour and performance in services, business direction, governance, and constitutional structures. The scope of application will depend on the type of organisation it is used in, the reach of existing resident involvement activities, and residents' aspirations for participation. In many organisations it is likely that resident-led self-regulation would start from a focus on service delivery, with expansion into other areas of activity and influence as its successful operation enables trust, confidence and capacity to grow.

Diagram 1 shows what resident-led self-regulation with a service focus might look like. It illustrates interactions between different components in the performance management / decision making framework.



Challenges

Early articulations of resident-led self-regulation as a concept were met with considerable scepticism. Housing providers, residents and other stakeholders foresaw a range of barriers which could make application of the model cumbersome and ineffective.

Key concerns raised during development of the model included:

- how to find enough residents with the skills, time and desire to participate in the resident-led self-regulation group
- how to ensure that scrutiny by non-professionals and associated power over the organisation is effective and does not damage complex businesses

- whether resident-led self-regulation is simply transferring the scrutiny responsibilities of paid professionals onto unpaid volunteers
- how to apply the model in smaller organisations and those whose properties are geographically spread
- how to ensure the resident-led self-regulation group reflects the needs and desires of the wider resident body
- how to apply the model in specialist organisations, especially those where the majority of residents have support needs
- whether resident-led self-regulation would require organisations to create additional structures that duplicate, undermine or detract from existing residents' groups and involvement activities
- how to encourage use of resident-led self-regulation in organisations that do not value resident involvement
- whether the model can include involvement of the wider community that may be affected by the organisation although it does not receive services from it
- whether it is possible to apply the model in local authorities which have elected members and do not use the board structure of housing associations and ALMOs
- whether the regulatory burden on housing providers would be increased if they are required to adopt a model like resident-led self-regulation
- how to ensure that the regulator recognises the outcomes of resident-led self-regulation.

These issues have been taken into account as the detail of the model has been developed, and discussions with housing professionals and residents have helped to identify ways to overcome or mitigate problems.

If resident-led self-regulation is adopted there is no doubt that it will require major cultural, policy and practice change on the part of all stakeholders. It will still present challenges in housing organisations and locally tailored solutions will have to be found to overcome them. However, the potential benefits that accrue from creating more empowered residents and more light-footed organisations do outweigh the risks of adopting resident-led self-regulation. Its offer to residents, housing providers, and the whole culture of social housing provision and regulation is a strong one.

Achieving effective operation

The resident-led self-regulation group

In order to manage the programme of resident-led checks and influence we envisage residents and landlords working together to develop formal resident oversight bodies. For the purposes of this paper we have called these bodies resident-led self-regulation groups. Resident-led self-regulation groups will be staffed by a small number of residents and will have the power, resources and skills to act independently of the landlord. Their primary roles will be to:

- direct scrutiny of the landlord either by residents or third parties, but not by the regulator
- refer to scrutiny evidence to advise and influence the board/executive on performance management and in the development of resident focused indicators and business direction.

We recognise that in many organisations the board/executive does not focus on services, and responsibility for oversight of services is devolved to sub-committees. Reference to the board/executive in this publication should be considered to refer to the most senior relevant level of governance in the organisation.

We considered whether it would be possible for a resident-led self-regulation group to be established that did not act as a traditional, formal standing committee. For instance, we considered whether it would be possible to manage resident-led self-regulation through a series of ad hoc citizens' juries looking into different aspects of housing providers' work.

This approach has the advantage that it could limit the ongoing time commitment and, to a lesser extent, commitments to training required of active residents. However, we decided that effective resident-led self-regulation will require residents who can take an ongoing view of scrutiny activity undertaken in the past and what scrutiny should be scheduled for the future. Without this central group of residents who hold the ring for resident-led self-regulation, decisions about what to scrutinise and when will inevitably be dominated by officers of the housing organisation. One of the key differences between resident-led self-regulation and many other approaches to resident involvement in scrutiny and business direction is the ability of residents to set the agenda.

Use of a standing group does raise questions around commitment, training and representativeness. These are addressed over the following pages. Members of this group do not need to be geographically in the same place, so the resident-led self-regulation approach can be used by organisations that operate on a regional or national scale. Group members would need access to appropriate technology to enable coordination and communication.

Concerns were raised that resident-led self-regulation adds another layer of resident groups or could disenfranchise existing groups. Many housing providers and their residents already have resident forums or federations. With a modest increase in capacity building and carefully revised terms of reference (see below) the best of these groups could develop into effective resident-led self-regulation groups. Where these groups operate locally and consider performance information, individual organisations will need to consider how best to integrate them with a centralised resident-led self-regulation group to achieve the best outcomes. Neighbourhood level scrutiny, as currently delivered by many tenants' and residents' associations, is important for effective decision making and to make participation meaningful for many residents. We do not intend that resident-led self-regulation should bypass or disregard this.

If existing forums are adapted to take the role of a resident-led self-regulation group, there may be issues about their independence where forum members also sit on the board. We are clear that resident independence is important and resident-led self-regulation groups should not include resident board members because this will undermine the independence of the resident-led self-regulation group. Resident-led self-regulation will offer a positive choice for active residents that does not currently exist. Some may not wish to take on all the responsibilities of resident board membership, and others may find there are limited opportunities for participation at this level. Some may feel that a semi-independent scrutiny role is more suited to them. For example some resident board members have felt quite marginalised, and resident-led self-regulation offers collective strength and voice. Resident-led self-regulation is not about adding additional structures to already complex working arrangements. Equally, however, there may be no need to protect structures just because they are already there. If an organisation is moving towards resident-led self-regulation, it would need to review its existing structures to assess their potential role and relevance in the emerging post-Cave world.

H3 Existing scrutiny-related resident involvement activities and structures should be reviewed on an ongoing basis to see whether they offer the maximum opportunities for resident influence, co-ordination and self-determination, and whether they confer real power on residents to drive change. Steps should be taken to increase these opportunities wherever possible.

Composition

Housing organisations have a wide range of management styles, governance arrangements and existing resident involvement activities. This diversity of approach has been celebrated and encouraged. It will be important that residents and landlords work together to design resident-led self-regulation groups that as far as possible fit both residents' established or preferred way of working and landlords' management structures.

In *Resident-led self-regulation: development and application*, we set recommended that the group should have a statement of preferred composition. Composition of the group should be as reflective of the demographic of the communities served as possible, and should reflect the range of business delivered by the organisation.

Resident forums already use a wide range of approaches to attract and retain their members. Some have electoral systems in which representatives are chosen from tenants' and residents' associations or area based groups, others are more open access or involve interviews. It will almost certainly be necessary for these groups to re-visit their recruitment approaches. They will need to ensure that groups are as diverse as possible. At the same time they will need to be made up of residents who have the time, commitment and skills to be able to take on the role of co-ordinating self scrutiny activity.

It would be counter productive for us to define a single model for resident-led self-regulation groups. However, groups will need to think about the right number of members that will allow them to take informed decisions. Considering the recent finding by the Joseph Rowntree Foundation that only 1% of citizens will want to take on sustained committee involvement, residents and housing organisations may decide that the central group should be relatively small. There were some concerns that it could be difficult to attract residents to a resident-led self-regulation group, or that the group would be dominated by older white residents who have been involved with the organisation for years. However, there was also recognition that housing organisations often experience high demand for participation in resident involvement activities that are perceived to be effective and influential, and that this level of demand could be achieved in resident-led self-regulation.

Whatever the exact composition of the central resident-led self-regulation group it is really important that scrutiny of particular areas of work are delivered, wherever possible, using established or new resident involvement techniques that will draw in a wider range of residents. For instance, scrutiny of repairs and maintenance could be scheduled by the resident-led self-regulation group but delivered through a diversity balanced citizens' jury set up specifically for the purpose. Over time residents that have taken part in the citizens' jury or some other resident-led scrutiny activity might choose to join the resident-led self-regulation group.

Tenants felt that some resident-led self-regulation groups will need to give consideration to financial or other incentives for membership. There are well rehearsed arguments both for and against incentivising engagement and once again we see this as a decision for each organisation to take. Housing providers should be careful not to exclude people from participation through decisions taken on remuneration or meeting times.

Finally, in workshop sessions with housing association representatives there was a suggestion that the balance and skills of resident-led self-regulation groups could be enhanced by including independents as members. Suitable candidates could be experienced performance managers or members of other resident-led self-regulation groups, for example. There is always a danger that independents or co-optees could dilute the impact of resident focused scrutiny, especially if group members defer to their expertise. However, independents and co-optees can offer real benefits where there are skill or knowledge gaps. We imagine that, at least at the outset, some resident-led self-regulation groups will welcome the opportunity to include independent views providing these remain in the minority.

Achieving effective scrutiny

Members of the tenants' panel for this project and representatives from housing associations recognised that the resident-led self-regulation model constitutes a significant increase in power and responsibility for many of the active residents that will be involved. Because of this, the tenants' panel in particular was keen that individuals within the group and the whole group are assessed for their competency. Given that there is not a national formal competency test for

board/executive members we felt that it would not be necessary to have a formal competency test for individual group members. However, they should commit to training, capacity building and adherence to existing good practice around group working and dynamics.

Where the resident-led self-regulation group is undertaking service scrutiny, individual skills are perhaps less important than the need for the group to take informed collective decisions based on evidence and advice. In this respect the resident-led self-regulation group is parallel to a jury in which lay people are asked to reach a decision on the evidence presented to them with only the judge's direction to guide them. The example of jury trials demonstrates that effective collective decision making can be learned on the job, providing members are prepared to take advice and are able to ask the right questions.

Given the importance of collective competence, we believe that a coordinated and comparable approach to competency of different groups is needed across the sector. This would help organisations to know what is needed for groups to be effective.

R1 The regulator should set out a framework of competencies for resident-led self-regulation groups to support robust and effective operation of resident-led self-regulation.

The competencies for resident-led self-regulation groups could include that they can:

- reach consensual decisions
- take balanced scrutiny decisions that take account of pressures on the organisation
- schedule scrutiny works using their budgets appropriately
- act in the interests of the wider resident body using consumer evidence to decide its priorities
- negotiate effectively with the board/executive
- show commitment to individual and group learning.

Further competencies could be agreed between the board/executive and resident-led self-regulation group based on the group's exact composition and its terms of reference.

Tenants suggested that resident-led self-regulation groups may find that a role description for resident-led self-regulation group members and an element of selection will help groups to focus on effective delivery. There are strong arguments for this approach but we consider that it is primarily an issue for residents or emerging resident-led self-regulation groups to address and agree with the board/executive rather than for us to prescribe one approach for everyone.

To be successful and to gain wide approval from the wider resident body, resident-led self-regulation groups will need terms of reference that allow them to scrutinise any area of an organisation's work. In order to perform effectively in scrutinising performance and to make informed decisions about priorities, resident-led self-regulation groups will need a mandate to:

- request and hear evidence from officers and residents
- look at and commission internal reports from officers and/or resident-led performance assessment (e.g. mystery shopping, resident inspection and complaints monitoring)
- take a role in setting Performance Indicators (PIs) and service standards
- scrutinise PIs, achievement of service standards and associated benchmarking information.

O1 Relevant organisations, for example Housemark, should consider how their collection and dissemination of comparative data could support resident-led self-regulation groups, and offer appropriate services.

We envisage that early in its life, as it develops its skills, the resident-led self-regulation group will start off working with a mentor/expert advisor who is appointed by the group and agreed by the board/executive. The mentor will provide advice and support, and build the capacity of the group.

To facilitate the work that resident-led self-regulation groups undertake and to ensure that they can take an independent view, mentors will need the skills to:

- support the group to interpret and analyse information as it comes in
- work with them to identify the right questions to ask
- develop interpretation and analysis skills which ensure a risk based, proportionate approach
- assist with deciding whether extra information is required
- support them to identify the best way of filling information gaps
- provide ongoing advice on practice and performance.

There are several options for who the mentor could be. An external consultant, internal staff, or an experienced resident from a neighbouring resident-led self-regulation group could all fulfil the role.

Many housing organisations already employ Quality and Performance staff with these skills. In some cases a cost effective way of providing expert advice to a resident-led self-regulation group would be to adapt the roles of these staff members and make them accountable to the resident-led self-regulation group. However, there are real challenges in this approach. Performance Management staff recruited, paid and managed through the housing organisation may find it difficult to be sufficiently independent to advise the resident-led self-regulation group. Some staff with a formal background may find it challenging to deliver the capacity building elements of working with a resident-led body.

An external mentor could be recruited by the group using a budget devolved to it by the landlord. The mentor could be a directly managed member of staff or, more likely, retained on an ad hoc basis. Accountability to the group rather than the landlord would be maintained by the group controlling remuneration and management. This option would be more expensive than delivering resident-led self-regulation group support in house and could run the danger of a 'them and us' culture developing. On the other hand it would ensure that advice to the resident-led self-regulation group was delivered by a critical friend.

On balance our preference would be for the reassurance of external third party input. In most cases external advice could be limited to occasional additions to, and/or external checks on, the advice provided by internal performance staff. This relationship could be set out in a contract providing a pre-agreed number of hours of advice. Using both internal and external resources in this way would offer the best of both worlds. We do not envisage introduction of an external process to produce an approved list of mentors. We would expect residents and the board/executive to consider required competencies and for the market to help mentors to build a reputation for good delivery.

As the group's skill increases over time the mentor's support will be withdrawn. The mentor will take a view on the competency of the resident-led self-regulation group, supporting members to evidence how they meet the competency framework.

Throughout, the board/executive will take a close interest in the performance of the resident-led self-regulation group. Once the group, mentor and board/executive agree that the resident-led self-regulation group is competent to work alone, ongoing support will be replaced with an ad hoc arrangement; either using the same third party or a new one.

In developing this proposal we considered whether external approval was needed before resident-led self-regulation could be considered fully fledged and trusted by residents, board/executives and the regulatory system.

A short notice inspection could be used to confirm effective performance of resident-led self-regulation in its early days, but the resource burden on the regulator and its inspectors would be significant. Alternatively, housing organisations could seek external accreditation to get an objective view of performance, but this would add financial burdens to use of the model.

In the spirit of reducing direct regulatory scrutiny of organisations where no risk is identified, we decided that self-assessment against externally set core national performance standards would be sufficient to demonstrate a robust, competent and potentially effective approach. These standards could be set by the regulator and/or 'national tenant voice', and could require consideration of performance against the terms of reference and work plan. Care would have to be taken to avoid imposing a standard model for resident-led self-regulation group constitutions and terms of reference and restricting local choice and resident influence. There are already models of accreditation available⁹ that could be adapted to enable self assessment.

R2 The regulator should promote effective resident-led self-regulation by setting standards that housing organisations can use to assess and demonstrate that its performance is effective.

Our proposal aims to balance strong professional advice on resident-led self-regulation group development, backed up by core centrally defined competencies, with local flexibility. It offers the opportunity for resident-led self-regulation to develop at a pace agreed by residents and housing organisations. Over time, the growing strength of the resident-led self-regulation group, and therefore lower regulatory risk, will be evidenced to both the board/executive and regulator by more robust judgements supported by better evidence. Finally, organisations will be able to provide evidence against an externally agreed standard that shows resident-led self-regulation is running effectively and is capable of achieving the intended outcomes of better services, decisions and accountability.

The resident-led self-regulation group as a commissioner of scrutiny

Housing providers currently use a wide range of techniques to gain information on their performance and the changes they may need to make. They use performance indicators and, in most cases, benchmark this data to achieve a quantitative baseline for their performance.

Providers also use resident feedback gained from mystery shopping, focus groups, surveys and other consumer engagement techniques to get a sense of resident satisfaction and service changes that may be required. On occasions this work is delivered by, or in partnership with, residents. Housing organisations sometimes offer more formal influence over service changes and adaptations to groups of residents acting collectively.

Since the institution of Best Value the vast majority of social landlords undertake internal service reviews to investigate performance and seek service improvement. Service review groups often include residents as an integral part of the decision making process. Providers respond to specific concerns or emerging issues by scheduling internal performance reviews.

Organisations will also sometimes bring in external consultants to review performance and suggest improvements either in areas of concern, as part of preparation for inspection, or as part of ongoing self-reflection.

The challenge for residents, whether they are actively engaged or not, is in seeing how the information that is gathered leads to business decisions being made and subsequently to real improvement in the services they receive.

⁹ TPAS's Pinpoint landlord accreditation can be downloaded for free from www.tpas.org

Residents and housing organisations suggested that where residents choose to take a role in inspection and audit activities their work offers valuable insights. However, there was also a strong view that many residents do not want the onerous burden of delivering these activities. Some residents feel that responsibility for in depth audit of performance should be undertaken by people paid to perform the role rather than volunteers. We think that housing organisations, working with their residents, should continue to explore ways of enabling resident-led performance assessment. Some housing organisations already have teams of resident auditors, inspectors and mystery shoppers. Where these projects exist we envisage that the performance evidence that they uncover will provide an important part of the information on which the resident-led self-regulation group makes recommendations. However, it should not be the assumed role of residents to directly carry out performance assessment or for the resident-led self-regulation group to directly collect and analyse performance data.

We envisage that the resident-led self-regulation group will act as a commissioner of review and scrutiny activity. For the most part this will involve leaving the housing provider to get on with the day to day work of getting management and performance information and using it to improve services. The resident-led self-regulation group will retain an oversight role checking day to day management information for variance in performance. Where further information is required, the resident-led self-regulation group will take responsibility for commissioning the work that is required to review and improve services using the range of techniques that the organisation has available to it. We envisage the resident-led self-regulation group will have access to its own budget which it will use to commission external performance review, if required. The group should be able to use the outcomes of some resident involvement and other scrutiny activities to inform decisions about the initiation of others, thus coordinating and controlling resident scrutiny. Where perceived weaknesses or emerging issues exist the resident-led self-regulation group will advise the board/executive and agree a course of action. This approach inserts resident power at a high level where it is often lacking in housing organisations at present.

Example

The resident-led self-regulation group considers data collected by the performance team and can see from the number of complaints received over the last three months that dissatisfaction with the call centre is high, and rising. The group then commissions a citizens jury to hear evidence on the operation and performance of the call centre and the performance and services offered by similar organisations. The jury finds that there are problems with staffing levels and the IT system used to record and track repair requests. The resident-led self-regulation group can then work with the organisation to drive improvements to the service.

Supporting a resident-led self-regulation group with third party advice and a budget with which to commission in depth work when necessary will add costs. However some, if not all, of these costs can be offset by using existing budgets differently. Housing providers could use existing consultancy and/or involvement budgets to support resident-led self-regulation activities. For instance some providers commit large budgets to commission externally delivered scrutiny/quality checking or mock inspection. This expenditure could be put into resident-led self-regulation group control, and the group could use it to schedule targeted external consultancy scrutiny into areas of concern. Providing that the resident-led self-regulation group is attuned to the wishes of the resident body and accountable to residents, this approach will ensure that external consultancy is well directed.

Scheduling scrutiny work

Resident-led self-regulation may help to identify issues and perspectives that staff would not have considered, and should help to direct scrutiny at areas that residents consider to be a priority. Even with a formal resident-led self-regulation group, the model presents a challenge in scheduling and managing scrutiny activities. It will be necessary to ensure that enquiry meets the aspirations of all

residents whilst also being directed towards all areas of the organisation's work rather than repeatedly scrutinising a relatively narrow band of high profile issues, such as maintenance performance.

In certain circumstances it might be entirely appropriate to re-scrutinise high profile or failing services. However, care must be taken that the approach does not create 'orphan' areas of work that are rarely examined because they are not valued or prioritised by residents.

We have considered a number of ways in which the resident-led self-regulation group could schedule work to ensure that it takes a balanced approach. The resident-led self-regulation group could:

- examine only the areas of work of immediate interest to it, leaving other areas either not scrutinised or scrutinised by the landlord and regulator
- choose its areas of scrutiny referring to the advice of its mentor
- select its areas of work from a comprehensive list, ensuring that the majority of areas of enquiry are covered on a rolling programme
- select some areas of work on a resident-defined demand-led basis and some areas of work on a rolling programme
- select demand-led areas of enquiry with the board/executive retaining its right to request that specific areas of work are scrutinised where it believes they have not received sufficient attention.

Undertaking effective resident-led scrutiny requires clarity in the relationship between empowerment and the best interests of the organisation and the wider resident body it serves. One important aspect of a new approach to empowerment is a greater resident understanding of the sometimes unpopular or challenging tasks a housing provider needs to undertake. To leave potential 'orphan' areas of work out of the resident scrutiny role would not meet this important need. If these areas are not scrutinised, either through investigative activity or oversight of management information, then they will remain relatively low priority to residents. If the landlord or regulator is left to scrutinise these areas, residents will not be able to get a wide and true picture of all the delivery pressures on the organisation. In addition, where the organisation makes changes to improve delivery in areas of work with a low profile there is likely to be an impact on the resources available to deliver in the areas scrutinised and prioritised by the resident-led self-regulation group, possibly damaging the resident-landlord relationship. Residents repeatedly told us they wanted a good understanding of the business so they could make reasonable and practical requests or recommendations.

A robust approach to capacity building led by a mentor will help to make clear why it is necessary for housing organisations to engage in unpopular tasks. The mentor could also give advice on topics for scrutiny. However in order for the group to retain credibility, the mentor's role must be advisory not directive. This means that if the resident-led self-regulation group chooses not to take the mentor's advice to scrutinise an 'orphan' area of work it should be free to do this, but the decision must be evidence based, transparent and accountable to the wider resident base.

The terms of reference for the resident-led self-regulation group will require it to put the best interests of the housing organisation and all residents first. Our preference is that the terms of reference should require the resident-led self-regulation group to schedule at least one area of scrutiny each year of particular interest or concern to the organisation. The board/executive is responsible for ensuring that all of the organisation's work is delivered effectively so this would enable it to ensure that 'orphans' were included in the resident-led self-regulation group's scrutiny schedule. Of course, the work programme would have to be jointly agreed so the board/executive topic was achievable by the group and not detrimental to delivery of residents' preferred areas of scrutiny.

We think this approach balances empowering residents to choose what is important to them with the need to ensure that even unpopular areas of work get the attention they need. It will leave space for residents to re-visit service areas that residents feel are particularly important and give room in the programme for emerging and new service challenges. It will protect the primacy of the board/executive in ensuring that the housing provider is well run and accountable to all of its stakeholders.

In selecting both resident-nominated and board/executive-nominated reviews the resident-led self-regulation group will need to take into account issues emerging from previous reviews and other performance information. Many housing providers currently schedule service reviews on a rolling programme. This is not the only way to schedule work, but we think that where a rolling programme is currently effective it will continue to be a good way to ensure that all areas of a housing provider's work receive attention over a given period. The essential change is that the power to select which reviews take place will formally move to the resident-led self-regulation group; subject to board/executive oversight. The preparation of a list of priority areas for review could be delegated to the organisation's officers or the resident-led self-regulation group's third party mentor, or both. The list would take into account recent reviews undertaken, consumer evidence and advice from the regulator on common areas of weakness, and may include several choices for challenging or unpopular areas of work. Within the board/executive defined limits set out above, the resident-led self-regulation group would be free to choose which areas of work it planned to scrutinise.

Finally, the resident-led self-regulation group will need to ensure that it sets out its reasoning for its planned scrutiny programme, both to the resident body and the board/executive. This will ensure that there is a transparent relationship between the work that the resident-led self-regulation group undertakes and the aspirations of residents and the organisation. We consider the framework for public reporting by resident-led self-regulation groups below.

Example

A resident-led self-regulation group and its mentor jointly prepare a list of priority areas for scrutiny, drawing on internal performance management information and knowledge of common risk areas in the sector. From this list, the group identifies three reviews according to resident priorities and one additional topic that is of less interest to the wider resident body but is clearly important for the operation of the organisation. They discuss this selection with the board, and the board asks that they change the additional topic to one that is considered more pressing by the board. The group agrees with the board's reasoning, and makes the substitution. It then prepares a short paper to be made available to residents, staff and other stakeholders that sets out the reasons for areas of scrutiny identified for the year's programme.

We are clear that as the accountable body the board/executive's views must have primacy. We envisage that the board/executive will sign-off plans for resident-led self-regulation activity and the findings of the resident-led self-regulation group. We also envisage that the board/executive will approve any major externally commissioned work. The board/executive will retain a veto over work going forward, but in the interests of transparency and accountability it will commit to making public its reasons for stopping any area of enquiry.

Ensuring capacity and probity

Scrutiny by residents should be familiar to the majority of housing providers and active residents. Many landlords have corporate forums or tenant federations with this type of role. The critical difference between the current situation and what we are proposing is the significant increase in power that the resident-led self-regulation group will have. The resident-led self-regulation group will have formal ability to make recommendations to the board/executive and to require a response, backed up by internal and external powers to get a response and drive change. Few residents' groups currently have these powers.

In return for this power, in order to use it effectively, resident-led self-regulation groups will need to meet high standards of probity and capacity. They will need to have the ability to:

- act transparently
- understand the pressures on housing organisations
- take strategic decisions
- use evidence to decide a course of action
- be proportionate and risk aware
- choose the right scrutiny activities to achieve the desired result.

The good news is that many of these skills are common to other activities that active residents undertake; particularly as resident board members. *People first*, the Housing Corporation's involvement policy, makes it clear that housing associations should invest in developing a pool of active residents with the qualities to be resident board members. There are real opportunities for individuals to develop the skills for resident-led self-regulation groups and resident board members together.

In *Resident-led self-regulation: development and application*, we recommended that there is a clear and enforceable code of conduct setting out the standards of behaviour expected from resident-led self-regulation group members. This publication also sets out how individual members of the resident-led self-regulation group will need to make commitments to their learning and capacity building, as will the group as a whole. Capacity building will be critically important to ensure that resident-led self-regulation groups use their increased powers effectively.

H4 Residents and boards/executives should be supported to know what an 'excellent' service is in order to raise aspirations and help drive service improvements.

O2 A national mentor and/or support network should be set up to support residents involved with resident-led self-regulation. It could help them to work well, raise the quality of their work, and share experiences and expectations with others.

It will be particularly important that resident-led self-regulation groups take a robust but considered approach to managing conduct within the group. They will need to demonstrate the ability to address internal issues as they emerge. These commitments may not differ greatly from those written into the codes of conduct for existing residents' bodies, but there will be more pressing need for adherence to them.

The terms of reference for the resident-led self-regulation group will support probity and will need to include requirements to:

- show in a public report how their work responds to the identified aspirations of residents
- protect the confidentiality of officers, residents and information in a manner which is consistent with the Data Protection Act but does not unnecessarily restrict residents' access to information
- consider the impact on the viability of the organisation of any recommendations
- have due regard to national minimum standards and government policy
- have due regard to external pressures on the organisation (e.g. rising maintenance costs due to labour market constraints)
- give due consideration to requests from the board/executive to scrutinise particular areas of work, giving these requests priority.

Partnership and power

Resident-led self-regulation is based on partnership working and co-operation between residents and their landlord. The model is structured in a way that supports the residents group and the organisation to work together. They will scrutinise and improve performance and decision making by sharing information and being responsive to each others' input and position. The powers set out below have been included purely as safeguards so residents and the housing organisation both have a firm footing to pursue their interests if the voluntary working relationship breaks down.

A 'notice to act' to ensure board/executive responsiveness

At the heart of resident-led self-regulation is a formal relationship between the board/executive and the resident-led self-regulation group. In order to increase board/executive responsiveness to residents, the relationship between the two bodies would require the board/executive to respond to observations, suggestions and recommendations from the resident-led self-regulation group. The internal procedures for operation of resident-led self-regulation will require the board/executive to set out its action plan for achieving change; much as it currently does in response to Audit Commission inspection. In turn the resident-led self-regulation group will monitor the successful delivery of the action plan. If the board/executive was unresponsive, the resident-led self-regulation group could serve a formal 'notice to act' on the board/executive requiring it to take remedial action for urgent or recurring issues. The 'notice to act' offers key advantages. It will;

- help to make housing organisations formally accountable to residents
- provide a defined framework for challenge and recourse
- support housing providers to resolve issues before they are referred to the regulator
- provide an auditable evidence base if the issue is referred to the regulator.

Power to refer to the centre

One of the most common responses to the Housing Corporation's consultation paper on *People first*,¹⁰ and a key finding of the Cave Review team, was that residents and resident groups want a more direct link to central regulation. The tenants' panel for this project could see few ways that they could effect meaningful change without either a willing housing provider or a way for them to relate their concerns directly to the regulator. We are clear that any resident-led self-regulation system will need to be backed by central enforcement which responds to well judged and evidenced concerns from resident-led self-regulation groups.

Residents do not currently have the power to make the board/executive listen or respond to them. At present an effective dialogue between residents and board/executive is voluntary, with the board/executive in control of whether it takes place. As the resident-led self-regulation group will be well informed, it will be in the best interests of the board/executive to respond positively to the group's advice. This should drive improvement and limit requests for regulatory intervention.

Should the resident-led self-regulation group have serious concerns that have not been resolved by a 'notice to act', it will refer them to the regulator which will have a duty to consider the referral and take whatever regulatory action is appropriate. This approach will establish a clear link between the resident-led self-regulation group and the regulator, while leaving decision making about major concerns or disputes to the regulator.

R3 The regulator should ensure it has the capacity to respond to resident complaints alongside its planned programme for risk-based engagement with providers, so that resident concerns are of equal importance to those of the regulator.

¹⁰ These responses have not been published

In preparing this proposal we considered whether it would be possible and appropriate for an organisation's residents to insist on the imposition of regulatory sanctions. We believe that this approach would put undue pressure on resident-led self-regulation groups and may undermine the relationship between the resident-led self-regulation group and the board/executive. Furthermore we believe this approach will undermine the ability of regulators to take a proportionate and impartial approach to regulatory intervention.

There is a valid concern that some resident-led self-regulation groups might be overly reliant on the support of the central regulator, leading to a general and potentially damaging increase in regulatory activity. We also identified concerns from some stakeholders that resident-led self-regulation groups could use their power of referral to raise malicious complaints or champion unbalanced views. This may have an adverse impact on the reputation and perceived performance of resident-led self-regulation.

We propose that any referral to the external regulator must be supported by reasonable evidence of poor performance gleaned from resident-led self-regulation scrutiny activity. Sometimes the group will identify legal or regulatory requirements that are not being adhered to. For the most part, referrals will draw on resident priorities and previously identified targets and objectives. The regulator will be required to take a view on whether the evidence provided is appropriate and indicates a breach of the regulatory framework before acting. Each case will be different but some potential indicators of poor performance could be:

- persistent and repetitive complaints about service levels
- major changes in service quality demonstrated through local PIs
- evidence of poor services gleaned from the resident-led self-regulation group's commissioned work
- refusal by the board/executive to respond openly to resident-led self-regulation group suggested actions
- refusal of the resident-led self-regulation group to sign off the organisation's submissions to the regulator
- failure of the board/executive to act on suggestions it has accepted.

We propose that issues should only be referred from the resident-led self-regulation group when a formal 'notice to act' had been served and performance had not improved over a reasonable period, perhaps three or six months. The resident-led self-regulation group could possibly also take their concerns to the housing association group parent (if applicable) or the organisation's independent auditors to aid internal resolution before the regulator is involved. If the regulator must be involved, the resident-led self-regulation group will explain its reasons for referral in a 'notice of referral'.

We considered whether a final check could be put in place by limiting the number of referrals to the centre that might be made in any given financial year. This approach would ensure that referrals were only used when absolutely necessary and would put the onus on resolving problems internally. However, on balance we felt that if an organisation was suffering major problems it could easily be failing its residents in multiple areas of work, hence requiring multiple referrals.

The hypothetical case studies in the Cave Review suggest a situation in which a local (estate based) representative resident group refers a concern to the regulator. We see no reason why the resident-led self-regulation model should not work in tandem with this approach. Where the resident-led self-regulation group is working effectively it would be in the best interests of the local group to present their concerns to it before going to the regulator. The resident-led self-regulation group would then use its scrutiny powers and access to independent advice to gain evidence to either confirm or dismiss the concerns of the local group and take relevant internal actions. If the local group did not get the result that it wanted it could still provide evidence of problems to the regulator. If the evidence, taken with other indicators, was sufficient for further investigation the clear inference would be that the resident-led self-regulation group was not performing effectively.

In short, we envisage the resident-led self-regulation group acting as the manager of a collective redress system in which it is primary gatekeeper of collective complaints to the regulator but is not the only source of recourse.

In some cases the resident-led self-regulation group may choose to take on a role in the organisation's individual complaint processes. This might involve using individual complaint reporting as part of the performance management evidence it considers. In some cases, with the approval of the board/executive and providing that issues around data protection are resolved, it might even take on a formal role in organisations' individual complaint systems.

Resident-led self-regulation group involvement in individual complaints may help reduce referrals of individual complaints to the Ombudsman. However, the basic rule that individual complaints would need to go through the organisation's internal system before being referred by the individual to the Ombudsman would remain exactly the same.

The Housing Corporation cannot currently become involved in a complaint while the Ombudsman is investigating. In the event that a collective complaint is raised at the same time as a similar complaint to the Ombudsman, we propose that the Ombudsman complaint would continue to take priority. We recognise that this approach may delay action around pressing collective issues. However, given that the Ombudsman currently has relatively wide powers to investigate maladministration any evidence that it uncovered would add important information to the regulator's judgement.

Should the regulator decide to intervene following a collective complaint it should uphold the resident-focus of the new regulatory system by involving residents in its activity.

R4 To ensure ongoing resident influence and related resident-focused performance improvements, residents should be involved by the regulator as appropriate if intervention is made with their landlord.

Referring issues to dispute resolution

It is critical that the relationship between board/executive and resident-led self-regulation group is productive. However, given that the resident-led self-regulation group may find itself compelled to raise concerns regarding performance it is likely that from time to time tensions and disputes will arise. Similarly, resident-led self-regulation groups like other collective bodies (whether resident-led or not) will not be immune to internal disputes.

Hence, there must be a mutual commitment to engaging in dispute resolution whenever necessary. The board/executive and resident-led self-regulation group will have a shared protocol for dispute resolution which requires each party to raise concerns at an early stage. The protocol will also cover how the resident-led self-regulation group will deal with internal disputes. In most cases if a concern is raised it will quickly be put right informally.

If an issue is not resolved and is formally raised at a meeting, i.e. there is sufficient concern for it to become an agenda item for either the resident-led self-regulation group or for the board/executive, then there should be a shared commitment to seek mediation before it escalates. In the case of internal resident-led self-regulation group disputes external mediation could be undertaken by the third party mentor. In the case of disputes between the board/executive and the resident-led self-regulation group a separate objective and independent mediator could be engaged if necessary.

If the dispute continued the issue could be referred to peer review undertaken by a mutually agreeable organisation. This could be a well respected landlord, resident-led self-regulation group or third party consultant.

It would be possible for the 'national tenant voice' or the Ombudsman to be nominated in the dispute resolution protocols as an arbiter in intractable disputes. The protocols would need to make clear that both sides would sign up to abiding by arbitrated decisions. There may be other options for organisations that could be nominated as arbitrators including ACAS (the arbitration service), local authorities, or external consultants.

03 Independent arbitration can help to sustain resident-led self-regulation when disputes arise, and can give credibility to solutions proposed. The 'national tenant voice' and Ombudsman should prepare to take on the role of arbiter for internal disputes in resident-led self-regulation.

In effect this approach replicates a three stage complaint system but the weight is put upon finding mutually agreeable solutions to problems rather than apportioning blame.

TPAS has recently published a more in depth piece of work, commissioned by the Housing Corporation through its IGP programme, into resolving disputes in resident involvement.

Accountability to wider resident body

The resident-led self-regulation group needs a link to wider resident priorities to ensure that it is responsive to the aspirations of residents as a whole. Concerns were raised during development of these ideas that residents on the resident-led self-regulation group could act in their own interests or become distant from the wider resident body by 'going native' with the board/executive. The group will draw on wider resident involvement activities for some of its information, and so the key is to ensure it responds appropriately to this information. The primary ways to avoid 'native' or self-interested residents are to enforce a robust code of conduct, keep a regular turnover of members by drawing people in from other resident groups and activities, and ensure the group has confidence to challenge the organisation.

A particular concern was whether there could be a divide between different groups of residents and if the views of minority/disadvantaged groups would be taken into account by the resident-led self-regulation group. Resident involvement experience shows that different groups of residents (e.g. tenants and leaseholders, or general needs and supported housing tenants) do not always get on well or understand each others' perspectives. The resident-led self-regulation group would be required to interact with minority groups through their own formal structures. Recruitment, training and the code of conduct for the resident-led self-regulation group will also help to ensure knowledge of wider views and issues.

The resident-led self-regulation group could have responsibility for considering petitions and/or the content of calls for action from community groups. Evidence from these collective forms of complaint would be used to direct scrutiny resources. The resident-led self-regulation group could also take on responsibility for making recommendations as to how these collective concerns were resolved on how to resolve these collective concerns.

Finally, because the resident-led self-regulation group's primary consideration is the best interests of residents, we propose a right of petition based on the signatures of one third of residents to the board/executive to institute review of the resident-led self-regulation group's performance.

Where there are serious and pressing concerns about the group

It is possible that some resident-led self-regulation groups will find it impossible to achieve or sustain the level of commitment and probity that is required to take on a high level of devolved scrutiny power. Hence, the board/executive as the guardian of the organisation's affairs will need the power to initiate a full review of the resident-led self-regulation group's performance. In most cases problems will have emerged prior to them becoming pressing. It is likely then, that at least some of the stages of the dispute resolution approach will have been used.

The board/executive would not be able to initiate a full review simply because it disagrees with a resident-led self-regulation group's findings. Safeguards would protect residents, by drawing in independent and objective parties. We envisage that a performance review would only be used where there are issues of conduct, failure of the group to reflect the aspirations of the wider resident body and/or the organisation, inability to staff the group, or the resident-led self-regulation group is operating outside the law or its terms of reference.

Before any review the resident-led self-regulation group must be given the opportunity to put its affairs in order. The board/executive would submit a time limited 'notice to improve' explaining the reasons for, and evidence of, resident-led self-regulation group underperformance. With the agreement of the regulator, failure to act on this notice would trigger an in-depth investigation by a third party. On receipt of a report from the third party a case conference, including representatives of the resident-led self-regulation group, board/executive and regulator, would be held to decide and agree a course of action. Potential solutions could include:

- mentoring from another resident-led self-regulation group or a third party
- increased professional support to the resident-led self-regulation group
- a time limited requirement for resident-led self-regulation group decisions and conduct to be externally supervised
- pairing or merging with another resident-led self-regulation group
- in extreme cases, immediate winding up of the resident-led self-regulation group.

If resident-led self-regulation was wound up, the housing organisation would have to work with the regulator to agree alternative mechanisms to achieve regulatory compliance on resident empowerment and involvement. They may need support from other stakeholders or partners to do this.

R5 To help resident-led self-regulation be as robust and effective as possible, the regulator should support the adoption and operation of resident-led self-regulation by agreeing the parameters which will prompt review of failing resident-led self-regulation groups on behalf of boards/executives, and agreeing to undertake such reviews and support their outcomes.

We envisage that if an organisation chose to circumvent the dispute resolution and probity procedures, by refusing to work with its resident-led self-regulation group or cutting off its funding without notice and then claiming it was not performing, this would constitute an issue of immediate regulatory concern.

Use in different operating contexts

Resident-led self-regulation is intended to be flexible enough to fit into the varied operating contexts of different housing organisations. For example it should adapt to the needs of large/small, dispersed/local, grouped/independent providers, and recognise different balances in the resident base between tenants and leaseholders. Organisations with limited resources and a small pool of residents to draw on, and specialist (non-general needs) providers require special mention.

The shared resident-led self-regulation group

We consider that the resident-led self-regulation model might be well suited to co-ordinating area-based scrutiny functions for a number of landlords at the same time. Shared groups may be particularly attractive to smaller organisations that do not have the internal resources for residents to review their performance.

Some tenants' federations already take on a role that is wider than a single landlord, for example running a shared mystery shopping and benchmarking scheme for a number of landlords in the local area. Similarly, a resident-led self-regulation group could be constituted so that its resident membership was taken from a number of landlords at local or sub-regional level. All of the participating landlords would contribute and share resources. This offers the advantages of widening the pool of potential resident-led self-regulation group members and limiting the impact on landlords' resources.

An additional advantage of a shared resident-led self-regulation group is that the group could select the same resident owned local PIs for all partners. This would build a ready made local benchmarking club into the resident-led self-regulation scrutiny process.

A key issue with any form of resident orientated self management is that aspirations among residents can differ quite substantially, making satisfaction measures limited in their applicability. Cave's proposals to publish performance indicators more widely may help to resolve some issues around differing aspirations. We believe that a shared local or sub-regional resident-led self-regulation group could also lower the impact of differing resident aspirations. As the resident-led self-regulation group members get used to performing their role, those with particularly low aspirations will recognise the higher performance of other group members' landlords. Residents with excessively high aspirations may come to make more reasonable demands on their landlord when they develop a sense of the average service and delivery constraints.

Some association representatives and tenants' panel members pointed out that on occasion it can be (at best) unsettling for residents to challenge or blow the whistle on their landlord. A shared resident-led self-regulation group may offer the advantage of the resident scrutineers being more distant from challenges they are making to landlords' assumptions.

Finally, we think that a shared local or sub-regional resident-led self-regulation group would be well placed to develop a community owned tenant inspection and audit trading arm. Potential approaches to such a trading arm are discussed in Appendix B.

We believe there will be real benefits for some organisations in investigating shared local or sub-regional resident-led self-regulation. We recognise that there are also some significant challenges:

- resident-led self-regulation groups may find it difficult to agree a work programme of scrutiny across landlords with different strengths and weaknesses
- board/executive members may be less prepared to accept challenge from residents that do not live in their properties
- boards/executives may be less prepared to sign formal agreements with a wholly external organisation
- it may be more difficult for groups of boards/executives to address poor performance of resident-led self-regulation groups
- it may be more difficult for a stand alone organisation to access the information it needs (no matter what its formal agreements say)
- although the potential pool of members will be larger it may be more difficult to recruit to a group that is not directly related to a single landlord's services.

Even where organisations do not share resident-led self-regulation groups, we would recommend close collaborative working to support development and operation of resident-led self-regulation, for example through sharing good practice and benchmarking information.

Specialist providers

A number of stakeholders raised concerns that it would not be possible to operate resident-led self-regulation in organisations which provide supported housing. There are two reasons why it may be difficult to operate resident-led self-regulation within supported housing:

- residents with high support needs and chaotic lives may have limited capacity to staff a resident-led self-regulation group
- high turnover of residents in some schemes may undermine the continuity needed in the group.

The impact of these considerations will depend on the resident base in the housing organisation as a whole – not all residents of supported housing have chaotic lives or live there only for a short while. There are certainly ways to involve residents with higher needs in scrutiny of their landlord, and good practice examples have been highlighted by Audit Commission inspections and various awards in the sector. So in a supported housing provider, much like in any other housing organisation, residents with the capacity to staff a resident-led self-regulation group would do so, and they would draw on the experiences and involvement activities of others to inform their work.

A more serious problem arises where the provider only offers short term accommodation and so has a high turnover of residents. One of the virtual pilots that helped with the development of resident-led self-regulation was such an organisation. It was felt that effective outcomes could be achieved,¹¹ but that the approach to resident-led self-regulation needed to be flexible and more resources would be needed to facilitate, support and equip the resident-led self-regulation group.

Evidencing impact

Given the level of devolved power that the resident-led self-regulation group will take on we envisage that the resident-led self-regulation model will be subject to an annual health check which will help the organisation to know whether it is performing effectively and efficiently. We expect that housing organisations will do this internally, although there is scope for an independent audit or evaluation if the organisation feels it is necessary and beneficial.

Resident-led self-regulation is distinctive from resident involvement as it is currently understood in terms of its remit and role. It will however be an extension of current resident involvement approaches. This means that the most obvious and streamlined method for delivering and disseminating an annual health check is for it to be included as a distinct work stream in a resident involvement impact assessment, as required by the Housing Corporation's involvement policy.

One effective way to measure impact is for key stakeholders to grade the evidenced outcomes of involvement activities at a challenge event. This approach would be an ideal way to ensure that resident-led self-regulation delivers effectively. A small working group of stakeholders would be introduced to the core roles, rights and responsibilities of the resident-led self-regulation group and given an overview of its work plan and the impacts of its activities in the preceding year. Based on this evidence the working group could make a snapshot judgement of the success of resident-led self-regulation within the organisation.

The freedom and level of influence of the resident-led self-regulation group will be dependant on a closer and more accountable relationship with the whole resident body. The resident-led self-regulation group itself must ensure that its scrutiny decisions are transparent to the wider resident body. The primary way to achieve this is for the resident-led self-regulation group and housing organisation to agree a public reporting mechanism.

We envisage that the resident-led self-regulation group and housing organisation will be required to prepare a formal impact report or assessment at least annually to show how their work has driven improvement. This report should be made available in a range of accessible formats through the normal dissemination channels, for example websites and newsletters. The annual impact report could form part of a housing association's involvement impact assessment (if retained by the

¹¹ Indeed effective outcomes are being achieved through St Basils' P2P model which has a waiting list for involvement and draws on residents' customer intelligence despite them lacking a long term commitment

new regulator) or be presented as a stand alone annual report. It will provide summary information of:

- the programme of scrutiny undertaken through resident-led self-regulation and the reasons for choosing the priorities for scrutiny
- positive and negative practice including PI results
- recommendations of the resident-led self-regulation group and the action taken by the board/executive to respond to these recommendations
- outcomes resulting from scrutiny and intervention
- the programme of scrutiny going forward.

The resident-led self-regulation impact report will be provided to the regulator, key partners and stakeholders as well as being available to residents.

O4 Relevant organisations, including CIH and NHF, should work with housing organisations and the regulator to evaluate and disseminate good practice in the operation of resident-led self-regulation to help improve outcomes from use of the approach.

More regular updates, perhaps quarterly, would be provided through regular resident newsletters and briefings to tenants' and residents' associations, and other resident forums. The resident-led self-regulation group, and/or a nominated officer, will have responsibility for answering individual and collective queries related to the impact and performance of resident-led self-regulation.

Establishing and sustaining stakeholder confidence

We have set out a proposal that we believe includes sufficient checks and balances to ensure that major stakeholders have confidence in the system. The resident-led self-regulation group's commitments to training, capacity building and appropriate conduct should ensure that it performs effectively. Because the resident-led self-regulation group will have access to professional advice it will be able to perform its lay scrutiny role whilst having recourse to guidance and support which will assist members to develop their technical knowledge. The processes for reporting recommendations and serving notices should ensure that both the board/executive and resident-led self-regulation group are protected from minority interests or inappropriate complaints. Links with the residents through information provision, targeted scrutiny on areas of priority, complaint scrutiny and a right of resident petition should ensure the resident-led self-regulation group remains focussed on the best interests of residents as a whole. Coupled with a commitment to share resident-led self-regulation group reports, key partners and stakeholders should be able to have confidence in the system.

Confidence at the outset

The new regulatory system should be in place for housing associations by 2009 and for local authorities and ALMOs by 2011. This gives time to build capacity of resident-led self-regulation approaches so they are embedded and have a track record of effective operation by 2009. We recognise that this runs the danger of increasing the regulatory burden in the short-term because potential external regulatory benefits described here will not be available until 2009 at the earliest. However we believe that the advantages of improved performance and greater regulatory freedoms that will accrue from a resident-led self-regulation group will offset any short-term impact.

Lender confidence

The current system of regulation for housing associations has been very effective in protecting the viability of associations. Hence, we are aware that lenders may be uncomfortable regarding any

reduction of central regulatory control. We do not envisage that resident-led self-regulation would replace external assessment of financial viability, nor that residents would have unlimited power to force the hand of housing organisations on decisions. We also propose that the terms of reference for the resident-led self-regulation group would include a requirement to give due consideration to the financial viability of the organisation when making recommendations for action.

Policy maker confidence

Moving to resident-led self-regulation may reduce the control that policy makers can have over the way individual providers develop their services. Some providers will have a mandate from residents on business direction and so would be able to say 'we're not behaving (or are behaving) in a certain way because our residents have scrutinised our service and agreed our priorities'. However this rebalancing of decision making towards the local level does not mean that central policy makers will lose all influence; for example the regulator will still set core standards.

Where policy issues are critical to the success of social housing at a national level then it would be appropriate to adapt reporting requirements and/or the national indicator set to allow for this policy direction.

Other policy issues may be of national importance, but not so critical that they require inclusion in the national framework. For these issues we envisage that a series of voluntary codes or standards could be developed. These voluntary codes would follow the precedent set by the Respect Housing Management Standard. Resident-led self-regulation groups would have responsibility with the board/executive to consider any new standards that were produced and to decide how to use them where they felt they would add value to the organisation's work.

Local authority confidence

The emerging local authority place shaping role requires that local authorities, as commissioners and conveners of services, can ensure local partners are delivering services in line with local needs, priorities and vision. To do this, they do need oversight of housing providers that operate in their areas.

Resident-led self-regulation that is delivered in the robust way proposed should help local authorities to oversee providers in a way that does not add burdens to housing organisations. We believe that many organisations will wish to engage local authorities as a key stakeholder in meetings for both involvement impact assessments and annual reporting of resident-led self-regulation groups. The practice and reports of resident-led self-regulation can give assurances and evidence that local needs and priorities are being met by local service providers, and can also make a contribution to authorities' work to identify changing needs and aspirations. Evidence from resident-led self-regulation can feed into overview and scrutiny committees and Local Strategic Partnerships to support their respective roles.

As a complement to development of the place shaping role, the Audit Commission will move from CPA to CAA in 2009. This is effectively a system of neighbourhood service assessment for local authority areas of operation. Given that resident-led self-regulation is highly devolved and makes the aspirations of residents a key determinant of what areas of work to scrutinise, we believe that it should fit well with any future neighbourhood based approach.

Beyond services

Our main focus has been to set out how resident-led self-regulation could deliver ongoing oversight of service delivery. Existing resident involvement activities that might be drawn into resident-led self-regulation tend to focus on services at the moment, and service delivery is the area that residents have said is most attractive to them.

As resident-led self-regulation groups develop greater capacity and as their relationship with the board/executive develops, areas of business other than service standards might be opened up to resident-led self-regulation. Residents who have longer term involvement with their landlord have commented that their interest in, and confidence regarding, involvement with areas beyond services has grown over time. Any organisation adopting resident-led self-regulation should have a plan for its development and expansion to support a focus on continuous improvement that in turn commands stakeholder confidence. The terms of reference for resident-led self-regulation and the resident-led self-regulation group should allow for additional roles to be added, or for review and adaptation to allow for new roles. The ability to expand resident-led self-regulation to business direction, constitutional and governance matters will depend to some extent on the legal structure of the organisation.

H5 Any organisation adopting resident-led self-regulation should have a plan for its development and expansion to support a focus on continuous improvement throughout the organisation that in turn commands stakeholder confidence.

Business direction

Housing organisations' decisions on business direction will be informed by opportunities available, needs identified, risks present, regulatory requirements, and organisational aspirations. Residents sometimes feel that exciting projects are pursued rather than those which are necessary but not glamorous. Our consultation indicated that residents would like to move from being consulted on business directions to being able to influence the directions pursued. They felt strongly that they could understand the financial issues and priorities of other stakeholders if given the opportunity, and that this would prevent them from making unreasonable requests or challenges.

R6 To fulfil its proposed objectives of supporting resident voice and choice, evidence that decisions on business direction have been made in conjunction with residents should be taken into account when the regulator wishes to challenge organisations for pursuing or not pursuing particular directions. This would be of particular relevance for the current debate on how housing association surpluses should be used.

Constitutional structures

Residents can be strongly affected by constitutional changes such as housing association mergers or a move from local authority housing management to an ALMO, housing association or TMO. They have different rights and influence depending on the type of landlord they have. Residents in all types of organisation are keen that constitutional changes deliver for them, that they can check on prospects for delivery and that they can hold the organisation to account for achievement of promises made to them as part of the constitutional change.

Governance

Governance problems are commonly found to be at the root of problems in housing organisations. Checks are made on ALMO and housing association governance internally and by external bodies to ensure that boards are equipped to run the organisation properly. Residents have a keen interest in the effective operation of the organisation but have little ability to check it. Resident-led self-regulation could enable residents to participate in appraisal and review of the governance of housing functions and give them power to act on concerns. This would help to achieve culture change by getting housing organisations and the regulator to focus on residents' interests in governance matters without detracting from the safeguards valued by lenders and other stakeholders.

Application across the social housing domain

The government has recently confirmed its intention that one regulator will in future cover all types of social housing provider, although local authorities and ALMOs will initially remain outside of this system.

Resident-led self-regulation can be used to varying degrees in any type of social housing provider – housing associations, ALMOs, stock retaining local authorities, TMOs and private sector housing managers. It gives the same offer of increased power and influence over services and business direction to all residents who will be covered by the new social housing regulator.

The model was initially designed with housing associations in mind, and so it is worth outlining issues in application that arise with other types of housing provider. Application of resident-led self-regulation may be affected either by the internal structures and constitution of the provider, or by the operation of external regulation on the provider.

Internal performance management and decision making structures of housing associations, ALMOs, private providers and local authorities are not dissimilar. The main differences are at the top tier. Local authorities are managed by elected members working through a cabinet (supported by overview and scrutiny committees) or departmental committees rather than an appointed board. Private sector providers have obligations to deliver a profit for shareholders, and therefore must consider shareholder interests as well as customer interests.

Bigger differences exist at present in the ways that performance in different types of provider is regulated. There is consistency through Audit Commission inspection (except for private providers), but reporting on performance is currently done in different ways and to different bodies. It is expected that regulation of performance will be brought together for all providers under the new regulator, although the differences between types of providers mean that there are some knotty problems to work through before this can happen.

Local authorities

In a structural sense, it would be no different for a resident-led self-regulation group to link in to the executive in a stock holding local authority rather than a board in a housing association, ALMO or private provider.

Local authorities are different from other providers because their executive is elected by the public and the work of housing departments is subject to oversight by overview and scrutiny committees staffed by elected members who act on behalf of the local electorate. Like housing association and ALMO boards, the local authority executive may draw on resident forums and involvement activities to inform its decisions.

Nevertheless, these models do not put residents on an equal footing with the executive in terms of influence over priorities and performance improvement in housing. Residents cannot force the hand of local authorities even at election time, because votes in an election cover the whole authority not service-specific areas. Resident-led self-regulation therefore offers the same gains to residents in local authorities as it does in other types of housing provider: real, informed and direct collective and ongoing influence. Concerns may be raised about whether it is proper for residents to override elected representatives by accessing the regulator. However, all residents already have this right – they can secure judicial reviews, access the Ombudsman etc – and application of resident-led self-regulation with associated rights to complain to the regulator will further enhance residents' ability to ensure that their representatives focus on their needs and aspirations.

As well as covering services, the scope of resident-led self-regulation in local authorities could be extended to aspects of governance of housing within the Housing Revenue Account, and the model could be applied to business direction of the wider housing function.

It may be considered that tenants and leaseholders should not be able to scrutinise high-level governance through resident-led self-regulation, because local elections already offer the opportunity to comment on the capacity and skills of elected members. It would however, be appropriate for local residents to assess capacity and effectiveness of overview and scrutiny committees or departmental committees (their members are selected from a pool of elected representatives, not elected to the post). It is important that the composition of the resident-led self-regulation group in this role should not be limited to tenants since overview and scrutiny committees cover more than just local authority housing stock.

Local authority tenants already have the right to comment on constitutional changes affecting their housing management service; e.g. if the stock will be transferred to a housing association, ALMO or TMO. Resident-led self-regulation offers local authority tenants an alternative or complementary way to assess proposed constitutional decisions and hold the landlord to account on promises made when new organisations are set up.

Involvement of resident-led self-regulation in business direction would be possible but would require some changes to the social housing-oriented model. Local authorities with retained stock are place makers as much as delivery agents, and decisions about housing activities (e.g. where to focus regeneration, whether to build new homes and where to permit development) affect everyone that has a 'customer' relationship with the council, i.e. the whole electorate not just tenants. The resident-led self-regulation group could be made electorate-wide for matters of business direction.

Concerns may be raised that even drawing housing management services into resident-led self-regulation is a threat to maintenance of electorate-wide accountability. The council must of course be accountable to all of its residents for all of its decisions, and it may be seen as inappropriate to give certain groups more influence than others over specific topics. However, in terms of service provision in social housing it seems that local authority tenants and leaseholders would have a unique voice and would not disenfranchise others by exercising it. The balance of allocation of resources and priorities across the whole local authority (i.e. the focus given to housing) would still be accountable to the whole electorate and would not be undermined by resident-led self-regulation.

ALMOs

ALMOs could operate resident-led self-regulation across services, business direction and governance much like a housing association – their board structures and levels of accountability are similar.

In terms of constitutional matters, resident-led self-regulation has an additional offer even though legal structures are already in place to enable tenants to influence decisions about transferring their housing to a housing association, creating a TMO, or rationalising local ALMOs. Resident-led self-regulation could complement the ballot and tenant advisor procedures by enabling residents to scrutinise the potential offered by the proposals and hold the ALMO to account on delivery of promises following the change.

At present ALMOs differ from housing associations because their performance is overseen by their parent local authority and Audit Commission inspectors rather than the external regulator and Audit Commission. It is unclear what will happen when ALMOs are drawn into the auspices of the Office for Tenants and Social Landlords i.e. whether they will be overseen directly by the regulator or through local authorities, and whether they would still have to report to their parent authority on the same issues they do now.

If resident-led self-regulation was set up in an ALMO, the ALMO and its parent authority could agree that the resident-led self-regulation group would have a right to approach the local authority if the board was unresponsive to its involvement. The local authority would in turn

commit to investigate residents' concerns. The local authority could also draw on findings and outcomes of resident-led self-regulation to inform assurances needed for contract management of the ALMO. This would mirror our proposals for residents to access the regulator and provision of regulatory assurances in a new regulatory system, but could be instituted now in ALMOs.

TMOs

We considered whether resident-led self-regulation would bring added benefits to TMOs which are, after all, resident-led. The impact of resident-led self-regulation in a TMO will depend on its size and reach. A small local TMO may derive little benefit. As organisations get larger, resident-led self-regulation looking at services, business direction, governance and constitutional structures can increase resident voice even within a TMO.

Private sector

The structural appearance of resident-led self-regulation in a private provider would be much the same as in housing associations, although it may be limited in scope to services. Private sector providers are likely to have a wide business that has a range of customers for different services/products. Resident-led self-regulation would probably just be applied to the housing management function as opposed to the whole business, but would still offer empowerment and an internalised driver for service excellence. Resident empowerment in terms of the services they receive is likely to be a regulatory requirement once the company is drawn into the auspices of the Office for Tenants and Social Landlords. Providers may face a tension between customer and shareholder interests, and legal accountability is to shareholders within regulatory requirements. It might therefore be difficult for private providers to give residents power over business, governance and constitutional matters, although a more limited form of resident-led self-regulation could certainly increase their voice.

Links and contribution to reformed regulation

Fundamental reform of the regulatory system for social housing is now really on the cards. Government has confirmed that there will be a new regulator, the Office for Tenants and Social Landlords, with new statutory objectives and a different approach to regulation.

To deliver its full range of potential benefits, resident-led self-regulation needs to link into the new regulatory system. As a model used within housing organisations it can put residents at the heart of organisational accountability and the pursuit of business excellence. With links into the new regulatory system, resident-led self-regulation could also:

- Support culture change in regulation by promoting a true co-regulatory approach which is more about the relationship between the regulated organisation and its customers and less about the regulated organisation and the regulator.
- Give residents real and meaningful power to act on performance data provided to them.
- Protect residents as customers, by providing them with a robust group that has the right to approach the regulator with concerns that cannot be resolved.
- Inform the regulator's risk assessment of a housing provider.
- Offer housing organisations the prospect of reduced regulatory intervention, and no routine regulatory intervention in service delivery. It would provide the landlord with sufficient improvement drivers and give the regulator sufficient evidence of performance and resident empowerment to remove the need for intervention.
- Enable housing organisations to evidence compliance with resident-focused regulatory requirements.

Along with others, CIH and TPAS have strongly supported the shift to a customer focus in regulation and therefore support the direction of travel towards the new system and many of the

suggestions so far made for its operation. Nothing has, as yet, gone beyond outlining aspects of a future regulatory framework but changes that were already in train within the Housing Corporation and Audit Commission, recommendations in the Cave Review, the government's *Delivering housing and regeneration* consultation, and the minister's announcement to Parliament on the new regulator give some ideas of what regulation might be like in future. Resident-led self-regulation can help to flesh out these ideas, making them achievable and meaningful. It also offers the prospect of reforms to other existing parts of the regulatory framework that have not yet been discussed in preparations for the new regulator.

Here we consider the contribution of resident-led self-regulation to likely aspects of the new regulatory system for social housing. There is a possibility that it could also contribute to other regulatory systems that impact on some housing providers, such as Supporting People and Care Standards, but these are not considered here. We do not propose that resident-led self-regulation should interact with external regulation of the finances and viability of those who borrow money on commercial markets, and so there are no suggestions for reform in these areas.

We are not suggesting that resident-led self-regulation should be a regulatory requirement, but the outcomes it could achieve should be. The housing sector should be characterised by responsive landlords and empowered residents with real influence, because this leads to excellent services that meet customer aspirations. If these outcomes were required by regulation, we do feel that organisations that do not use resident-led self-regulation may struggle to comply with these higher standards of resident empowerment and will be subject to regulatory intervention accordingly.

R7 The regulator should commission a full pilot of resident-led self-regulation with willing organisations to test any uplift in performance outcomes and establish comparative outcomes between resident-led self-regulation and current systems.

R8 The regulator should consult with the sector on the benefits and disadvantages of making resident-led self-regulation mandatory, so that an informed policy decision that supports excellence and regulatory objectives can be made.

R9 The regulator should require provision of opportunities to empower tenants, including giving them real power over responsiveness and direction of business, in order to drive excellence and accountability in the sector.

Resident empowerment and scaled back red tape

Within the context of a regulatory system with a core aim of empowering residents, the reduced central framework will need to be allied to an increase in resident oversight and power. Increased resident power will drive improvement from the ground up. This is exactly the principle behind resident-led self-regulation, and it provides a robust way to increase resident oversight and power.

Risk-based regulation

A key role of the external regulator is to make objective judgements about an organisation's performance and to intervene if it is concerned. Resident-led self-regulation is intended to reduce the risk of poor performance and to provide a way for landlords to ensure and evidence good performance without direct regulatory intervention. It therefore complements a move to more risk-based regulation and could inform risk-based regulation. For example, the regulator may consider that a housing organisation that demonstrates it is operating resident-led self-regulation well is at low risk of non-compliance with regulations on resident involvement and empowerment, and on service provision in general. This could bring particular benefits to newly formed or restructured organisations that would often be considered to be at high risk of poor service delivery. Conversely it could take challenges by the residents group as evidence that the organisation was at risk of non-compliance with regulatory requirements with a resident focus.

R11 Resident-led self-regulation should reduce the risk of non-compliance with regulatory requirements and so its use should be taken into account when the regulator assesses risk, in particular around resident voice and empowerment.

Even with such a system, the regulator will need to retain sufficient risk indicators at the centre to ensure that it is aware and can intervene if things do go wrong. The national indicator set must remain sufficiently robust to get a national picture for critical issues and support risk-based regulation.

Self assessment by housing organisations

Housing associations are already expected to assess their own performance against regulatory requirements and pass their assessment to the regulator in a number of areas, such as resident involvement. This type of self assessment is likely to increase under a new regulatory system. Involving residents in approving organisations' self assessments against regulatory requirements could help organisations to focus on residents (rather than the regulator), provide a sound and validated evidence based evaluation and to improve accountability to residents.

Self assessment is intended to give organisations responsibility for checking their own performance and to remove burdens of being checked by an external body. Asking residents to be involved runs the risk of replacing these burdens. However, the new regulator will be promoting organisational focus on residents, and some resident involvement with self-assessment could help achieve this. Because resident-led self-regulation gives residents access to information as well as the ability to generate scrutiny information, it will provide organisations with resident-generated information to feed into their self assessment and will put residents in a good position to establish whether they agree with the way their landlord assesses its performance. Housing organisations would be able to demonstrate a real focus on residents, if through the resident-led self-regulation group, residents sign off self-assessments.

Residents are already involved in some organisations' impact assessments for resident involvement, and so it should be quite straightforward to build on these processes to require resident sign off for, at the very least, reporting on resident involvement, satisfaction and choice.

Inspection and Key Lines of Enquiry

The Cave Review and ongoing Audit Commission reforms envisage a move from the current cyclical inspection regime to spot check inspections triggered by evidence of poor, or exceptional, performance. In future, most organisations will not experience inspection although its role as a check before further funds can be released will be retained for ALMOs.

The tenants' panel for this project was clear that Audit Commission inspection has done much to drive improvements in service performance for residents. They considered that any move away from cyclical inspection would require some kind of external check on a housing organisation's assessment of its performance. In fact, an early reason for developing resident-led self-regulation was to find a way to internalise the drivers for service improvement brought by cyclical inspection. We believe that the approach offers a strong model for a semi-independent check which drives an organisation's internal learning culture by putting residents at its centre and backing them up with the safeguard of external recourse.

Where inspection does take place in organisations using resident-led self-regulation, evidence from the residents' group could inform the inspection and should definitely be taken into account by the inspectors. If regulation is to be resident-focused, it must draw on residents' involvement in the monitoring and direction of the organisation.

R10 To make resident-led self-regulation meaningful, in carrying out regulatory oversight and intervention the regulator (and any inspection body working on its behalf) should take account of residents' assessments of housing provider performance, and trust them as being accurate. Where professional and customer views differ, further investigations should be used to establish why and to provide justification of regulatory decisions.

The Audit Commission uses Key Lines of Enquiry (KLOEs) to set the framework for its inspection programme. Even when inspection is scaled back, a national statement that describes different levels of service quality could be useful to residents who are involved through resident-led self-regulation and want to know what 'excellent' might look like in their organisation and what is achievable by other housing organisations.

We believe that organisations could assess their performance using the KLOEs and a set of locally defined indicators that reflect residents' priorities. An important role for resident-led self-regulation groups may be to decide and justify, with the board/executive, which areas of the full KLOE are priority and which they decide not to pursue. The regulator would need to accept that this had been done with resident consent and was based on evidence and local circumstances. This would be similar to the approach currently taken by housing associations to areas of the NHF code of governance.

Reduced national reporting

The principle that the national system of regulatory reporting and inspection is pared back is crucial to the success of resident-led self-regulation. Firstly, the logic of devolving power dictates that the centre must accept less control over the way that organisations run their affairs. Secondly, in order to make resident-led self-regulation attractive to residents and housing organisations there must be a reduction in external reporting which, at the very least, matches the increase in internal burdens to support the resident-led self-regulation model.

Of course, the detail of reporting mechanisms and the content of national indicator sets will be determined by the new regulator. We assume that it will draw on existing structures when deciding on requirements, and that reporting requirements will continue to address agreed minimum service requirements while being less onerous than the current system.

The majority of the data that the regulator will need, for regulatory purposes and those of local performance comparison, will be statistical. In an increasingly complex housing world landlords already need to collect this data to understand their own performance. In order for the regulator to track existing and new national policy imperatives some additional reporting will need to be retained. For instance, it will remain reasonable for the regulator to be able to track progress towards the 2010 Decent Homes target.

In future, organisations and the regulator could replace some aspects of detailed reporting with a jointly signed statement from the board/executive and resident-led self-regulation group stating that they have checked the extent to which the organisation is compliant with regulatory expectations. Both the board/executive and resident-led self-regulation group would have the opportunity to highlight areas of non- or partial compliance and provide justifications for how performance could be improved. This 'agreed statement of compliance' could offer reduced bureaucracy whilst retaining positive outcomes for residents.

R12 Resident-led self-regulation could help to reduce the regulatory burden, so its potential to provide assurances and information should be considered when the new regulator is deciding its information requirements.

Resident groups accessing the regulator

Government has stated its intention that the regulator would be specifically required to consider information provided by stakeholders, including residents acting collectively, that relates to providers' performance in relation to regulatory requirements. The Cave Review recommended that residents' complaints should come to the regulator through representative or organised resident groups.

The right to access the regulator should certainly offer the potential for significant increase in resident power to drive improvement; indeed it is an integral part of the model for resident-led self-regulation (although if resident-led self-regulation is working well there will be no need for residents to access the regulator directly). If, when the regulator is set up, complaints are required to come through formal resident groups, a resident-led self-regulation-group would be well placed to play this role. A new regulator may have to develop a culture of trusting and valuing residents' comments, whether or not they come through formal groups. Not only will the resident-led self-regulation group be formally recognised, but it will also have substantial credentials behind it to demonstrate that the complaint is justified as well as the skills and resources to evidence the complaint.

R13 Resident-led self-regulation groups that can provide evidence that they are properly constituted as set out in this publication should be accepted as a representative group that can take concerns and complaints to the regulator.

R14 To avoid artificial constraints on residents' use of knowledge and expression of priorities, reports of concerns or complaints about any aspect of a housing provider's operation, not just services, should be accepted from residents.

The 'national tenant voice' could also make good use of information from resident-led self-regulation groups to build its evidence base on residents' experiences as consumers.

O5 The 'national tenant voice' should draw on information from resident-led self-regulation to inform its evidence base of residents' experiences as consumers.

Publication of high level performance data

The government has committed that the regulator will publish high-level performance data for different providers in a way that enables local comparison. Although this will give residents better information on their landlord's performance than they currently have, it cannot on its own bring about improvements. Social housing tenants cannot vote with their feet and take their custom elsewhere as they might on the basis of similar data about an internet service provider, for example. However when coupled with effective structures to hold landlords to account, this information should greatly increase the potential for individual and collective tenant oversight of landlord performance. Resident-led self-regulation will enable residents to make excellent use of comparative performance data. They will have formalised access to staff and the executive to ask questions and substantiate the data, and they will have structures in place to drive performance improvements.

H6 Effective resident-led self-regulation relies on residents having access to information and being able to do something with it. Mechanisms should be put in place to enable residents to act on comparative performance data provided by the regulator, drawing on information provided by organisations such as Housemark. Resident-led self-regulation is such a mechanism.

Expectation that resident empowerment will be promoted

The new regulator will place expectations on housing providers around resident empowerment and creation of opportunities for resident scrutiny. Resident-led self-regulation is an appropriate way to meet the likely expectations of the regulator. There are many excellent examples of other ways to empower residents and involve them in scrutiny already in use, but few have the same levels and range of resident power, self-direction and influence accorded by resident-led self-regulation.

R15 Evidence of poor resident empowerment and opportunities for involvement should be a trigger for regulatory intervention to support residents and so that its importance is underlined.

Locally developed service targets

In the current regulatory system, central organisations have significant influence over the way performance is managed and measured. They have been effective at driving up standards, but an externalised system does not necessarily match a system which values local control and resident empowerment. This may change in future.

Many housing providers have already developed locally targeted indicators. Arguably, to date, local performance indicators have not been strongly led or owned by the residents. Rather, officers and the board/executive have tended to choose what to measure and how it should be measured, usually taking their lead from national expectations.

The resident-led self-regulation group could own local performance indicators; deciding how wide they should be, whether they need refining, setting targets against which to monitor and using variance from these targets as a part of its evidence base for action. As with its scrutiny role, the resident-led self-regulation group would hold the ring on design of performance targets rather than undermining existing groups or excluding other residents from participating in the design of measurable indicators of performance. This will help ensure that the housing organisation is accountable and responsive to the wider resident body. The resident-led self-regulation group would annually propose a set of indicators to the board/executive. As the organisation's main accountable body, the board/executive would be responsible for approving or amending these indicators.

The resident-led self-regulation group will need training and capacity building in how to design indicators that break down big performance issues into the areas that can be meaningfully measured. Performance indicators are generally most effective when they are comparable to those used by similar organisations. Therefore, resident-led self-regulation groups will need to engage with other organisations to develop comparative indicator sets based on common priorities. Developing the wide engagement to set up local performance indicator benchmarking will be time consuming and challenging but will provide a strong evidence base upon which to develop resident-led self-regulation.

Housemark is currently working on a project funded by the Housing Corporation's IGP programme which will produce a compendium of resident-focused local service indicators that housing associations currently use, or could use in the future. By picking and mixing indicators from the compendium, based on what residents have said is important, housing organisations should be able to develop a suite of PIs that serve as a proxy for customer experience. Housemark is also planning a toolkit for associations to help them work with residents to agree local indicators. Taken together, these two project outputs will create an important resource for developing resident-led self-regulation groups' involvement with local performance indicators.

R16 The new regulator should ensure that housing organisations have a basket of resident-focused performance indicators

Conclusion

We have an opportunity for a real cultural shift in social housing provision and regulation, but it will be a challenge for regulators and regulated alike. Some stakeholders have leverage to get their needs met, but residents do not. Residents have made it clear that they desire more responsiveness from their landlords, and the housing profession must now embrace the challenge and deliver.

It is desirable to significantly increase resident influence within housing organisations by building on the very best in existing involvement activities. It would compensate for the lack of consumer power and introduce internal drivers for delivery of excellent services that meet needs and aspirations of current and future residents. Average has been acceptable for too long.

It is not only desirable to increase influence, it is possible. Resident-led self-regulation gives meaningful resident power in a robust system that can be trusted by housing organisations, residents and other stakeholders. It faces the challenges of any involvement activity – recruitment, applicability, desirability, and resistance to use – and addresses them with robust internal processes and links to external bodies.

The detailed description of resident-led self-regulation can appear a little complicated, but it is really a straightforward approach that makes a strong offer to residents, has synergies with emerging policy positions, and has potential to contribute to regulatory reform.

There is a catch though. It will not work unless it is embraced by the regulator and housing organisations because resident power and influence will falter. John Hills recently reviewed the roles of social housing, and concluded that housing organisations give insufficient attention to existing residents. This must change if we are to have satisfied, cohesive, successful and sustainable communities.

We encourage the sector to embrace resident-led self-regulation and give residents the attention, services and broader outcomes that they deserve.

Appendix A – Lessons from virtual pilots

The organisations that participated in the virtual pilots identified things they would need to do internally if they were to successfully adopt resident-led self-regulation. These included:

- Take the composition of the resident body into account when designing the system e.g. those with high turnover will need different procedures from those with fairly stable populations.
- Tailor resident-led self-regulation to the organisation rather than looking for a standard model.
- Focus on how resident-led self-regulation can help to achieve organisational objectives; rather than just applying the model because resident involvement is a regulatory requirement.
- Use terms of reference to integrate residents into the running of the organisation.
- Design structures and powers in a way that is attractive to residents in order to support recruitment to the resident-led self-regulation group.
- Be prepared to put substantial resources for support, planning, equipment, meetings and capacity building into making resident-led self-regulation work.
- Map the resources needed to support resident-led self-regulation against the resource that it brings to the organisation in terms of performance management, continuous improvement and resident focus.
- Make resident-led self-regulation intrinsic to the work of the whole company rather than an add-on to the performance management system.
- When designing resident-led self-regulation, focus on what is important to the business and what information and inputs are needed from resident-led self-regulation to facilitate that.
- Monitor the impact of resident-led self-regulation over the short and longer term to inform assessment of, and revisions to, the approach taken.
- Ensure that resident and staff capacity is built, and culture change takes place, to get away from a staff-led process where resident involvement is facilitated to one where residents are truly empowered. External input may be needed to achieve this.
- Use restructures of governance and constitution as an opportunity to introduce resident-led self-regulation.
- Find ways that resident-led self-regulation (drawing on customers) can fit with the growing body of work around community engagement.
- Build support of the board/executive and staff for residents' contribution and influence.
- Avoid creating unnecessary additional tiers of scrutiny and/or bureaucracy by ensuring that responsibilities of all resident and staff groups are clear and distinct.
- Avoid duplication of officer and resident activity.
- Think about succession planning for the resident-led self-regulation group, not just staffing at start up.
- Recognise the seriousness of the resident-led self-regulation task – it will be neither easy nor cheap to set up.
- Undertake work with staff to improve professional understanding of resident involvement and accountability to residents.
- Challenge the organisation to take resident-led self-regulation beyond services, and embrace resident scrutiny and input into the business.
- Make sure recruitment structures give voice to the majority of residents rather than representing the interests of the few.
- Ensure resident scrutiny reflects reality rather than perceptions of service provision.

Appendix B – Alternatives to resident-led self-regulation

Whilst developing resident-led self-regulation, we did consider whether other models could offer the same, or better, improvements in resident empowerment and links to regulation. We looked at three models:

- cyclical inspection of resident involvement
- third party consultant accreditation
- resident inspection, carried out by residents through a social enterprise company.

Cyclical inspection of resident involvement

For the Cave Review, a core indicator of a landlord's consumer and resident empowerment focus is the level of resident satisfaction and involvement. We considered whether the regulation regime could be significantly rolled back by looking only at the impact of resident involvement. The basis for this proposal was that if resident involvement activity is working well, service performance should be good as a consequence.

This approach would involve the regulator undertaking an annual review of housing organisations' resident involvement impact assessments and, perhaps, undertaking a light touch inspection of involvement on a cyclical basis. This option was popular with some of the housing association representatives we spoke to.

The advantages to this approach are that it:

- focuses on a core component of good landlord performance (as set out by the Cave Review)
- could be considerably less onerous for landlords than operating resident-led self-regulation.

However we discounted this approach for two main reasons:

- It makes the role of the regulator significantly more active than it needs to be. Cave does not envisage the regulator undertaking a rolling central check on what landlords do. Such an approach might stifle innovation in involvement, which is after all an area which has been subject to massive innovation over recent years.
- The tenants' panel felt that resident involvement in its current form has a tendency to landlord control and that this approach would contain insufficient drivers for culture change in landlords.

Third party consultant accreditation

In this model part of the safety net of cyclical inspection would be partially replaced by accreditation of resident focus provided by third party consultants using a model endorsed by the regulator. Success against this external and independent check would form part of the risk profile that the regulator takes into account.

The Cave Review debates the advantages of this approach. It singles out TPAS's Pinpoint scheme (accreditation of resident involvement practice) and Quality Housing Service (external checking of customer service) as examples of existing external accreditation while being clear that it does not support any particular option.

The key advantages of third party consultant accreditation are that it:

- generally provides a form of formal, objective and independent checking
- is delivered by professional, well-trained staff with strong technical skills
- runs on a single, central model which can be approved for use by a regulator.

However, there are disadvantages of third party consultant accreditation compared to the resident-led self-regulation model. It:

- moves the focus from residents to a professional interpretation of what residents want
- could be expensive, particularly as few accreditation models will offer whole business solutions
- could require the regulator to maintain a check on the quality control delivered by the third parties
- moves the focus from internal resident driven organisational learning to external approval.

Resident inspection

Ideas for resident inspection, in a sense much expanded from its current form, were well received by association representatives and tenants' panel members. Both groups felt that resident inspection should be a professional, and therefore paid, role. In this model, formal inspection and audit functions, similar to those delivered by the Audit Commission would be adopted by external resident inspection agencies. Resident inspection agencies could be developed through independent community-run social enterprises.

The advantages of this approach are that it would:

- provide a resident-orientated but professional inspection and audit function
- develop resident capacity and offer benefits around combating worklessness
- retain a robust inspection role.

However, there were significant disadvantages:

- as resident inspectors become more professional they may lose sight of their initial motivation
- entirely externalising inspection and audit removes internal drivers for improvement and culture change
- resident inspection does not offer a whole package to drive resident-focused accountability and excellence; it would need to operate alongside other mechanisms.

Given the clear possible advantages for community regeneration offered by the development of community owned resident inspection we would be interested to see government making an investment in pilots of resident inspection companies to complement the development of a new approach to regulation.

06 Consideration should be given to setting up a social enterprise to employ resident inspectors to increase capacity for resident-oriented scrutiny and increase employment opportunities for residents.

Using the models

Both third party consultant accreditation and resident inspection could be adopted instead of resident-led self-regulation. None of the options, including resident-led self-regulation, is without challenges but on balance our preference is for the resident-led self-regulation model. It offers two distinct benefits over the other two:

- it can be used in tandem with the other two options, with those involved with resident-led self-regulation commissioning work from external consultants or resident inspectors as they see fit
- the scrutiny aspect of resident-led self-regulation is ongoing, demonstrates the golden thread of resident involvement in practice, and drives internal self management.

Appendix C – Acknowledgements

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Housing association workshops

Aldwyck Housing Group
 Bradford Community Housing Trust
 Castle Vale Community Housing Association
 Chevin Housing Group
 Erimus Housing
 Notting Hill Housing Trust
 Wakefield & District Housing
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