



# Resident-led self-regulation: potential and prospects



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**T R I B A L**



## Introduction

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The regulation of housing organisations continues to be the focus of important reforms and discussion. Many proposals have been put forward for ways to reform existing regulatory frameworks, and the roles of various actors within these frameworks have been discussed. The Elton Review<sup>1</sup> and the Cave Review<sup>2</sup> have both stated the need to put residents at the heart of regulation.

In this paper we examine the potential and prospects of a new method for doing this – resident-led self-regulation. Resident-led self-regulation is an approach which can place residents at the centre of housing associations' internal processes for directing and assessing their performance and behaviour.

Set within the context of national policy, the objectives of this paper are to provide a definition of resident-led self-regulation, explore the potential benefits of a resident-led self-regulation approach, and consider its prospects for successful development in housing associations. Some early suggestions are made on what would be needed to enable housing associations to take forward a resident-led self-regulation approach within the current regulatory system, and comments are made on how such an approach could contribute to regulatory reform.

This briefing is the first part of a larger research project on organisational self-regulation in housing associations. Two more publications – a briefing paper on ways in which associations can develop resident-led self-regulation frameworks, and a detailed policy proposal for regulatory reform – will follow. The overall project has three key aims:

- to consider how associations can develop self-regulation regimes based on their residents' views and priorities (resident-led self-regulation) by building on the sector's existing resident involvement activities
- to examine how such resident-led self-regulation approaches might link into and enhance the current external regulatory framework for associations, both in terms of improved customer focus and streamlined regulatory approaches
- to explore how these approaches might fit with, and inform, future approaches to external regulation and inspection.

This briefing begins to address the first of these aims. It has been prepared for housing association staff and residents who are interested in developing their existing self-regulation and resident involvement activities. It is also intended to contribute to ongoing discussions on wider regulatory reform.

Examples of current practice, drawn mostly from Audit Commission 2005-6 inspection reports, run through the paper to provide an indication of the range of activity currently being undertaken by housing associations that could be used within resident-led self-regulation frameworks.

## Policy context

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The following strands of government policy are all central to consideration of resident-led self-regulation:

- government's commitment to citizen empowerment and local accountability
- pressures and proposals for reform of social housing regulation
- current approaches to resident involvement in housing organisations.

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<sup>1</sup> *Review of regulatory and compliance requirements for RSLs*, Housing Corporation, 2006

<sup>2</sup> *Independent review of regulation of social housing: a call for evidence*, DCLG, 2006

Following the vision and aspiration for 'double devolution' outlined by David Miliband in 2006, Communities and Local Government has emphasised the government's "ambition for greater user and customer responsiveness in services, and the opportunity for greater involvement and empowerment of users and citizens". It also emphasised that "the government wants to see the user, customer and citizen perspectives further enhanced in inspection in future".<sup>3</sup>

Calls for reform of the regulatory framework, particularly for housing associations, have increased in recent years. The regulatory framework has already undergone substantial reform, shifting to a strategic, risk-based approach that puts different emphasis on different organisations. Reasons why further changes to the regulatory framework are needed and desired have already been documented,<sup>4</sup> and they include:

- the risk that the current different regulation systems for different types of housing organisation (especially in relation to receipt of grant funding) could lead to uneven protection for taxpayers and residents
- pressure from regulated bodies to reduce the burden of regulation in order to enable improvements in their efficiency, effectiveness, and innovation
- the emergence of major housing association groups that feel they have the capacity to undertake self-regulation
- influence of the Hampton Review<sup>5</sup> and new central government structures such as the Better Regulation Executive and Better Regulation Commission
- the interest from ministers in developing resident-led regulation and greater consumer choice, which is currently reflected in proposals for a right to a 'community call for action'.<sup>6</sup>

Commentators have observed that improving and increasing the role of residents and the status and levels of organisational self-regulation could enable, or contribute to, reforms to address some of these points. For example, the Elton Review saw a specific role for resident-led inspection in reduction of external regulatory burdens, and recommended that,

*"The [Housing] Corporation, the Audit Commission and the NHF should work with the CIH to progress proposals for resident-led inspection as a potentially valuable model for self assessment which would promote accountability and service improvement and, specifically, offer the prospect of reduced regulation and inspection."*<sup>7</sup>

The regulatory system currently requires housing associations to facilitate and promote resident involvement. Both the Housing Corporation and the Audit Commission base their requirements for resident involvement on the belief that it promotes business efficiency and effectiveness, and enables individual and community capacity building. The Corporation is currently reviewing its Involvement Policy with a view to ensuring that all associations put the views and interests of customers at the heart of what they do.

As well as expecting housing associations to put residents at the heart of their business, the Housing Corporation has confirmed its intention to take the same approach itself.

*"Our Neighbourhoods and Communities Strategy will place residents and communities right at the heart of our work as investor and regulator. Our ambition should be to explore models of housing regulation based around accountability to tenants."*<sup>8</sup>

The growing focus on residents and regulatory reform in the current policy context shows that the time is right to consider the potential of, and issues relating to, models that give residents a stronger role in housing regulation. Resident-led self-regulation is one such model.

<sup>3</sup> *Inspection reform: the future of local service inspection: an analysis of consultation responses*, DCLG, 2006

<sup>4</sup> *The future of the regulation of the affordable housing sector in England*, CIH, 2006 and *Letting go: redesigning regulation for housing associations*, NHF, 2006

<sup>5</sup> *Reducing administrative burdens: effective inspection and enforcement*, HM Treasury, 2005

<sup>6</sup> *Strong and prosperous communities: the local government white paper*, DCLG, 2006

<sup>7</sup> *Review of regulatory and compliance requirements for RSLs*, Housing Corporation, 2006

<sup>8</sup> Residents to control regulation (news release), Housing Corporation, 10 October 2006

## Characterising resident-led self-regulation

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### Definition

The following working definition is intended to explain what is meant in this briefing by the term 'resident-led self-regulation'. It does not attempt to describe or specify what a system for resident-led self-regulation might look like. Further research is needed to establish what types of approaches are possible, desirable, and applicable in different circumstances. The appearance and structure of possible resident-led self-regulation models will become clearer in later publications resulting from this project.

Resident-led self-regulation is an approach where housing organisations' frameworks for directing,<sup>9</sup> accounting for, monitoring, assessing and modifying their own behaviour and performance are based on residents' priorities, views, and engagement with relevant processes.

Resident-led self-regulation is a form of organisational self-regulation, which is where an *organisation* develops formal frameworks and mechanisms for controlling its own behaviour. Component parts of housing associations' existing self-regulation frameworks include the business planning cycle, internal audit, setting and monitoring key performance indicators, options appraisals, and oversight and scrutiny by the board.

Self-regulation frameworks are already at the heart of housing associations' operations. Moving to *resident-led* self-regulation is simply about making residents central to these frameworks. Meaningful resident-led self-regulation would be where residents have a formal, strong role to assess and influence performance and behaviour.

Resident-led self-regulation as discussed in this paper is distinct from industry self-regulation, which is a model for external regulation where an *industry or profession* regulates its own affairs by developing, administering, and enforcing rules to govern behaviour of organisations within that industry or profession. Later parts of this project will consider the potential roles of resident-led self-regulation *within* different models of external regulation, including industry self-regulation.

### Scope

Housing associations' frameworks for self-regulation should enable them to manage all aspects of their own behaviour, from arrears performance to organisational growth strategies. However, early discussions on the potential scope of *resident-led* self-regulation have highlighted a widely held view that the approach is suitable only for self-regulation of service performance management. Some people have argued that involvement with wider performance management, constitutional oversight, grant management, and maintenance of viability and effective governance may not be attractive to residents and may be beyond their skills.

Accepting this view in the early stages of this project would be premature and would prevent a full consideration of the potential of resident-led self-regulation. There is scope for a wider role, for example CIH has previously argued that residents should have a greater role in constitutional decisions, e.g. to pursue mergers or group structures,<sup>10</sup> and some residents have commented that they could play a stronger and more effective part in governance.<sup>11</sup> However, this briefing does focus largely on service performance management. Consideration of the range of current activities that could be incorporated within resident-led self-regulation frameworks shows that there are far more examples that relate to service regulation than to grant, governance or constitutional regulation, or regulation of business direction. This trend in current practice does not mean that it is not possible to develop resident-led self-regulation models which cover other aspects of self-regulation including business, grant, governance and constitutional matters, and such models will be explored in later parts of this project.

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9 setting priorities, activities and standards

10 *The bigger picture*, CIH, 2006

11 Minutes of residents' panel, facilitated by TPAS for this project, 2007 (unpublished)

Whilst residents may adopt a more regulatory role, resident-led self-regulation is not intended to be about replacing, or duplicating, the current system of external, professional regulation with unpaid residents who regulate housing organisations from the inside. Rather, it should be about a partnership approach to organisational self-regulation where the board, staff and residents have clear roles and powers.

### **Relationship to resident involvement**

Resident-led self-regulation has a close relationship with resident involvement, but it offers something beyond what most involvement programmes currently offer.

Existing resident involvement activities may feed into self-regulation processes, but resident-led self-regulation is where the processes are led by residents' priorities. Residents will have a formal role to assess and influence, and their powers will be embedded throughout the organisation in its policies and procedures.

An organisation will need to draw on and develop resident involvement mechanisms already used in the housing sector if its self-regulation framework is to be built on a formal, strong role played by residents. It is therefore likely that many of the component activities in resident-led self-regulation will be those that are already considered to be good practice in resident involvement.

Resident involvement practices in housing associations cover a wide spectrum of activities. Associations have been encouraged to offer residents a 'menu' of involvement options so that they can get involved in a way that best suits their priorities and capacity. PEP<sup>12</sup> has identified involvement options offered by associations and grouped them into three categories: low, medium and high involvement. These categories reflect the time commitment required and the complexity of the involvement activity.

<b>Low involvement</b>	<b>Medium involvement</b>	<b>High involvement</b>
Focus groups	Residents' associations	Seats on management board
Estate meetings	Best value steering groups	Service review committees
Consultations	Mystery shopping	Federation of residents
Site meetings	Area advocates	Area forums
Surveys – postal and phone	Editorial for publications	Seminars / conferences
Events & fun days	Training	Setting and monitoring performance indicators and efficiency targets
Informal residents' groups	Estate inspections	Procurement panels
	Monitoring complaints	Resident inspection/resident audit programmes
	Business planning	

Adapted from *Evaluation of Housing Corporation's resident involvement policy*, PEP, 2006 (unpublished)

<sup>12</sup> *Evaluation of Housing Corporation's resident involvement policy*, PEP, 2006 (unpublished)

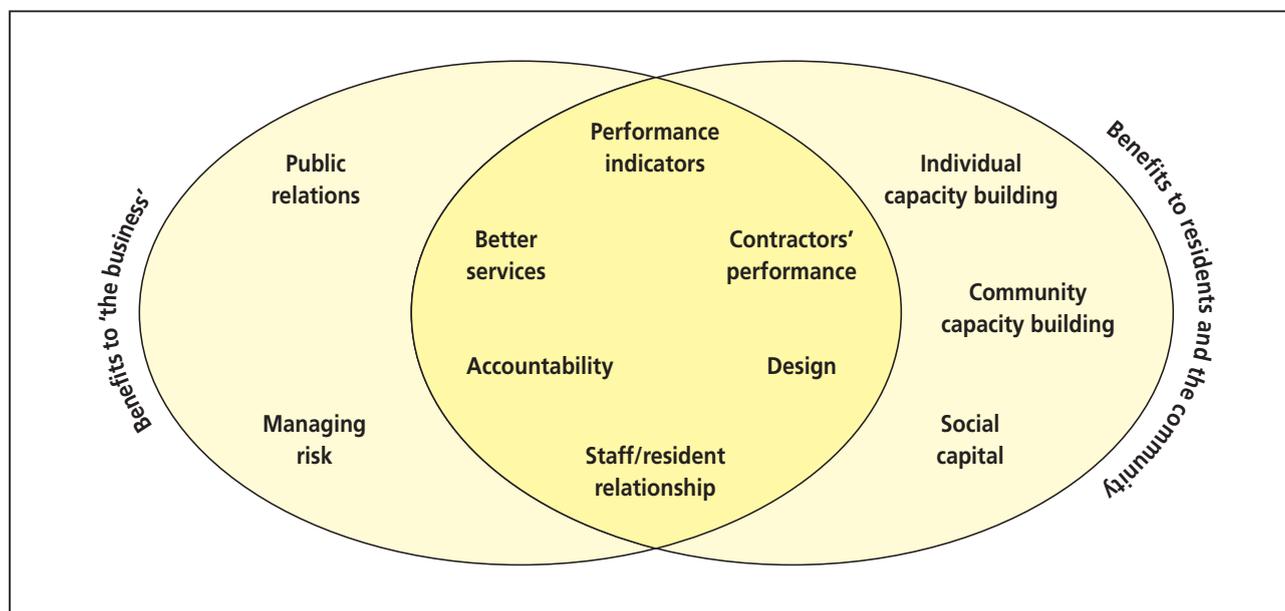
Many of these options for resident involvement could be used in resident-led self-regulation systems (either to feed in or have formal responsibilities), retaining opportunities for low, medium and high involvement of residents. For example, options such as consultations, resident-administered mystery shopping, and resident-staffed service review committees could figure in a resident-led approach to self-regulation of service delivery. They could be complemented by activities where residents have a formal role in setting policies and strategic direction. These options include ongoing activities, such as setting priorities and monitoring, as well as one-off activities that provide a snapshot of the housing associations' performance, such as inspections. Self-regulation is informed by both types of activity.

Not all options for resident involvement could be component parts of resident-led self-regulation though. For example, the board will play a crucial role in self-regulation frameworks, but the existence of resident board members in itself would not form an aspect of resident-led self-regulation. By the nature of board composition and responsibilities, resident board members may be *involved* in the direction and oversight of the association, but would not be *leading* it through their board membership.

Because resident-led self-regulation will harness a range of resident involvement activities and embed them in self-regulation frameworks, a more formal development of resident-led self-regulation is likely to be easier and more successful in housing associations that already have effective involvement policies and place the resident at the centre of their thinking.

## Resident-led self-regulation in the current regulatory framework

Housing associations, residents, and local communities can all benefit if associations adopt a resident-centred approach to their operations.



Source: *Housing: improving services through resident involvement*, Audit Commission, 2004

Moving to a formal resident-led self-regulation approach within the current regulatory framework has the potential to be the next step in deriving benefits from a resident-centred way of working. Resident-led self-regulation can bring benefits to the wider community by supporting delivery of further improvements to priority areas shared by housing associations and residents/community (shown in darker shading above). It is worth noting that these areas are also a high priority for other stakeholders such as constituency MPs, the government, Housing Corporation, and Audit Commission.

Some housing associations are already using approaches that could form part of a resident-led self-regulation methodology as part of their current resident involvement activities. Examples of these run through the rest of this briefing, and the next briefing in this series will explore in more depth some of the good practice being established.

## Accountability

Housing associations are accountable to a range of stakeholders that have a practical, financial, and political interest in their work. There are formal structures to hold them to account through external regulation and delivery on contracts or service level agreements, but there have long been arguments that associations are insufficiently accountable to their customers.

Resident-led self-regulation can put accountability structures at the heart of housing associations' operations by giving residents formal access to information, power to scrutinise and question, greater influence over direction, and increased powers of enforcement.

Residents and staff at the **Cumbria Tenants and Residents Participation Forum** worked together to 'lift the lid' off performance and benchmarking information. They identified what good services and Best Value mean to tenants, and considered how performance information can be made more accessible and relevant. Participants compared service information and performance indicators monitored and reported by landlords to the service and performance priorities identified and agreed by the residents themselves.

**Broomleigh Housing Association** uses a resident-led survey to supplement its regulatory requirement to survey resident satisfaction. Broomleigh gets resident focus groups to identify and agree what the most important issues are for them, and then constructs a survey around these issues. The results are then fed back to all residents. Staff bonuses are based on overall satisfaction (as defined by residents) improving.

A small number of residents' bodies that are involved in self-regulation frameworks have powers to ask their housing association to do, or refrain from, certain activities. However, the current regulatory framework does not allow residents working with these early forms of resident-led self-regulation to impose sanctions or initiate externally imposed sanctions.

## Efficiency

Housing associations' work to improve efficiency has increased significantly in response to the Gershon<sup>13</sup> recommendations, which are enforced through the regulatory framework.

CIH has previously noted the continued lack of resident involvement in efficiency activity.<sup>14</sup> The Housing Corporation has encouraged associations to increase resident involvement in efficiency work, and its template for Annual Efficiency Statements does ask associations to show how residents are involved in this area.

A resident-led self-regulation framework could give residents a formal role in work to increase efficiency, providing them with powers to assess and influence directions taken. This could strengthen associations' responses to resident priorities in areas where efficiencies are sought, where savings are redirected, and where non-cashable gains in service quality are pursued. This will become increasingly important in the longer term as new sources of cashable quick wins that have been found by many housing associations begins to dry up. Associations' ability to achieve non-cashable gains through better quality outputs will require a deeper understanding of how to prioritise service delivery. Resident-led self-regulation, using the activities identified in this paper, would provide an effective basis upon which to establish and respond to this deeper understanding.

<sup>13</sup> *Releasing resources to the front line: independent review of public sector efficiency*, HM Treasury, 2004

<sup>14</sup> *Integrating quality and efficiency*, CIH, 2006

## Performance

The Audit Commission identifies clear links between effective community engagement and performance improvement.

*“Customer focus and community engagement are key drivers to improving... services. Without focusing on customers, services will not offer value for money or not meet local needs. Community engagement helps the organisation ensure that the priorities of local people translate into strategy and decision making.”<sup>15</sup>*

Resident-led self-regulation can put residents’ priorities and concerns about performance at the heart of self-regulation frameworks, and thereby ensure the association is responsive to them.

There is no doubt that external inspection of housing services by the Audit Commission has helped housing associations to drive up performance standards. However, the sheer volume of housing association inspection currently being undertaken on a rolling programme would mean that an association is likely to be reviewed on a 7 to 8 year cycle, not often enough to act as a catalyst to change and service improvement.<sup>16</sup> The adoption of a risk-based system also means that organisations which are not the focus of some concern by the Housing Corporation may not experience inspection and therefore lack the external perspectives and pressure for service improvement. Internalisation of the philosophy of external inspection in self-regulation frameworks can help to maintain the focus on service improvement, and residents are in an excellent position to contribute to this.

**Knowsley Housing Trust** has established the framework for a team of volunteer resident inspectors. A training programme is provided to support the resident inspectors and the inspection programmes are tailored to the residents’ availability. In 2005/06 a total of three separate inspections were carried out by a team of 16 inspectors.

## Developing appropriate services

Putting residents’ priorities at the heart of business and project planning can help an association to ensure it provides services that meet the needs and desires of its customers. This is particularly relevant for maintenance, development and regeneration activities because residents are heavily affected by the way they are delivered.

**Arena Housing Association** encourages active involvement for residents in planning investment decisions. Where housing schemes are being extended or replaced, residents are involved from the option appraisal stage through to completion. The association does not proceed with schemes which residents do not support, and will modify schemes and funding to ensure residents’ priorities are delivered.

**Space Housing Association** involves residents in the selection of contractors for building, decorating, gas servicing, garden maintenance, and internal cleaning. This improves the organisation’s ability to select contractors who will commit to a level of service that meets residents’ needs and desires.

Housing associations make wide use of local performance indicators in their self-regulation frameworks, and often involve residents in developing them to ensure that organisational priorities reflect those of residents.

<sup>15</sup> *Performance management tools efficiency pack*, Audit Commission, 2006

<sup>16</sup> ‘An inspector calls’, Mark Lupton, *Inside Housing*, 21 April 2006

**Acton Housing Association** seeks to ensure that residents are fully involved in the development of local service delivery standards and monitoring. This includes standards and targets for answering of telephone, letters and emails; repairs; void times; and wording of letters and forms.

The use of Community Owned Performance Indicators (COPIs)<sup>17</sup> can give a wider role for residents in setting and monitoring local targets. Using COPIs enables communities to drive their own service improvements by setting (rather than influencing) and measuring performance indicators which drive organisational direction. This can lead to better targeted work and therefore greater efficiency, and enable reporting to both residents and regulators. This makes COPIs very suitable for use in a resident-led self-regulation framework.

Residents can also be given a direct role in deciding how some services are delivered, which can help to ensure that the type and quality of services meet resident priorities.

**West Kent Housing Association** has a security budget monitoring and control group, where residents can help to oversee how the association spends money on security – an area of great importance to many residents.

## Review of current housing association activity

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A culture of widening and deepening resident participation is an important foundation upon which to build a resident-led self-regulation framework. As already noted, resident-led self-regulation is likely to build on existing resident involvement activities used in the sector, giving formal roles and powers to embed the activities in self-regulation frameworks.

This section identifies examples of involvement activities which could develop into resident-led self-regulation and presents a review of resident involvement activities in the housing association sector as a whole. This helps to assess the likelihood of resident-led self-regulation models being successful at the current time. It brings together findings from analysis of current housing association resident involvement activities as evidenced by the Self Assessment Compliance Statements (SACS) completed by April 2005, and the Audit Commission inspections for the year 2005-06.

### **Self Assessment Compliance Statements**

The annual Self Assessment Compliance Statements produced by housing associations reveal how compliant associations believe themselves to be with the Housing Corporation's Resident Involvement Policy. An analysis of the SACS was presented by PEP in an unpublished report.<sup>18</sup> The report found that on average, associations comply with around two thirds of the policy. There is considerable regional variation in compliance with the policy and also differences between different types of association. Small and large associations tended to be more compliant with those with between 250 and 1000 properties being the weakest.

### **Audit Commission inspection reports**

The Audit Commission assesses resident involvement via its inspections programme. It also promotes resident involvement in the external inspection process through its use of resident inspectors. In 2005-06, 63 associations were inspected. These inspection reports have been analysed for this paper.

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<sup>17</sup> *The importance of community owned performance indicators (COPI)*, Cohesia, 2006

<sup>18</sup> *Evaluation of Housing Corporation's resident involvement policy*, PEP, 2006 (unpublished)

## Range and prevalence of resident involvement options

The reports provide evidence of a high level of low resident involvement activities across the sector which could fit in with or contribute to a resident-led self-regulation framework. For example:

- 87% of inspected associations undertook satisfaction surveys
- 70% used consultation groups
- 60% ran focus groups
- 88% were judged to have a range of good communications
- 75% had websites specifically for residents.

Opportunities for medium and high involvement activities which would fit in with a resident-led self-regulation approach were not so widely offered. For example:

- 75% of associates had residents on the board (typically between 1 and 5 residents)
- 45% of organisations had involved residents in setting service standards
- 31% of housing associations involved their residents in the performance management process.

Of those who involved residents in performance management:

- 26% used resident involvement in mystery shopper activity
- 16% involved residents in the procurement process
- 15% involved residents in setting and monitoring efficiency targets.

**Acis Group** has developed a telephone mystery shopper tool kit for use by residents. The system has been carefully designed to overcome internal data protection challenges and external training is provided for the 'shoppers'. Residents have control over what they review and are able to review, and they report back in a measurable way. Managers are able to respond to this and direct resources to those things that are shown to need input rather than relying on anecdotal evidence.

Less than 10% of associations involved residents in work shadowing and attending meetings, internal audits or resident-led staff interviews. Resident-led internal audit in particular has been used effectively by some associations and could form a central part of a resident-led self-regulation model.

**Penwith Housing Association** has trained a team of residents that undertakes a number of internal audit activities. The team has been doing this for two years and works out of the residents' resources centre as an independent stand-alone team. Residents conduct mystery shopping activity, phone customers who have recently had a repair done in order to check if the service and repair were satisfactory, and have a programme of audits focussed around customer services. They also talk to residents about areas where customer satisfaction is low.

## Quality of resident involvement options offered

Associations which the Audit Commission rated 'good' or 'excellent' overall were much more likely to be conducting resident involvement activities, especially of a medium or high level of involvement, than those rated fair or poor. This is not entirely surprising as customer involvement is a key cross cutting theme in inspections.

A significant difference between associations can be found in the level of training for residents to support their involvement activities. It was commented in several Audit Commission inspection reports that training and dedicated resources gave the residents the skills and tools to be constructively involved at all levels of decision making.

It should be noted that Audit Commission assessments of the quality of resident involvement do not always match residents' own assessment of the same opportunities for involvement. Disparities could occur where residents are unaware of the range of opportunities offered in other organisations and so are not using the same evidence base as the professional inspectors to make their judgement. Low expectations can result in higher satisfaction levels. Differences in assessments could also be attributed to resident dissatisfaction with outcomes of involvement rather than with opportunities available. Residents' past experiences can mean that participation does not seem meaningful to them, even though to the inspectors it appears that structures are in place which could deliver appropriate outcomes. Equally, resident satisfaction is likely to have been assessed through the three yearly STATUS survey, and could have improved by the time the inspection was carried out.

## Summary

This review has highlighted several issues that are pertinent to the potential and feasibility of resident-led self-regulation:

- The level of self assessed compliance with the Housing Corporation's Resident Involvement Policy varies by both size of organisation and region, suggesting an uneven capacity amongst associations to apply a resident-led self-regulation framework.
- Most housing associations offer a number of low resident involvement activities, but there is much less use of medium to high activities. In particular, high resident involvement in performance management and use of resident-led audits is not prevalent. A full range of activities would be needed in a strong resident-led self-regulation framework, and so redesign and further development of resident involvement activities would be needed in many associations to enable resident-led self-regulation.
- There is evidence that resident-led inspection is beginning to be developed by more housing associations, suggesting increasing capacity for residents to have more power in the self-regulation process.
- There is a clear correlation between high levels of resident involvement and positive assessments of organisational performance, although ratings are not always consistent with reported levels of resident satisfaction. Developing good resident involvement into a resident-led self-regulation framework could have an additional positive impact on performance.
- Resident involvement in associations' existing self-regulation of service performance management is much more prevalent than in self-regulation of business direction or constitutional, governance and grant regulation. Expansion of activities to cover these areas would be needed to allow resident-led self-regulation frameworks to cover the whole business.

## Moving forward within the current regulatory framework

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There are many examples of resident involvement in organisations' self-regulation processes that could be used and built on to develop a resident-led self-regulation framework, but at the moment these examples are mostly used in only a few aspects of organisations' self-regulation processes (usually service performance management). The following provides a summary of areas for further development.

### Developing and embedding structures and processes

A high proportion of associations are not currently undertaking the type of high resident involvement activities which will be needed in a meaningful resident-led self-regulation scheme. Moving to resident-led self-regulation will be a significant challenge for those housing associations that have yet to make significant progress with resident involvement activities and for those that struggle at a basic level to respond to residents' comments and preferences. It is important for these housing associations to achieve real cultural change and embed resident involvement in their work if they are to be in a position to adopt a resident-led approach to self-regulation.

Self-regulation of resident involvement activity could provide a good place to develop resident-led self-regulation and expand it beyond service delivery. These examples show how residents can have a formal role to assess an activity and lead on establishing areas where the association should change. A written procedure showing how the residents' recommendations will be acted on and accounted for by association staff, and how residents can ensure this happens, could tie this activity into a resident-led self-regulation framework.

**Liverpool Housing Trust** has established a Resident Involvement Monitoring Group which includes a majority of resident representatives. This group monitors and measures the performance of the housing association in respect of resident involvement and makes recommendations for change where necessary.

The Annual Resident Involvement Impact Statement produced by **Adactus Housing Group** contains an assessment by both officers and residents of the effectiveness and value for money of the resident involvement activities undertaken. These are flagged using a traffic light system and provide a clear and effective way of assessing the progress and value of resident involvement activity by the housing association.

### **Moving to a resident-led approach**

It will be important to establish which aspects of housing associations' self-regulation processes are of interest to residents. *What Tenants Want* acknowledges that a resident's appetite for participation is important as well as the need to build residents' capacity to contribute. "Involvement in itself is not interesting to tenants",<sup>19</sup> and they need to be able to see the worth of their involvement. For residents to be attracted to involvement with, and have faith in, resident-led self-regulation, the system would need to be identified as leading to clear, measurable outcomes and giving added value to existing frameworks.

Despite growing *resident involvement* in organisational self-regulation, the process is at present not often truly *resident-led*. In most cases, housing associations define the parameters within which residents can be involved, for example by identifying a priority for action and then asking residents to comment on the specifics. For self-regulation to be truly resident-led, residents must be at the heart of setting the priorities as well as reporting on progress towards them. A few associations are starting to do this.

**LHA-ASRA** has a resident inspection team. It has been operating for 2 years and is allowed to inspect any service it chooses. This enables residents to focus on services that matter most to them and to respond quickly to changes in performance or in the community.

### **Capacity building**

This change in residents' role in organisational self-regulation does present a challenge, as some residents may need support to develop the skills and knowledge required to play a formal role in directing a business in a successful way. Residents must be made aware of ways in which others participate, and given the right to request their use rather than simply fitting into opportunities established by the association. As already highlighted by CIH,<sup>20</sup> training and investment are needed if residents are to be meaningfully involved in assessing quality and efficiency. Residents will need to be properly trained and supported so they have the skills to undertake this role and know how to choose areas to inspect. They will also need access to networking and benchmarking opportunities to enable effective assessment of their own organisation. This raises further questions about how this support programme will be organised and who will bear the cost.

**Hyde Housing Association** has developed a toolkit to help newly formed residents associations build their capacity for effective involvement. Training is also offered to active residents who are taking part in working parties involved with setting service standards and service delivery priorities.

<sup>19</sup> *What tenants want*, NHF, 2006

<sup>20</sup> *Integrating quality and efficiency*, CIH, 2006

## **Powers to enforce**

Resident power to enforce or require action is currently lacking in most associations' procedures. If residents can assess and comment on services but cannot require action to be taken to remedy problems or alter outcomes, resident-involvement in self-regulation will not be able to progress to resident-led self-regulation. Formal processes need to be enshrined in internal policies and procedures: it is insufficient for associations simply to give their word that residents' views will be taken into account.

**PCHA** has developed a tenant scrutiny panel which oversees the association's activities and can serve notice on the board requiring action if necessary.

Consideration of sanctions within resident-led self-regulation will be needed. Formal sanctions could lie with residents, or residents with concerns about their association could be able to trigger intervention by external regulators who would continue (as at present) to hold the power of sanctions.

However, regulation is often about carrots as well as sticks, and so resident-led self-regulation frameworks could use incentives as well as compulsion to influence outcomes.

## **Cultural change**

Developments in resident involvement in housing associations are not universally accepted. Some residents are unhappy about the way in which the language of the market and of choice can mask the reality of what is often very little choice.<sup>21</sup> One of the challenges for resident-led self-regulation is therefore to explore how the principle of choice can be extended.

Some senior staff in housing organisations are comfortable with increased resident-involvement in organisational performance management but do not see resident involvement in, or influence over, wider self-regulation activities as possible or desirable. The viability of organisations' whole self-regulation processes becoming resident-led needs to be thoroughly explored alongside establishing residents' interest in the whole process.

Depending on how models are developed, a move to *resident-led* self-regulation could be seen as a direct challenge to traditional professional roles and responsibilities. Some housing professionals are uncomfortable with the perceived loss of power and control which results from resident involvement approaches.<sup>22</sup> These feelings could be exacerbated by development of resident-led self-regulation.

Consideration therefore needs to be given to the implications of changes that resident-led self-regulation could have on the roles and expectations of housing staff, and the feelings among staff about this. If resident-led self-regulation is to be effective, a process of culture change may need to be implemented.

## **Residents' groups – independence and representation**

Commentators have expressed concern about the tension between the traditional independence of residents' groups and the desire of housing organisations to support these groups and empower them to take on new responsibilities. The primary concern is that a well resourced residents' group would be too close to the housing association and less likely to be critical and reflect the genuine concerns of other residents.<sup>23</sup> There is also a potential tension between the traditional function of resident development as a supportive partnership and the role of residents in a resident-led self-regulation framework in which they may have the power to sanction the housing association.

21 'Approaches to tenant participation in the local authority sector', *Housing Studies*, 21(2), 2006

22 'The responsible tenant: housing governance and the politics of behaviour', *Housing Studies*, 19(6), 2004

23 'Approaches to tenant participation in the local authority sector', *Housing Studies*, 21(2), 2006

There is an important additional concern that residents' groups can comprise people who want to fulfil their own agendas, or can be heavily influenced by the staff that support them. Groups are also at risk of being unrepresentative: recent research has shown that community participation tends to be dominated by a small group of insiders who are disproportionately involved in a large number of governance activities.<sup>24</sup> Whilst resident-led self-regulation need not exclusively use officially constituted groups, it will depend on the formal and informal involvement of a range of residents. Problems in this area could undermine the effectiveness of resident-led self-regulation models.

For resident-led self-regulation to work there needs to be a tightly bound framework of operation which ensures that the residents involved in the process are seen to be acting independently of the housing association and in the wider interests of residents i.e. that it is genuinely residents and their priorities that are leading the self-regulation process. Support may be required to enable and maintain independence. A clear separation must be made between residents who are involved in governance of the association and those who assess activities and may require the board to take action. One could not, for example, have a resident involved both as a board member and a resident inspector for the same organisation.

## Links to reform of current regulatory systems

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Although further work would be needed to move from a position of resident involvement in self-regulation to resident-led self-regulation, this briefing has shown that components for aspects of resident-led self-regulation are being developed in some housing associations to operate within and alongside the existing regulatory framework.

There is significant potential for resident-led self-regulation to play a key role in the reform of external regulation, probably enabling changes to scale and responsibilities of external regulation although retaining a key role for it in the housing sector. The detail of how this could work needs further consideration and is something that will be explored further in our forthcoming policy proposal. Support for such an approach is currently strong.

Elton argued that there are good reasons for external regulation of housing organisations. In particular, regulation can protect consumer interests in a sector where there is little or no market competition between providers. However, he also argued that there is a strong case for reducing the burdens that external regulation places on individual organisations, to allow them to spend more time on their core business and be better able to set priorities relevant to them. The ability to balance these two objectives relies to a large extent on organisations being able to run their business to a high standard and demonstrate this to customers, stakeholders, and regulators.

Elton, the CIH, the NHF and the Housing Corporation have all argued that good self-regulation frameworks endorsed by some kind of independent validation could improve housing organisations' performance and continuous improvement and enable external regulation to be reduced. It may also be possible to develop a system which validates different organisational approaches to self-regulation in order to provide a range of options for residents and associations and allow evolution of frameworks as capacity develops.<sup>25</sup>

The introduction of a formal requirement for resident-led self-regulation alongside reform of the external regulatory system may be the boost needed for housing associations to refocus organisational thinking to be truly resident-centred.

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<sup>24</sup> *Community participation: who benefits?*, JRF, 2006

<sup>25</sup> *Tenant inspection options*, CIH, 2006 (unpublished)

## Conclusions and next steps

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The extension of resident involvement to resident-led self-regulation could be a strong response to political concerns about localism and accountability and would fit well in the current policy context around regulatory reform. However, the case for a move to resident-led self-regulation does require further consideration.

Analysis of current resident involvement activity amongst housing associations reveals a wide range of approaches which could be used in resident-led self-regulation frameworks. We can see that the adoption of resident involvement activities that are likely to form part of a resident-led self-regulation framework can bring clear benefits for housing associations in terms of performance, efficiency, service development, and accountability. It is also apparent that the effect of these activities could be strengthened by bringing them into a resident-led self-regulation approach.

However, the adoption of resident-led self-regulation requires a housing association to have an embedded acceptance of the value of resident involvement in general, but research suggests that some associations are not yet at this stage. These associations are likely to struggle if resident-led self-regulation were to be imposed as a regulatory requirement. Similarly, although there are examples of practice that is developing towards resident-led self-regulation, high level activities (such as resident inspection) are used by only a few housing associations at present. This suggests that it could be quite difficult to move to a widespread use of meaningful resident-led self-regulation.

This paper has looked specifically at current practice in housing associations. More work is needed to explore how barriers might be removed as well as how positive practice might be developed if it is to become feasible for resident-led self-regulation to be central to the behaviour and external regulation of housing associations. Consideration of differences in capacity between organisational type, size, and operating area is needed because the PEP report suggests that differences do exist. Attention should also be given to how associations' different operating contexts and the needs and desires of residents can be dealt with within resident-led self-regulation frameworks. A wider view of the role of resident-led self-regulation for other housing organisations such as local authorities with retained stock and ALMOs should also form part of future work in this area.

The next stages of this research project will further explore the issues that have been highlighted in this paper, provide detailed ideas on how resident-led self-regulation can be taken forward within the current regulatory framework and how to ensure activities used are effective, and develop a formal policy proposal for how resident-led self-regulation can contribute to regulatory reform.

Areas to be addressed include:

- the range of models for resident-led self-regulation that could be developed
- expectations and competencies of key players (e.g. residents and associations), including measures needed to ensure the capacity of residents successfully to take a leading role and of associations to self-regulate effectively within a resident-led self-regulation framework
- resources needed to achieve effective resident-led self-regulation
- aspects of the current regulatory system that could be reformed or removed to allow use of a resident-led self-regulation system
- incentives and sanctions within the system
- the roles of the Housing Corporation, Audit Commission, Communities England and local authorities
- how approaches might link into wider policies for developing competition and choice.

While the move to a resident-led self-regulation framework will be a challenge to many housing associations, the benefits of taking this step are becoming apparent, irrespective of any forthcoming changes in the regulatory framework. The growing body of good practice in this area is testimony to that.

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