



**DfC**

Department  
for Communities

[www.communities-ni.gov.uk](http://www.communities-ni.gov.uk)

# How We Regulate

An overview of our Regulatory Framework Standards:  
Governance, Financial and Consumer

Updated February 2018



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# Introduction

1.1 The Department for Communities (DfC) is the Regulatory Authority for Registered Housing Associations (RHAs) in Northern Ireland. The Housing Regulation Branch within DfC undertakes this Regulation activity on behalf of the Department and we seek to protect the interests of tenants, homeless people and others who use the services provided by RHA's.

1.2 Under the direction of DfC's Social Housing Reform Programme, the previous Regulatory process originally introduced in 2006, has now been replaced with a clearer and simpler set of arrangements which are more consistent with an RHA's organisation. This followed a series of workshops with stakeholders and a full public consultation on the proposed framework.

- The framework that has been developed and the processes around it are significantly different to the original approach and we are committed to supporting RHA's Boards and management teams to recognise and understand their responsibilities. Our Regulatory approach will assess whether RHAs comply with these standards ([Appendix A](#)) which are:

- **Governance** - encompasses robust risk management processes that supports the business, and allows them to be fully innovative whilst ensuring efficient use of public funds
- **Financial** - addresses the mechanisms in place to protect assets and public funds, financial planning and assumptions, and risk management
- **Consumer** - focuses on tenants, considers tenant involvement, complaints, services, and understands tenants' needs
- **Risk-based process** - The focus is on how Association identify and manage risk where the emphasis is on outcomes rather than compliance. Risk based regulation is an approach for us to prioritise our use of resources and plan how to engage with RHAs through further scrutiny and engagement. The approach recognises the primacy of Boards in



managing their organisations and acknowledges their responsibility to Stakeholders, including tenants, to meet the standards.

- **New Rating System** - A new rating system has been introduced with the Regulator reviewing evidence supplied by the providers and awarding a regulatory rating. The new system will allow providers to focus on the areas that require improvement. The four new ratings are:

1. Meets requirements
2. Meets the requirements but needs to improve in some areas in order to ensure continued compliance
3. Does not meet the requirements, but is working to improve their position
4. Does not meet the requirements due to issues of serious concern and is subject to further engagement

standards and, by doing so, demonstrate effective governance and sound financial management whilst delivering good outcomes for tenants. We expect RHAs to use these standards and advice to assess, confirm and improve their governance controls, financial management and consumer processes and to be accountable to their tenants and other service users.

- 1.4 We will refer to the standards and our advice notes when we fulfill our role to monitor, assess, and report on RHAs' financial well-being and how they meet the governance and consumer Standards. Each RHA must govern and manage its own business and performance and decide how it will demonstrate achievement of these standards and be accountable for their actions.

- 1.5 When we refer to the Board, we mean the management committee or board of management of an RHA. When we refer to the senior officer we mean the most senior member of staff employed by the RHA, usually the Chief Executive, General Manager or Director.

- 1.3 This document provides detailed information on our three standards along with some fundamental basics crucial to the overall process. All RHAs must demonstrate achievement of these

1.6 When we refer to governance we mean the arrangements for the leadership, strategic direction and control of an RHA. A well-governed RHA delivers good tenant outcomes; demonstrates strong and effective leadership; manages and mitigates risk sensibly; is open and

accountable; and maintains high ethical standards. An RHA with poor governance can experience problems with achieving good tenant outcomes, and put at risk the viability of the organisation, stakeholders' confidence, and the good reputation of the sector.

## Regulatory Standards

2.1 Our three Regulatory Standards are applicable to all RHAs and are effective from the 01 April 2017.

RHAs should continue to assess achievement of the standards and report their performance to their tenants.

2.2 It is for each RHA to decide how it meets the standards, based on its local context and individual circumstances. RHAs are responsible for the standards of conduct within their own organisations and are publicly accountable to their tenants, other service users, funders and other stakeholders for the governance decisions they make.

2.4 RHAs must notify us formally of any area of non-achievement and tell us how this will be addressed. When we assess achievement of the standards, we will take account of the RHA's own assessment of its performance, and the evidence to support this. Periodically, or where we have potential concerns, we will review an RHA's assessment in order to form a view about the standards of governance, financial management and consumer engagement within the RHA and across the sector. We may publish our findings from reviews and inquiries.

2.3 RHAs should assess their governance structures and arrangements against the standards and identify and take any actions needed to fulfill their obligations.

# Upholding Regulatory Standards

- 3.1 We will take action, if necessary, to safeguard the interests of tenants and other service users where a failure to achieve the Regulatory Standards indicates poor governance or poor financial management. Our decision on what action to take will be based on the extent and nature of the failure of the Regulatory Standards.
- 3.2 RHAs must notify us immediately if there is, or is likely to be, a failure to achieve the Regulatory Standards or a breach of the Board's own code of conduct. The RHA should take its own actions to deal effectively with the event and to satisfy us that its actions protect the interests of the organisation and its tenants and meet the Regulatory Standards.
- 3.3 We also expect auditors to consider a significant failure to meet the Regulatory Standards or a significant breach of the governing body's own code of conduct as of material significance.





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# Appendix A

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## Appendix A

# Governance, Financial and Consumer Standards & Outcomes

### Governance standard - A focus on risk

This will consider effective governance arrangements that deliver outcomes for tenants in an accountable manner.

It will focus on the assessment of risk and ensure robust risk management processes are in place.

### Governance Standard 1

**Social housing providers shall ensure effective governance arrangements that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner.**

Desired outcomes	Guidance
<ul style="list-style-type: none"><li>• Adhere to all relevant legislation</li><li>• Comply with their governing documents and all regulatory requirements</li><li>• Conduct their affairs with honesty and integrity</li><li>• Operate in an open, transparent and accountable manner to tenants, the regulator and partners</li></ul>	<ul style="list-style-type: none"><li>• Social housing providers shall adopt and comply with an appropriate Code of Governance. Governance arrangements should establish and maintain clear roles, responsibilities and accountabilities for their board, chair and chief executive and ensure appropriate probity arrangements are in place. Boards should assess the effectiveness of their governance arrangements at least once a year</li></ul>
<ul style="list-style-type: none"><li>• Base decisions on good quality information and advice to identify and mitigate risks to the organisation's purpose</li></ul>	<ul style="list-style-type: none"><li>• Social housing providers shall promote and uphold the standard of behaviour and conduct it expects of its board and staff through an appropriate code of conduct.</li></ul>

Desired outcomes	Guidance
<ul style="list-style-type: none"> <li>• Have the skills and knowledge they need to be effective</li> </ul>	<ul style="list-style-type: none"> <li>• Social housing providers shall ensure that the board receives good quality information and advice from staff, and where necessary, from expert independent advisers, that is timely and appropriate. The board shall be able to evidence any of its decisions</li> <li>• Board members and senior officers understand their respective roles and working relationships are constructive and effective. The board shall provide the necessary challenge and hold the chief executive to account for their performance</li> <li>• Social housing providers shall have a formal and transparent process for the recruitment of board members; ensure that the board has the appropriate skills and composition through performance evaluation; provide relevant induction and training; provide ongoing support to the board</li> <li>• If the board decides to pay any of its members, it shall have a policy framework to demonstrate how this will improve the quality of governance and financial management</li> <li>• Social housing providers shall ensure that they operate an appropriate strategic planning and control framework that identifies and manages risks to the delivery of their objectives and compliance with regulatory standards</li> <li>• Social housing providers shall provide tenants, service users and other partners with appropriate information on the organisation, its services and performances</li> <li>• Social housing providers shall communicate in a timely manner with the regulator on material issues that relate to non-compliance with the standards</li> <li>• Social housing providers shall provide accurate and timely returns to the regulator in a form determined by the regulator</li> </ul>

## **Governance Standard 2**

**Social housing providers shall adopt a robust approach to the assessment and management of risk and demonstrate informed and transparent decision-making processes.**

Desired outcomes	Guidance
<ul style="list-style-type: none"><li>• Have an effective risk management and internal controls assurance framework</li><li>• Safeguard taxpayers' interests and the reputation of the sector</li></ul>	<ul style="list-style-type: none"><li>• Social housing providers shall ensure that there are appropriate systems of internal controls that inform strategic decision-making, ongoing board scrutiny and financial management</li><li>• Social housing providers shall ensure that appropriate arrangements are in place to ensure the independence of the internal and external audit functions</li><li>• Social housing providers shall ensure that their risk management and internal controls assurance framework is reviewed regularly</li></ul>

### Financial Standard - A focus on protection of assets & public funds

This will consider mechanisms in place to manage resources; to ensure financial viability

now and well into the future. It will focus on strategic plans to achieve value for money.

#### Financial Standard 1

**Social housing providers shall manage their resources effectively to ensure financial viability is maintained in the short, medium and longer term.**

Desired outcomes	Guidance
<ul style="list-style-type: none"> <li>• Effective controls and procedures are in place to ensure security of assets, the proper use of funds and there is appropriate financial reporting to the RHA's management and board in place.</li> <li>• Effective systems are in place to monitor and accurately report delivery of their plans</li> <li>• The risks to delivery of financial plans are identified and effectively managed</li> <li>• All financial reporting requirements are met, ensuring legislation is complied with and all relevant accounting standards are adhered to</li> </ul>	<ul style="list-style-type: none"> <li>• Social housing providers shall ensure that they have a robust and prudent business planning and control framework. Through this framework they will ensure: <ul style="list-style-type: none"> <li>– there is security of assets, the proper use of public and private funds and access to sufficient liquidity at all times</li> <li>– financial forecasts are based on appropriate and reasonable assumptions</li> <li>– planning is sufficient considering the financial implications of risks to the delivery of plans</li> <li>– they monitor, report on, and comply with their funders' financial covenants</li> </ul> </li> <li>• Social housing providers shall ensure that their board fully understands the implications of its treasury management strategy, ensures that it is in the organisation's best interests and understands the associated risks</li> <li>• Social housing providers shall ensure that they provide timely and accurate returns to the regulator</li> </ul>

## Financial Standard 2

**Social housing providers shall articulate and deliver a comprehensive and strategic approach to achieving value for money in meeting their organisation's objectives.**

Desired outcomes	Guidance
<ul style="list-style-type: none"><li>• A robust annual assessment of all their assets and resources that will articulate the organisation's approach to making decisions about how its resources are used to deliver objectives</li></ul>	<ul style="list-style-type: none"><li>• Social housing providers shall annually undertake a robust assessment of all their assets and resources. This assessment will articulate the RHA's approach to making decisions about how its resources are used to deliver objectives</li><li>• Social housing providers shall have performance management and scrutiny functions which are effective at driving and delivering improved value for money and performance</li><li>• Social housing providers shall understand the costs and outcomes of delivering specific services</li><li>• Social housing providers will articulate this self-assessment of the organisation's value for money in a transparent and accessible format to be published annually</li></ul>



### Consumer Standard - A focus on tenants

This considers various levels of tenant involvement. It focuses on ensuring tenant homes meet the standard, are well

maintained and consider the diverse needs of tenants, as well as supporting initiatives that create vibrant communities for all residents.

#### Consumer Standard 1

**Social housing providers manage their businesses so that tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with.**

Desired outcomes	Guidance
<ul style="list-style-type: none"> <li>• Social housing providers adopt a strategic approach to tenant participation in the development and review of housing and related services, or in response to service failure</li> <li>• Social housing providers have due regard to the tenant participation strategy for Northern Ireland</li> <li>• Social housing providers ensure that tenants and other users are made aware of and are clear about the participation activities and strategic approach to tenant participation</li> </ul>	<ul style="list-style-type: none"> <li>• Social housing providers shall regularly seek the views of tenants, and be responsive to and consider their views</li> <li>• Social housing providers shall offer tenants a menu of participation activities so that they can participate as individuals, within formal or informal group structures or as specialist posts</li> <li>• Social housing providers shall provide opportunities for tenants to scrutinise the services they receive and the decisions that impact them</li> <li>• Social housing providers shall provide the appropriate training and support to tenants and staff to encourage, promote and provide the skills required to make participation an integral part of their organisation</li> <li>• Social housing providers shall develop relationship and engagement opportunities for tenants and others within the community or those whose role has an impact on tenants e.g. other Government departments or housing providers</li> </ul>

### Consumer Standard 2

**Social housing providers shall provide ‘Decent Homes’ standard accommodation with good service quality choices appropriate to the diverse needs of their tenants.**

Desired outcomes	Guidance
<ul style="list-style-type: none"> <li>• Service delivery targets for repairs and maintenance are set, adhered to and reports produced</li> <li>• Homes meet, as a minimum, the Decent Homes standard</li> <li>• Homes are allocated in a fair and transparent manner ensuring good tenancy management</li> <li>• An effective complaints process is in place, and detailed in the tenants handbook and annual reports are produced</li> <li>• Tenants are consulted on service quality performance &amp; housing options to meet diverse needs of tenants</li> <li>• The needs of people with disabilities (young people and adults) &amp; adults at risk are adequately considered</li> </ul>	<ul style="list-style-type: none"> <li>• Social housing providers shall provide evidence of service delivery performance</li> <li>• Social housing providers shall provide reports on tenant satisfaction surveys</li> <li>• Social housing providers shall provide reports on stock condition surveys</li> </ul>

### Consumer Standard 3

**Social housing providers shall concentrate their efforts to support vibrant communities that encourages tenant opportunities and promotes well-being.**

Desired outcomes	Guidance
<ul style="list-style-type: none"> <li>• Community engagement initiatives are supported</li> <li>• They work in partnership with other Agencies to contribute to: <ul style="list-style-type: none"> <li>– keeping the neighbourhood and communal areas clean &amp; safe</li> <li>– promoting well-being</li> <li>– tackling anti-social behaviour</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Social housing providers shall provide reports on tenant satisfaction surveys</li> <li>• Social housing providers shall provide reports on Stock Condition Surveys to the regulator</li> </ul>



