

## 2. The principles of co-regulation

### I. Boards and councillors who govern providers are responsible and accountable for delivering their organisation's social housing objectives

2.1 Good governance is the bedrock of every organisation's ability to run itself effectively and efficiently. Primary responsibility for achieving their organisation's social housing 8 aims lies with the boards of private registered providers and the councillors who govern local authority housing services. The governing bodies are also accountable to their stakeholders, including to their tenants, for services delivered and for dealing with potential or actual problems.

2.2 This principle is the foundation of co-regulation. For both private and local authority providers, governance arrangements should be fit for purpose, and reflect the complexity and risk-profile of the organisation. Boards and councillors need to set clear objectives and develop a forward-looking strategy that enables their organisation to make the most of future opportunities and mitigate potential risks. There should be a continuous focus on effective financial management and improving value for money.

### II. Providers must meet the regulatory standards

2.3 All registered private and local authority providers are subject to the regulatory framework and must all meet the applicable regulatory standards.

2.4 Standards are classified as either:

- standards relating to economic matters, or
- standards relating to consumer matters

2.5 Consumer standards apply to all registered providers, including local authorities. Boards and councillors are responsible for ensuring the standards are met, and others, such as tenant panels, MPs and elected representatives have a role in scrutinising that this is delivered. The regulator sets the consumer standards so that tenants, landlords and stakeholders know the outcomes that are expected. In this way, co-regulation is supported by the standards. The regulator does not have a proactive role in monitoring compliance with these standards, and will only intervene in cases of serious detriment.

2.6 Economic standards apply only to private registered providers. For profit-making providers, the economic standards apply to the management of their affairs only so far as they relate to the provision of social housing. The regulator has a proactive role on these standards, and will engage with providers to obtain assurance that these standards are being met.

2.7 In setting all standards, the regulator must have regard to the desirability of registered providers being free to choose how to provide services and conduct business. Standards are set largely with a focus on outcomes, avoiding detailed prescription wherever possible.

### III. Transparency and accountability is central to co-regulation

2.8 Providers and their boards and governing bodies should be transparent with their tenants, service users and other stakeholders. Providers' approaches to co-regulation should be honest and robust, and include evidence-based self assessment, external challenge, and regular reporting to tenants.

2.9 All providers should run their businesses with a presumption of openness and co-operation with stakeholders, including the regulator. Some of the regulatory standards rely on transparency to tenants as the means of giving explicit effect to a co-regulatory approach. This includes the reporting requirements in both the Tenant Involvement and Empowerment and Value for Money standards.

#### IV. Tenants should have opportunities to shape service delivery and to hold the responsible boards and councillors to account

2.10 Providers are expected to engage meaningfully with their tenants and offer them opportunities to shape the tailoring of services to reflect local priorities. Tenants should have the ability to scrutinise their provider's performance, identify areas for improvement and influence future delivery. Providers will also need to continue to support tenants in developing their skills and capacity so that engagement and scrutiny are effective.

2.11 This principle is of fundamental importance in the system of consumer regulation envisaged by the Government's review of social housing regulation in 2010. In the regulatory standards, it is articulated in the revised Tenant Involvement and Empowerment standard.

#### V. Providers should demonstrate that they understand the particular needs of their tenants

2.12 Providers' governance arrangements and approaches to management and service delivery must incorporate and demonstrate principles of equality and diversity, and apply them in a way that is relevant to their organisation's purpose and context. It is essential that providers understand tenants' needs including those within the equality strands 10. This requirement is retained from the previous standards framework as a cross-cutting element of the Tenant Involvement and Empowerment standard, which applies throughout the way providers should deliver services and engage with their tenants.

#### VI. Value for money goes to the heart of how providers ensure current and future delivery of their objectives

2.13 Providers should have a strategy for optimising value for money, and systems to ensure that this strategy is delivered.

2.14 For private providers, the regulator has set a new Value for Money standard. Boards are expected to develop and deliver a strategy to achieve continuous improvement in their performance on running costs and the use of their assets. They are expected to be transparent and to enable scrutiny of their performance. The regulator will comment in regulatory judgements on the assurance it has obtained on this standard. The regulator will also carry out and publish sector and provider level analyses of the performance of the sector as a whole, with the aim of adding to the available body of contextual information that can inform boards and stakeholders.