

Public Health Section

Guidance Note

Determining the Most Appropriate Course of Action

Housing Act 2004

**Issued April 2006
RR**

Public Health Section - Guidance note

Part 1 Housing Act 2004. Determining the Most Appropriate Course of Action.

1. Introduction

This note gives some guidance on how to determine the most appropriate course of action when dealing with individual dwellings under Part 1 of the Housing Act 2004. It will be necessary after an assessment under HHSRS to generate enforcement options before deciding on the most appropriate course of action. The enforcement options include:-

- Emergency Remedial Action
- Emergency Prohibition Order

- The service of an Improvement Notice
- The service of a suspended Improvement Notice,
- The service of a Prohibition Order
- The service of a suspended Prohibition Order
- The service of a Hazard Awareness Notice

- The service of a Demolition Order
- The making of a Clearance Area

Officers must always have regard to 'The HHSRS Enforcement Guidance Housing Act 2004 Part 1 Housing Conditions', when making enforcement decisions

2. Decision Rules

This series of questions will help start the process of option generation:-

- a) Does the dwelling have serious structural problems (i.e. a high scoring category 1 hazard under the heading 'Structural Collapse')?
- b) Is the dwelling in a terrace or block of flats? If so, are there serious structural problems (i.e. a high scoring category 1 hazard under the heading 'Structural Collapse') in other dwellings within the terrace/block?
- c) Is the cost of removing or minimizing any category 1 hazard(s) in the dwelling unreasonable? (This will normally be relative to the dwelling under consideration and a threshold figure should be agreed with the Team Leader responsible for Housing Standards after discussion with valuation surveyors.)
- d) Is the dwelling detached or semidetached?
- e) Is it impractical to remove or minimize any category 1 hazards?
- f) Is the cost of removing or minimizing any category 2 hazard(s) unreasonable? (This will normally be relative to the dwelling under consideration and a threshold figure should be agreed with the Team Leader responsible for Housing Standards after discussion with valuation surveyors.)
- g) Is it impractical to remove or minimize any category 2 hazards?
- h) Is there a category 1 hazard in the dwelling that is imminently dangerous to the occupants?

In the option generation process:

Clearance should remain an option if the answers to both questions **a and b is yes** or if the answer to question **b is yes**; or if the answer to question **c is yes** and in addition the majority of the remaining dwellings in the terrace/block are in a similar condition. It should also remain an option if the answer to question **e is yes** and the remaining dwellings in the terrace/block are in a similar condition. In this case a cost benefit and socio-environmental comparison between these and other options will be needed. See **Annex 1** for examples of cost benefit and socio economic comparisons of different options.

A Demolition Order should remain an option if the answers to both questions **a and d are yes** or if the answers to both questions **c and d are yes**. In this case a cost benefit and socio-environmental

comparison between these and other options will be needed. See **Annex 1** for examples of cost benefit and socio economic comparisons of different options.

A Prohibition Order prohibiting the use of the whole of the dwelling by all categories of persons should remain an option if the answer to any of the questions c e f and g is **yes**. In this case a cost benefit and socio-environmental comparison between these and other options will be needed. See **Annex 1** for examples of cost benefit and socio economic comparisons of different options.

A Prohibition Order prohibiting the use of the dwelling by a certain category of person should remain an option if the answer to any one or more of the questions c e f or g is **yes**.

An Improvement Notice requiring works to remove hazards should always remain an option to be considered.

Emergency Remedial Action or an Emergency Prohibition Order should be considered if the answer to question h is **yes**.

Suspended Improvement Notices or Prohibition Orders should be considered in the circumstances outlined in Clause 5.24 - 5.29 of The HHSRS Enforcement Guidance (but these are not exhaustive).

3. In any event the following persons or organizations must normally be consulted before any final enforcement decision is made.

- The **occupiers** (the answers to questions h and i are relevant in this respect)
- The **Landlord/Manager**. Wherever possible (unless there is a need for Emergency Remedial Action) informal contact should be made with landlords before the service of formal Notices. Where owners agree to do work forthwith, formal action should only be postponed in connection with lower risk hazards.
- **Any relevant agency** such as the Police, Social Services, Fire Service, Housing Aid, and HSE etc. in order to agree a suitable approach to the hazards. Consider whether it may be more appropriate for another agency to deal with the hazards under other legislation.

4. If the answers to questions *a b c and e are all no* then clearance and demolition are enforcement options that can be eliminated and there is no need for any cost benefit and socio - environmental comparison between these and other options.

Generally where it is apparent that a Clearance Area, a Demolition Order or a Prohibition Order prohibiting occupation of the whole dwelling are not appropriate courses of action and that the cost of removing or minimizing the hazard(s) in the dwelling are not excessive there will be no need for any further NRA (NPV and socio-environmental comparisons). The enforcement decision can then be made having regard to of The HHSRS Enforcement Guidance Housing Act 2004 Part 1 Housing Conditions' (Parts 4 and 5 in particular).

Where there is a need for further NRA the officer must consult the Team Leader responsible for Housing Standards, since this may involve officers from other Services.

- 5.** There may be strategic reasons for a particular course of action (e.g. imminent proposals for redevelopment of the area / planning CPOs etc). Enquiries should always be made to ensure that an enforcement decision does not conflict with a strategic priority.
- 6.** A specimen report format is contained in **Annex 2** for officers to use as a written justification of their enforcement decision.

Annex 1

A Practical guide to the NRA Methodology for Small Scale Assessment

(Please note: examples are illustrative only – costs, valuations and discount figures reflect the situation in the 1990s)

NRA methodology is a system for considering alternative courses of action by means of a series of logical steps.

The aim is to consider various options and establish which option is likely to provide the greatest net benefit to the community.

Whether evaluating an individual property or an area the same principles are used merely differing in the size of the neighbourhood and the amount of detailed information that is collected.

1. Identification of premises

Having identified a property where '*the most appropriate course of action*' needs to be determined under Part 1 of the Housing Act 2004 it may be necessary to undertake additional survey work on the adjoining or adjacent properties to establish their condition, as the choice of the most appropriate course of action will be influenced by this information.

2. Principles of NRAs for an individual property

It is useful to follow these principles: -

- ◆ unless the property is isolated it cannot be considered on its own
- ◆ consider all land uses within the neighbourhood in consultation with planners
- ◆ consequences of actions on the property needs to be quantified over the next 30 years
- ◆ public and private sector costs are to be considered
- ◆ social and environmental factors are to be considered
- ◆ the views of interested residents, those who are affected by subsequent action and those who might have a subsequent interest in the neighbourhood
- ◆ the aim is not to find the lowest cost solution but being fully aware of all costs and benefits and implications which would result from the chosen option.

3. The process

Preparation:

- ◆ who is to be involved in the process?
- ◆ how can it be organised?

4. Aims, objectives and decision rules

In the case of individual dwellings:

Aim: to remove or minimize unacceptable hazards.

Objective: find the most appropriate way of removing or minimizing the hazards.

Decision rules: identify any criteria that will rule out an option at the outset before more detailed work is carried out.

5. Boundary definition

- ◆ consider properties adjacent and in the immediate vicinity
- ◆ is it sensible to draw the boundary line around a whole terrace or part of it
- ◆ consider size of land within curtilage
- ◆ consider any vacant land nearby.

6. Option generation

Consideration should be given to the following options

- ◆ removing or minimizing hazards by serving an improvement notice (whether suspended or not)

- ◆ serving a prohibition order (whether suspended or not)
- ◆ making a demolition order
- ◆ declaring a clearance area

Any one of the above actions cannot be considered in isolation. The subsequent actions and impact of decisions taken should be quantified for the next 30 year period and at the end of that period consideration is to be given to the further long term future of the premises, land or area.

In generating these options the local authority may find it helpful to consider the views of those affected by the decision. Resident or owners of premises in the immediate vicinity plus those who may be expected to provide any input into the new build.

Finally the options can be tested against the decision rules to eliminate those that do not conform and this will prevent any unnecessary detailed work.

7. Information gathering

A comprehensive list of information is required before any assessment can be made.

This ranges from condition of the properties and costs of remedial work, land values, new build costs etc social and environmental views and preferences of residents and other interested parties.

When this information is collated the option development can begin.

8. Option Development

a) *Economic Assessment: Net Present Value (NPV) Calculations*

In order to compare expenditure in future years with expenditure of present, a method is needed which allows a direct comparison to be made.

Net present value is a method used to determine how much the prospect of future expenditure and income would be worth in today's values. Money has a time value. In simple terms £1.00 now is worth more than £1.00 in a years time, since the £1.00 could have been invested and with interest accrued worth more than £1.00 in a years time.

NPV calculations discount future spend and future income (by a factor of 8% per year, in the following worked examples, although this may alter – see *HM Treasury Green book*). The table below shows the Discount Factor used in these calculations.

| Year | Discount Factor | Year | Discount Factor | Year | Discount Factor |
|------|-----------------|------|-----------------|------|-----------------|
| 1 | 1.0 | 11 | .46 | 21 | .21 |
| 2 | .93 | 12 | .43 | 22 | .20 |
| 3 | .86 | 13 | .40 | 23 | .18 |
| 4 | .79 | 14 | .37 | 24 | .17 |
| 5 | .74 | 15 | .34 | 25 | .16 |
| 6 | .68 | 16 | .32 | 26 | .15 |
| 7 | .63 | 17 | .29 | 27 | .14 |
| 8 | .58 | 18 | .27 | 28 | .13 |
| 9 | .53 | 19 | .25 | 29 | .12 |
| 10 | .5 | 20 | .23 | 30 | .11 |

The NPV method allows an appropriate weighting to be given to future cash flows, but it is only an aid to decision making, not a financial or accounting mechanism.

Inflation is ignored - it is assumed to have a neutral effect on the different options and therefore has no effect on decision making.

Current costs are used as a measure of future costs (i.e. improvement cost in 30 years being equivalent to current improvement costs) and any increases in future values are 'real' increases.

NPV measures how much an investment's present value will exceed (or fall short of, if negative) the present value of the revenue it produces.

Costs

Costs are “negative” cash flows, (from whatever source) and have a negative NPV in the calculations. The main costs are:

- ◆ remedial works
- ◆ demolition costs (including compensation)
- ◆ new build costs (site acquisition and building costs)

Benefits

Benefits are “positive” cash flows and have a positive NPV in the calculation. The main benefit is:

- ◆ increase in market value of housing

b) Sensitivity Analysis

This analysis is carried out on those costs “about which there is greatest uncertainty and are likely to show considerable variation”.

The analysis is used to identify whether changes to the costs and benefits used in the economic assessment of different options would result in different NPVs and thus affect the decision made.

If the NPVs between options are fairly close then it may be necessary to look at some of the more theoretical assumptions to see if changing these values makes any substantial difference to the outcome.

If the rankings of the NPVs for each option remain the same when different values are used then we can be reasonably confident that the option showing the lowest NPV would reflect the lowest costs.

c) Socio-environmental Assessment

This assessment is intended to determine which options provide the most social and environmental benefit.

The first stage is to determine which social and environmental criteria should be considered. Relevant criteria may differ from one case to another. Examples include: -

- Improvement in area appearance
- Reduction in crime and vandalism
- Changes to the type of property available in the area
- Reduction in homelessness
- Disruption to residents

Secondly, decide how to assess the options. A simple rating - say 1 to 5 - to reflect how well each option meets the criteria.

Finally, if it is perceived one of the criteria is more important than others, it is a simple matter to introduce a multiplying factor to that criterion.

9. Option appraisal

At the end of the process you will have two assessments: an economic assessment for each option and an indication as to which has the most social and environmental benefits.

This does not provide a ‘right’ or ‘wrong’ answer as to which course of action to take. The decision ultimately taken will be a matter of judgment in an attempt to reconcile two sets of information.

The assessments will provide you with the tools by which to make a decision as to the most appropriate course of action together with information to justify your selection.

Example 1 - IMPROVE OR DEMOLISH - Small Scale NRA

43 & 45 Share Street

Problem

A pair of 1930s brick built semis, one of which suffers from progressive instability to the gable and 2-storey offshot. The owner of No. 43 is elderly and has allowed the property to decline to such an extent that the LA has been involved at the request of an elected member.

No. 45 has had remedial work carried out 15 years ago, which has arrested any movement.

The estimated cost of works required at No. 43 is £28,000 and in line with Council policy and legislation the most appropriate course of action needs to be determined.

No. 45 requires no work.

Options

It is not feasible to demolish No. 43 only, therefore 2 options emerge:-

1. Full structural works and improvements to No. 43 including tying-in works to No. 45.
or
2. Demolish the pair of properties and redevelop the site with 1 pair of semis.

Costs To Be Used

| | | |
|----|--|------------------|
| a) | Remedial work to No. 43 | £28,000 |
| b) | Current market value of No. 43 | £15,000 |
| c) | Current market value of No. 45 | £46,000 |
| d) | Improved market value of No. 43 | £48,000 |
| e) | Improved market value of No. 45 | £50,000 |
| f) | Demolition costs = market value + 10% No. 43/ No. 45 | £16,000/£50,6000 |
| g) | Site value per dwelling | £8,000 |
| h) | New build construction costs | £40,000 |
| i) | Market value of new dwelling | £50,000 |
| j) | Maintenance costs - years 2-30 per dwelling | £8,000 |
| k) | Refurbishment costs - year 30 per dwelling | £8,000 |

Assumptions

Increase in market value = 10% of repair costs.

Option 1

Full structural works and improvement

| Year | Action | Cost/Benefit | Disc | NPV |
|------|---------------------------------------|--------------|------|----------|
| 1 | Improve No. 43 | -28,000 | 1.0 | -28,000 |
| | Market Value Increase No. 43 | +33,000 | | +33,000 |
| | Market Value Increase No. 45 | +4,000 | | +4,000 |
| 15 | Repair costs (2 x 8k) (years 2-30) | -16,000 | .34 | -5,440 |
| | Market Value Increase | +1,600 | | +544 |
| 30 | Refurbishment costs (2 x 8k) | -16,000 | .11 | -1,760 |
| | Market Value Increase | +1,600 | | +176 |
| | | | | - 35,200 |
| | | | | +37,720 |

Option 2

Demolish two properties and build two new properties

| Year | Action | Cost/Benefit | Disc | NPV |
|------|---|----------------------|------|---|
| 1 | Demolish 2 No. 43 No. 45 | - 16,500 - 50,600 | 1.0 | -16,500 - 50,600 |
| 2 | New build 2 dwellings Market Value Increase (Sale value - site value) | - 80,000 + 84,000 | .93 | - 74,400 +78,120 |
| 15 | Repair costs (2 x 8k) (Years 2-30) Market Value Increase | -16,000 + 1,600 | .34 | - 5,440 + 544 |
| 30 | Refurbishment (2 x 8k) Market Value Increase | - 16,000 + 1,600 | .11 | - 1,760 <u>+ 176</u> |
| | | | | - 148,700 <u>+ 78,840</u> <u>- 69,860</u> |
| | | | | +2,520 |

Socio-environmental assessment

| Factor | Option 1 Improvement | Option 2 Demolish and Rebuild |
|---------------------------|-------------------------|----------------------------------|
| Residents Views (X 2) | 4 (8) | 1 (2) |
| Maintaining Community | 4 | 1 |
| Improve Living Conditions | 2 | 4 |
| Environmental Impact | 4 | 5 |
| Private Sector Awareness | 2 | 4 |
| Energy Saving Housing | 2 | 4 |
| Total | 22 | 21 |

| | Total NPV £ | Economic Rank | Socio-environmental Score | Socio-environmental rank |
|----------|-------------|---------------|---------------------------|--------------------------|
| Option 1 | + 2,520 | 1 | 22 | 1 |
| Option 2 | - 69,860 | 2 | 21 | 2 |

Improve or Clear?

2-16 Hallam Road (A single terrace of eight properties)

Problem

Four of the properties have category 1 hazards under the heading of structural collapse (instability) and all of them suffer from a variety of other category one hazards due to disrepair.

Structural problems: the two end terrace properties (2 & 16) require work on the gable walls. 6 and 8 have a structural problem with the offshot. The structural problems do not affect the remaining properties.

Options

It is clear that the unstable properties cannot be dealt with in isolation and consequently the terrace of 8 properties must be considered as a whole. The options are therefore:-

a) fully improve all 8 properties to provide a 30-year life expectancy with maintenance costs in year 15 and refurbishment in year 30.

b) demolish 8 properties and redevelop the site to provide 5 new dwellings with maintenance costs in year 15 and refurbishment in year 30.

COSTS TO BE USED

| | 2 | 4 | 6 | 8 | 10 | 12 | 14 | 16 |
|---|------|-----|------|------|-----|-----|-----|---------|
| a) Structural Costs | £18k | - | £16k | £16k | - | - | - | £18k |
| b) Improvement Costs | £15k | £3k | £15k | £15k | £3k | £9k | £9k | £15k |
| c) Current Market Value of number 2,6,8 and 16 | | | | | | | | £20,000 |
| d) Current Market Value of number 4 and 10 | | | | | | | | £30,000 |
| e) Current Market Value of number 12 and 14 | | | | | | | | £25,000 |
| f) Current Market Value of improved dwelling | | | | | | | | £32,000 |
| g) Demolition Costs = Market Value + 10% | | | | 4 @ | | | | £22,000 |
| | | | | 2 @ | | | | £27,500 |
| | | | | 2 @ | | | | £33,000 |
| h) Site value of cleared land (£7,000 per plot) | | | | | | | | £35,000 |
| i) New build construction costs per dwelling | | | | | | | | £38,000 |
| j) Market value of new dwellings | | | | | | | | £45,000 |
| k) Maintenance costs year 2-30 per dwelling | | | | | | | | £8,000 |
| l) Refurbishment costs year 30 per dwelling | | | | | | | | £8,000 |

Assumptions

Increase in Market Value = 10% of repair cost

Option 1

Full structural works and improvement

| Year | Action | Cost/Benefit | Disc | NPV |
|------|---|-----------------------|------------|--|
| 1 | Improve 8 properties £84,000 Structural work to 4 properties £68,000 Market Value Increase | - 152,000 + 66,000 | 1.0 | - 152,000 + 66,000 |
| | 4 @ 12k 2 @ 7k 2 @ 2k | | | |
| 15 | Repair costs (8 x 8k) (years 2-30) Market Value Increase | - 64,000 + 6,400 | .34 | - 21,760 + 2,176 |
| 30 | Refurbishment costs (8 x 8k) Market Value Increase | - 64,000 + 6,400 | .11 .11 | - 7,040 + 704 |
| | | | | -180,800 + 68,880 <u>- 111,920</u> |

Option 2

Demolish 8 properties and redevelop the site to provide 5 new properties

| Year | Action | Cost/Benefit | Disc | NPV |
|------|---|------------------------|------------|---|
| 1 | Demolish 8 properties | - 209,000 | 1.0 | - 209,000 |
| 2 | New build 5 dwellings Market Value Increase (sale value - site value) | - 190,000 + 190,000 | .93 .93 | - 176,700 + 176,700 |
| 15 | Repair costs (5 x 8k) (years 2-30) Market Value Increase | - 40,000 + 4,000 | .34 .34 | - 13,600 + 1,360 |
| 30 | Refurbishment costs (5 x 8K) Market Value Increase | - 40,000 + 4,000 | .11 .11 | - 4,400 <u>+ 440</u> |
| | | | | - 403,700 <u>+ 178,500</u> <u>- 225,200</u> |

Socio-environmental assessment

| Factor | Option 1 Improvement | Option 2 Demolish and rebuild |
|-------------------------------|-------------------------|----------------------------------|
| Residents preference | 3 | 1 |
| Maintain community (X 2) | 5 (10) | 1 (2) |
| Improve living conditions | 1 | 5 |
| Environmental impact | 2 | 4 |
| Private sector attractiveness | 2 | 5 |
| Total | 18 | 17 |

| | Total NPV £ | Economic rank | Socio environmental score | Socio environmental rank |
|----------|-------------|---------------|---------------------------------|--------------------------------|
| Option 1 | - 111,920 | 1 | 18 | 1 |
| Option 2 | - 225,206 | 2 | 17 | 2 |

Report on the most appropriate course(s) of action at (insert address)

Report of inspection and HHSRS assessment

Always use this heading and insert report of inspection and HHSRS assessment.

Decision Rules

(Always use this heading and answer yes or no to the following questions).

| | |
|--|--------|
| a) Does the dwelling have serious structural problems (i.e. a high scoring category 1 hazard under the heading 'Structural Collapse')? | Yes/No |
| b) Is the dwelling non-detached? If so, are there serious structural problems (i.e. a high scoring category 1 hazard under the heading 'Structural Collapse') in other dwellings within the semi/ terrace/block? | Yes/No |
| c) Is the cost of removing or minimizing any category 1 hazard(s) in the dwelling unreasonable? | Yes/No |
| d) Is the dwelling detached or semidetached? | Yes/No |
| e) Is it impractical to remove or minimize any category 1 hazards? | Yes/No |
| f) Is the cost of removing or minimizing any category 2 hazard(s) unreasonable? | Yes/No |
| g) Is it impractical to remove or minimize any category 2 hazards? | Yes/No |
| h) Is there a category 1 hazard in the dwelling that is imminently dangerous to the occupants? | Yes/No |

Description of area and surrounding housing

(Always use this heading and insert brief details)

Strategic considerations

(Use this heading and insert details if there is any overarching strategy that influences the enforcement decision/action, e.g. Area Housing plans and Policies, Conservation Areas, New Deal or Renewal Areas etc.)

Circumstances/vulnerability of and views of the current occupant(s) and regular visitors

(Always use this heading and insert details unless dwelling is empty)

Circumstances and views of the landlord/manager

(Always use this heading and insert appropriate details)

Views of neighbours

(Use this heading if relevant)

Views of other relevant agencies

(Use this heading and insert details if relevant, e.g. if consultation with Fire Officer, Police, Housing Aid/Housing Needs/Homelessness Services, Social Services etc took place).

Impact of multiple occupancy/sharing of facilities

(Use this heading and insert details as appropriate if relevant)

Risk of social exclusion

(Use this heading and insert details as appropriate)

Impact of multiple (minor) hazards

(Use this heading and insert details as appropriate)

Other considerations

(Use this heading and insert details as appropriate e.g. dwelling is a listed building or the subject of planning proposals or CPO etc)

Outcome of economic appraisals (NPV comparisons) for different options

(Use this heading and insert details if NPV comparisons were made in connection with different options for action)

Outcome of socio-environmental comparisons for different options

(Use this heading and insert details if socio-environmental comparisons were made in connection with different options for action)

Recommended course(s) of action

(Always use this heading and insert details of enforcement decision/action to be taken as appropriate)

Housing implications of recommended course of action / risk of social exclusion etc

(Always use this heading and insert details as to how enforcement decision impacts on housing needs.)

Housing implications of alternative courses of action.

(Always use this heading and insert brief details as to how alternative courses of action might impact on housing needs).

Statement of reasons for recommended course of action

(Always use this heading and insert details as appropriate)

Date of report:

Officer:

Signature of Officer:

Team Leader:

Signature of Team Leader:

Date: