



Consultation

# Consultation on proposals to introduce a Guidance Note for the valuation of properties in multi-storey, multi-occupancy residential buildings with cladding



# Consultation

1. This consultation, on proposals to introduce a Guidance Note for the valuation of properties in multi-storey, multi-occupancy residential buildings with cladding, is part of RICS' standards development process, and helps to ensure that the impact of any professional policy changes have been properly assessed and stakeholders have been consulted.
2. RICS recognises that this is a subject that will have important impacts for numerous stakeholders, particularly those who are selling, remortgaging or looking to buy properties in buildings affected by the issue of combustible cladding. It is important that people feel safe in their homes and government advice to building owners about building safety has an effect on the value of properties. It is in the public interest that the homebuying market works effectively and this guidance aims to help provide consistency on when an EWS1 form will be needed, to protect buyers and ensure that leaseholders can sell or remortgage their homes without unnecessary delay.
3. The proposed Guidance Note refers to initial engagement with the fire safety industry, valuers, insurers, conveyancers and lenders. This consultation is continuing that engagement. As well as comment from industry and relevant professional bodies, we are particularly keen to hear feedback from building owners, sellers, purchasers and fire experts in order to inform our final guidance.

## How to respond

4. You can respond to this consultation online via RICS iConsult (<https://consultations.rics.org/consult.ti/cladding/>) or by responding to the questions below and emailing the project manager, Helvi Cranfield ([hcranfield@rics.org](mailto:hcranfield@rics.org))
5. In developing this draft guidance, we have considered a wide ranging set of views in order to formulate proposed criteria that reasonably balance the relevant risks to valuers, lenders, sellers and buyers, while taking account of existing government guidance. We are now seeking feedback and evidence from stakeholders on whether the guidance set out in the consultation draft achieves this.

6. Please ensure that responses to this consultation are sent no later than 5pm 25 January 2021.

## Background

7. The EWS1 process was developed and agreed by RICS, UK Finance and the Building Societies Association in December 2019 to enable a consistent mechanism for building owners to provide information to mortgage lenders and their valuers about the external wall systems of multi-storey, multi-occupancy residential buildings and whether remedial work would be needed to resist the spread of fire over the facade.
8. Following changes to government guidance in January 2020, the original advice that EWS1 forms were only required for buildings over 18 metres (around six storeys) is no longer in line with expert fire safety advice. The result of this is that mortgage lenders and valuers are applying inconsistent criteria for determining when an EWS1 form is required leading to a higher number of EWS1 assessments being required.
9. This increase in requests for EWS1 forms, together with limited availability of assessors who are competent and have appropriate insurance to complete EWS1 forms, has caused a challenge in the selling and buying of properties in buildings with external cladding. We recognise the significant distress this causes to leaseholders who own properties in such buildings and are taking a number of steps, including producing this guidance, to support the proper and timely functioning of the homebuying market.
10. RICS has secured funding from the UK Government to train chartered building surveyors to carry out EWS1 assessments of low and medium risk buildings, allowing the limited number of fire engineers to focus on higher risk buildings. We continue to work with Government and industry to find solutions to the ongoing concerns about availability and affordability of professional indemnity insurance (PII). The UK Government has committed to finding a way forward in the face of dwindling PII availability in this field.
11. The aim of these proposals is to provide guidance to valuers on situations where an EWS1 form may not be required, in order to create more consistency and certainty for sellers and buyers, and to ensure that EWS1 form assessments are targetted at the most at-risk buildings.

12. We are therefore seeking views and evidence about whether the proposed guidance would provide clarity on when a reasonable assumption can be made that expensive fire safety remedial work for external facades will not be required, so that a valuer could provide a valuation figure for an individual property in a building without needing an EWS1 form. We are also seeking views on whether the guidance will ensure that EWS1 forms are requested only where that is reasonably necessary in order to provide proper advice to clients and to meet the duty of care that a valuer has to the borrower.

## Scope

13. It is important to note that the scope of the proposals is only in respect to mortgage valuations. A valuation is not a fire risk assessment. A mortgage valuation is undertaken for the lender, and it is important that borrowers are aware of its limitations and that they should consider taking their own advice on fire safety. The guidance therefore aims to make this clear.
14. RICS acknowledges that any advice based on specific, risk-based criteria will lead to some properties being valued where a reasonable assumption that the property will not require remedial work is later proved wrong by a fire risk assessment. However, we believe that it is necessary to balance that risk with the ongoing risk that low-risk properties are unable to be re-mortgaged or sold.

# Proposals for consultation

## Developing the Proposed Criteria

15. In developing the proposed criteria, we have had significant engagement with Government, fire safety experts, valuers, lenders, conveyancers, lawyers, and insurers.
16. The guidance proposed reflects the type of inspection that a valuer instructed by a lender in relation to an individual flat within a building will undertake. This will be a visual inspection of the flat and its surrounding, as well as the outside of the building. However, the valuer will not have instructions, or authority, to access all parts of the building, and will not be able to investigate types of cladding or how they have been fitted.

17. In developing the guidance, we are seeking to reflect the advice in the latest UK Government [Consolidated Advice Note \(CAN\)](#) in providing guidance about whether work is likely to be needed to external walls. Government guidance may change in future and may lead to different requirements.
18. The CAN references heights in metres, but it is important to recognise that, in a mortgage valuation inspection, it is not likely that a valuer will be able to measure the height of the building. We therefore consider that using the number of storeys as an approximate equivalent of the height requirement in the government guidance is an appropriate and practical method. In the guidance we recognise three different levels:
- buildings over six storeys (18m+)
  - buildings of five or six storeys (11m+)
  - buildings of four storeys or fewer (under 11m)
19. In general, the higher the building the more expensive remediation work and/or interim measures to remediate will be. However, on lower rise buildings any costs will generally be shared between fewer units and so costs per unit may still be significant.
20. The following paragraphs outline the criteria we propose for when an EWS1 form should not be required for each different level and our rationale for these criteria.

## Criteria for buildings above six storeys

- **There is no cladding or curtain wall glazing on the building and**
  - **if there are balconies where the balustrades and decking are constructed of combustible materials (e.g. timber), they are not stacked vertically above each other.**
21. Buildings of any height where the external walls are constructed with no cladding as defined in the guidance document would not require remediation work based on the advice to building owners in the CAN.
22. We believe that, following the advice in the CAN (para 1.21.5), building owners are likely to need to investigate any cladding on a building of this height. If required, the remediation costs of

replacing any amount of cladding on a building above 18m are likely to be high and would likely materially affect unit value. Further, because of the difficulties of evacuating occupants from buildings of this height any interim measures (eg waking watch) are also likely to be urgent and expensive. Therefore, we consider an EWS1 form should be required if there is any cladding, or balconies with significant amounts of combustible material (both the balustrade and decking), which stack above each other and therefore create a higher risk of costs affecting value.

## Criteria for buildings of five to six storeys

- **There is not a significant amount of cladding on the building (for the purpose of this guidance, approximately a quarter or more of the surface façade is a significant amount) and**
- **there are no ACM or MCM panels on the building and**
- **if there are balconies where the balustrades and decking are constructed with combustible materials (e.g. timber), they are not stacked vertically above each other.**

23. We consider that, where required, remediation work on buildings of 5-6 storeys is likely to be more expensive than on lower rise buildings and, because of the higher risks to life if a fire were to occur, there is more risk of costly interim measures being required if dangerous cladding is identified.
24. The CAN says (para 1.21.6) that owners of buildings of any height need to consider the risk of external fire spread and that height is a relevant consideration for this risk assessment. Based on this advice we consider that buildings of 5 to 6 storeys, with a significant amount of ACM cladding are likely to need remediation work, or interim measures, where there any concerns about the composition or fitting of that cladding. There is little data on what amount of cladding is likely to be significant for these purposes. We are proposing that more than a quarter (estimated by the valuer on a visual inspection) is a significant amount but are seeking views and evidence on this.
25. The CAN also says (para 1.21.1) that certain types of Aluminium Combustible Material (ACM) and Metal Composite Material (MCM) cladding are a significant risk no matter the height of the building and it is unreasonable to expect a valuer to be able to identify these different types. Therefore, any cladding of this type, on any height of building should be investigated by an expert through the EWS1 process. This may additionally lead to buildings with metal cladding

needing an EWS1 form if information cannot be provided to the valuer about the type of cladding, as metal, ACM or MCM cladding are visually very similar.

26. We have received mixed feedback from stakeholders during drafting on whether or not High Pressure Laminate (HPL) panels of any type should be included in the Guidance Note, as triggering the need for an EWS1 form in any amount for building under six stories. The CAN refers to HPL panels at paragraphs 1.21.3, 1.21.4 and 5.12, but does not appear clear about whether remediation work is likely to be required for all residential buildings with HPL panels and combustible insulation. We would therefore welcome written evidence from stakeholders on whether they should be excluded or included.
27. For the time being we have included balconies where the balustrades and decking are made of combustible materials which stack directly over each other in buildings of 5-6 storeys (or higher) as a factor which is likely to need an EWS1. We think such buildings are likely to require remediation work, the cost of which is likely to have a material effect on value. We are seeking the views of consultees on the likely cost of remediation work in this circumstance and whether this should be included, or whether any other attachments should be referred to in the criteria.

## Criteria for buildings of four storeys or fewer

- **There are no ACM or MCM panels on the building**

28. The points made at paragraphs 24 and 25 above about ACM and MCM cladding, and HPL panels also apply to buildings of four storeys or fewer.
29. We consider that where buildings of 4 storeys or fewer have other types of cladding (ie non ACM/MCM) or balconies, the CAN is less likely to result in advice being given to building owners that expensive remediation work is required and we therefore believe that EWS1 forms should not generally be required for these buildings.

## Supporting Valuers making assessments

30. RICS is producing technical information on types of cladding to provide support to surveyors in this area. A draft has been published with this consultation and a final version will be published alongside the finalised guidance note.

# Impact assessment

31. We are mindful that these changes will significantly impact home buyers and sellers in affected properties. When developing this guidance, we have tried to balance the interests of buyers and lenders with the needs of ensuring an effective home buying and selling process. We have also been mindful of the need to ensure EWS1 forms are targeted at the most at-risk buildings to speed up the process of identifying and remediating unsafe homes.
32. Overall, we believe the proposed changes will have a positive impact, but we are keen to hear from all stakeholders during consultation whether this guidance will result in fewer EWS1 forms required than are currently being requested and the impact on buyers.

## Consultation questions

### About you

Are you responding as a:

Leaseholder

Building owner or property manager

Prospective homebuyer

Solicitor/conveyancer

Fire safety professional

Registered Valuer

Insurer

Insurance broker

Estate Agent

Contractor

Professional body

Other

## **Consultation questions**

### **Impact of guidance (for all respondents)**

1. What impact would the proposed guidance have on you?
2. Would the guidance help you to understand whether an EWS1 form is likely to be needed by a valuer for your building? (All responders except valuers and lenders)
3. In your experience, what impact would the proposed guidance have on the number of EWS1 forms being requested? Are there any other factors that would affect the number of EWS1 forms being requested? (For valuers and lenders)
4. Would the guidance help you to make more consistent decisions about when an EWS1 form should be requested? (For valuers and lenders)

### **Questions on criteria for leaseholders, solicitors/conveyancers and prospective buyers**

5. Are the criteria set out in the document clear and easy to understand?
6. Given that a valuer will not know whether a building will need expensive remediation work without an EWS1 form, do you agree that the criteria set an acceptable level of risk for when a valuer can make an assumption about this without asking for an EWS1 form?

### **Questions on criteria for all other respondents (Please provide reasons and evidence to support any negative answers)**

7. Do you agree with the definition of cladding in the guidance, and with the list of construction methods where an EWS1 is not likely to be required?
8. Do you agree that residential buildings over six storeys should require an EWS1 if they have any cladding as defined in the guidance?
9. Do you agree that residential buildings over six storeys should require an EWS1 if they have any curtain wall glazing?
10. Do you agree that residential buildings over six storeys should require an EWS1 if they have vertically stacking balconies where balustrades and decking are constructed of combustible materials?
11. Do you agree that residential buildings of five or six storeys are likely to require remediation work that would affect value if they have any type of cladding?
12. Do you agree that if more than approximately a quarter of the surface of a five or six storey residential building has cladding of any type as defined in the guidance this is likely to result

in remediation work that would affect value? If no, would you suggest a different threshold for the amount of cladding that may result in a need for remediation work?

13. Do you agree that vertically stacking balconies in residential buildings of five or six storeys where balustrades and decking are constructed with combustible materials are likely to result in the need for remediation work that would affect value?
14. Do you consider that any other type of attachment to buildings of five storeys or higher should be included in the criteria as triggering the need for an EWS1 form?
15. Should HPL panels be included or excluded from our Guidance Note as triggering the need for an EWS1 form in any amount for residential buildings under six storeys? Please provide reasons for your answer.
16. Do you agree that residential buildings of four storeys or fewer have a lower risk of needing expensive cladding remediation work that could affect value?
17. Do you agree that residential buildings of four storeys or fewer should need an EWS1 form if they appear to have any ACM or MCM cladding?
18. Do you agree that four storeys is the correct upper limit for this lowest risk category? If not what number of storeys would you suggest?
19. Are there any other circumstances not currently covered by the guidance in which you believe a valuer should not assume that remediation work affecting value will not be needed and should request an EWS1?

**Other (for all respondents)**

20. Do you have any other comments on the proposed guidance?