

RICS consultation on valuation of properties in multi-storey, multi-occupied residential buildings with cladding

National Housing Federation response

25 January 2021

Summary

The National Housing Federation is responding on behalf of housing associations in England to the Royal Institution of Chartered Surveyors' (RICS) [consultation on its draft UK Guidance Note on the valuation of properties in multi-storey, multi-occupancy residential buildings with cladding](#).

The NHF and housing associations welcome RICS' work to provide consistency in the valuation of flats, particularly due to the impact on leaseholders and homebuyers caused by delays due to safety concerns and the costs of remediation. The changes to the proposed guidance are a step in the right direction in potentially reducing the number of properties that could be subject to an External Wall System (EWS1) form. In practice, however, we believe lenders' policies on requesting an EWS1 form will ultimately determine the outcome of how any new guidance is applied.

We believe there will still be substantial work for housing associations and other building owners to acquire the information necessary for a surveyor to determine whether a building meets the proposed criteria on whether it should be subject to an EWS1. This could mean there is little impact on the existing timeframes needed to provide the form to leaseholders or prospective buyers. The lengthy timeframes are also determined by the lack of specialists needed to confirm whether there are safety concerns in a building, as their time is also imperative for addressing urgent safety concerns in higher-risk buildings.

Ultimately, we believe that the government needs to provide upfront funding for all remedial works and to urgently coordinate the allocation of resources, so that they are directed to buildings that need them most. In doing so, the government would enable people to remortgage or move and ensure the economic benefits of a

functioning housing market, by overcoming lenders' concerns that borrowers may have to pay unaffordable bills for remedial works. But more importantly, the government would better ensure the safety of all residents in affected buildings by providing resource on a risk basis.

For more information, please contact Victoria Moffett, Head of Building and Fire Safety Programmes at the National Housing Federation at victoria.moffett@housing.org.uk.

Introduction

The National Housing Federation (NHF) represents housing associations in England. Our members provide more than two and a half million homes for around six million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.

The NHF and housing associations welcomed the EWS1 form when it was introduced in December 2019, as a means to provide a consistent process for surveyors in valuing flats in high-rise buildings, given the uncertainty over safety concerns in buildings 18m or more in height. Since then, as the scale of building safety concerns has become more apparent, lenders have required the form to support mortgage applications in multi-storey, multi-occupied buildings below 18m.

Housing associations are doing what they can to meet these requests, but the scale of demand alongside the scarcity of specialist expertise means that some residents may experience delays of many years for an EWS1 form for their building. Housing associations agree that this is not acceptable, and so we welcome this RICS consultation on proposed new guidance to provide consistency in the valuation of flats moving forward. However, we have reservations as to how this will change current practice, given other factors that are beyond RICS' control.

NHF view

Housing associations are making every effort to support growing numbers of leaseholders who need an EWS1 to support a mortgage application or sale. However, our members have clear responsibility to ensure the safety of residents in homes that require urgent remedial works to overcome safety concerns in their buildings. The specialists required to advise on and oversee necessary remedial works in affected buildings are also those needed to inspect buildings for EWS1 sign-off. Their attention must first be placed in ensuring safety in higher-risk buildings. We are therefore supportive of attempts to free up the demands on their time, together with government initiatives to build capacity in this sector.

Given the scale of the challenge to remediate buildings with safety concerns, programmes of remedial works will be complex and could take up to a decade to complete. We understand that lenders are concerned that borrowers will be expected to meet large remediation bills for works in the future. For both of these

reasons, we believe that the government must provide upfront funding for remedial works and recoup the costs from those responsible later. In doing so, the government could help building owners overcome financial barriers to quickly remediating buildings and ensuring residents' safety. Such action would also ensure a functioning housing market, enable people to remortgage or move home, and, importantly, ensure that leaseholders and charitable housing associations do not have to pay unaffordable bills for remedial works to properties that they bought in good faith.

While we recognise that RICS' proposals could be a step in the right direction to help some leaseholders, there will still be considerable work for building owners, surveyors and competent specialists to determine whether a building meets the proposed criteria for buildings not subject to an EWS1. In practice, this could still result in delays for leaseholders and home buyers, as specialist resources continue to be prioritised in remediating higher-risk buildings. Alternatively, if these resources are temporarily diverted – or when government initiatives to build capacity among specialists start to actualise – then the work to ascertain whether a building meets the criteria is carried out once, benefitting leaseholders who remain in the building but want to sell in the future. Overall, the benefits that these proposals could represent to some leaseholders may still take some time to be felt.

In addition, we believe lenders' views of these proposals are ultimately what will determine whether or not they will have an impact in practice. As independent organisations, different lenders will have different risk appetites which will determine whether or not consistency in valuations can truly be provided. Some lenders could perhaps be reassured on the proposed application of the form should the approach be endorsed by those with the requisite specialist knowledge of the risks in buildings. We welcome the work the government is undertaking to engage the insurance industry on the provision of professional indemnity insurance for those inspecting buildings and providing EWS1 forms, as one method of assuring lenders.

The EWS1 form was created as a means to value flats in multi-storey, multi-occupied buildings while there is ongoing uncertainty over their safety. We believe there is only one solution to overcome uncertainty and provide the clarity that lenders need - and that the government is the only organisation with the requisite agency to implement the solution. The government must guarantee and provide upfront funding for all remedial works and urgently coordinate the necessary resources, so that they are directed first to buildings that need them most. While we welcome RICS' proposals for some buildings not to be subject to the EWS1 form, should they be

applied in practice, there will still be many buildings for which an EWS1 is requested and where remedial works will be needed. Government funding for all remedial works is the most effective way to enable *all* leaseholders to remortgage or move, prevent all leaseholders from having to pay unaffordable bills and ensure the economic benefits of a functioning housing market. Most importantly, this approach would better ensure residents' safety. The government could then recoup costs from those responsible once remedial works are completed.

Answers to consultation questions

Questions aimed at all consultation respondents:

1. What impact would the proposed guidance have on you?

Housing associations welcome the proposed guidance as a step in the right direction to supporting some leaseholders and home buyers with delays in receiving an EWS1 form. In practice, if the proposed guidance is agreed to by all those with a responsibility for inspecting, remediating, valuing and lending against a building meaning that they are successfully taken forward, we believe it could be useful in reducing the demand for EWS1 for buildings that clearly meet the proposed criteria. However, where this is not the case, we are concerned that housing associations will still have considerable work to determine whether a building meets the proposed criteria for buildings not subject to an EWS1. This could still result in delays for leaseholders and home buyers, as specialist resources continue to be prioritised in remediating higher-risk buildings. However, it could be beneficial to leaseholders that remain in buildings that don't need an EWS1 but who want to sell at a later date, once it has been determined that a building is exempt.

2. Would the guidance help you to understand whether an EWS1 form is likely to be needed by a valuer for your buildings?

While the criteria in the proposed guidance is clear to understand, we believe competent experts will need to provide their view on whether they reflect the most appropriate level of risk. In addition, we believe it is likely that many buildings will still require in-depth inspections to determine

whether they meet this criteria, resulting in leaseholders continuing to experience some delays.

3. In your experience, what impact would the proposed guidance have on the number of EWS1 forms being requested for your buildings?

Should the proposals be agreed to by all those with responsibility for inspecting, valuing and lending against a property, the proposals could reduce the number of EWS1 forms requested. However, we believe that the views of fire engineers, the insurance industry providing professional indemnity cover and lenders will determine whether or not EWS1 requests are made according to the proposed criteria.

4. Are the criteria set out in the document clear and easy to understand?

The criteria in the proposed guidance is clear. However, it is likely that many buildings will still require in-depth inspections to determine whether they meet this criteria.

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

5. 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?

The NHF will not be submitting an answer to this question. We believe that competent experts should be providing their view on the level of risk in buildings that meet the criteria, given the potential implications of an EWS1 form not being requested.

6. 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?

The NHF will not be submitting an answer to this question. We believe that competent experts should be providing their view of whether the definition of cladding and the list of construction methods is appropriate.

Questions on criteria for all other responders:

7. Do you agree that residential buildings over six storeys should require an EWS1 if they have any cladding as defined in the guidance?

Many buildings in this category have been, or are being, remediated following inspection for combustible materials and other possible safety concerns. We would suggest that competent experts give their view about the application of the EWS1 form to those buildings that have already been signed off as meeting the requirements of the government's advice note.

8. Do you agree that residential buildings over six storeys should require an EWS1 if they have any curtain wall glazing?

Many buildings in this category have been, or are being, remediated following inspection for combustible materials and other possible safety concerns. We would suggest that competent experts give their view about the application of the EWS1 form to those buildings that have already been signed off as meeting the requirements of the government's advice note.

9. 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?

Many buildings in this category have been, or are being, remediated following inspection for combustible materials and other possible safety concerns. We would suggest that competent experts give their view about the application of the EWS1 form to those buildings that have already been signed off as meeting the requirements of the government's advice note.

Questions 10-18 (excluding question 16)

The NHF will not be submitting an answer to this question. We do not have the requisite knowledge and expertise to determine which buildings will need remedial work, nor the impact on their value.

16. 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?

While the NHF cannot take a view on risk without the requisite knowledge and experience, the government advice note makes clear that buildings with category 3 ACM must be remediated. On that basis, we believe an EWS1 should be requested, but that competent experts should also provide their view on such buildings that have been signed off in accordance with the government's advice note.

Contact

If you would like more information on this response, or on the National Housing Federation's work on building safety, please contact Victoria Moffett, Head of Building and Fire Safety Programmes at victoria.moffett@housing.org.uk.