



NFCC
National Fire
Chiefs Council

The professional voice of the
UK Fire & Rescue Service

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Helvi Cranfield
Consultation: *'RICS Draft Guidance Note –
Valuation of properties in multi-storey, multi-occupancy
residential buildings with cladding, 1st edition'*.
Royal Institution of Chartered Surveyors

Sent via email to: hcranfield@rics.org

25th January 2021

Dear Helvi,

RICS Draft Guidance Note - Valuation of properties in multi-storey, multi-occupancy residential buildings with cladding, 1st edition

Please find attached the National Fire Chiefs Council (NFCC) response to the open consultation published on 8th January 2021 concerning *'RICS Draft Guidance Note - Valuation of properties in multi-storey, multi-occupancy residential buildings with cladding, 1st edition'*.

NFCC is the professional voice of the UK fire and rescue services (FRS) and is comprised of a council of UK Chief Fire Officers. This submission was put together by NFCC's Protection Policy and Reform Unit (PPRU).

To provide context to our responses, our understanding of the primary motivation for introducing this guidance for valuers, is the need to:

- Ease the unnecessary stagnation in the mortgage/homebuying market by reducing the incidence of valuers and mortgage lenders requesting EWS1 forms for buildings whose external wall system (EWS) does not present a financial risk (due to the potential need to remediate).

To facilitate this, the guidance is aiming to:

- Provide reasonable criteria for valuers to identify those external wall systems (EWS) that present a low risk of the need to remediate, and consequently a low financial risk. Therefore, an investigation of the EWS by a competent person is not required to support a lending/valuation decision and an EWS1 is not required.

- Provide reasonable criteria for valuers to identify where a competent person investigation is likely to be required to support a lending/valuation decision. Therefore, an EWS1 is required.

The guidance is not intended:

- To provide guidance on how to complete an EWS1 form. The EWS1 form/process should be undertaken by a competent ‘Assessor’, which is defined in the ‘*Supplementary information paper to Valuation of properties in multi-storey, multi-occupancy residential buildings with cladding, RICS guidance note*’ as “*The person who completes the EWS1 form and who is a fully qualified member of a relevant professional body within the construction industry. He or she must possess sufficient expertise to identify the key materials within the external wall cladding system*”.
- To provide guidance on undertaking a suitable and sufficient life safety fire risk assessment of the building, which considers the EWS.

A matter of great importance is contained in the second paragraph of the ‘Valuation’ document and our opinion is that this needs greater emphasis within the document, alongside wider publicity within the sector:

“This guidance note is not intended to be, nor should it ever be used as, a substitute for a professional life safety fire risk assessment of any building. It is purely to help valuers understand when an EWS1 form is required because there is likely, under current government guidance, to be a need for remedial costs affecting the value.”

We would strongly recommend that this statement be set out clearly, in bold type and/or large font, at the beginning of the document, so that the reader is drawn to this context.

While not the focus of this consultation, we would also point out that the EWS1 form/assessment is not a substitute for a suitable and sufficient life safety fire risk assessment of the building. While one assessment may inform the other where necessary, they are different assessments undertaken for different purposes. The EWS1 form and associated guidance would benefit from making this clear.

Fire and rescue services are aware of many examples whereby EWS1 forms have been used far beyond the scope of their intended application as a tool for mortgage valuation. For example, EWS1 forms have been presented as evidence that external wall systems do not require remediation, without any further documentary evidence to support the conclusion. Conversely, they have been used as the basis to impose expensive interim measures without due consideration to the overall risk to residents that would be expected from a life safety fire risk assessment.

The proposed valuation guidance constitutes an initial assessment of financial risk. It is acknowledged that financial risk is related to the potential need to remediate; there is a relatable cause and effect between the two. Nevertheless, every opportunity should be taken to reinforce the message that neither this guidance, nor the EWS1 form, is concerned with life safety fire risk assessment.

NFCC supports the intent of this guidance as a means to address some of the difficulties encountered by leaseholders due to the perceived blanket requirement for an EWS1 assessment to support valuation / lending decisions for flats in a block. In drawing up the

guidance we trust that due consideration has been given to potential unintended consequences. It would be an undesirable consequence if the guidance led to many instances of leaseholders purchasing flats in good faith (after a valuation decision without an EWS1 form required) which subsequently requires remediation following a fire risk assessment which covers the EWS.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'RW', written in a cursive style.

Roy Wilsher

Chair, National Fire Chiefs Council

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Please state whether you are responding as an individual or the organisation stated above	This response is on behalf of the organisation stated above

Consultation questions

Are you responding as a:

- Professional body

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Consultation questions

Impact of guidance (for all respondents)

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

As noted in paragraph 13 of the consultation document, the scope of the proposals is only in respect to mortgage valuations, which are undertaken for the lender. A valuation is not a life safety fire risk assessment to satisfy the requirements of the Regulatory Reform (Fire Safety) Order 2005 (FSO). The guidance constitutes an initial assessment of financial risk.

Consequently, it is not anticipated that the guidance will have any significant impact on fire and rescue services.

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)

The criteria are clear and would assist in understanding whether an EWS1 form is likely to be needed by a valuer.

Nevertheless, the application of the criteria depends upon the financial risk appetite of valuers and lenders, and their willingness to adopt the guidance. We acknowledge this is outside the scope of the guidance itself.

In the absence of such guidance, the default position may remain that that requesting of an EWS1 form before a valuation/lending decision is made remains the default position for a vast majority of flats sales, whether warranted or not.

- 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 ESW1 forms being requested?**

(For valuers and lenders)

N/A – NFCC notes this question is targeted at other parties.

- 4. Would the guidance help you to make more consistent decisions about when an EWS1 form should be requested?**

(For valuers and lenders)

N/A – NFCC notes this question is targeted at other parties.

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

- 5. Are the criteria set out in the document clear and easy to understand?**

N/A – NFCC notes this question is targeted at other parties.

- 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?**

N/A – NFCC notes this question is targeted at other parties.

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?**

Yes.

We note the definition of cladding is taken from the GOV.UK page for '*Building Safety Programme: estimates of EWS1 requirements on residential buildings in England*'. For the purposes of this guidance, the definition would therefore seem appropriate.

The list of construction methods where an EWS1 is not likely to be required appear reasonable for the purposes of this guidance.

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

Yes.

We note this is in accordance with the original intent of the EWS1. As the guidance considers financial risk it is understandable that a valuer or lender would require further investigation of the EWS by a competent person to inform their valuation / lending decision for residential buildings over six storeys.

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

Neither the valuation guidance nor the supplementary information provides rationale for the inclusion of curtain wall glazing as a criterion for an EWS1 being required as default. It is difficult to provide an opinion without understanding the rationale that would lead to an automatic trigger of the need for an EWS1 where curtain wall glazing is present.

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?

We note a requirement for an EWS1 assessment is proposed for this scenario. We assume this has been determined by engagement with valuers / lenders and considers their financial risk assessment.

Therefore, as the guidance constitutes an initial assessment of financial risk, it is understandable that a valuer or lender may require further investigation of the vertically stacking balconies by a competent person to inform their valuation / lending decision for residential buildings over six storeys.

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?

No.

It is not clear that remediation work to the extent that *would* affect value is *likely* if these buildings have *any type of cladding*.

That said, a valuer is unlikely to be able to determine such by visual inspection alone. Therefore, it is understandable that a valuer or lender may require further investigation of the cladding system by a competent person to inform their valuation / lending decision via EWS1 for these building types. However, the valuer’s perceived need for an EWS1 to support their decision and the inherent assumption that remediation work is *likely* are separate questions.

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?

The need for remediation is not predicated on the percentage of the external wall that is clad. For example, a building that is fully clad with an external wall system such as that subject to Test 6 of the government commissioned BS8414 tests may need no remediation. Conversely, a partially clad building incorporating less than 25% of a system such as that in Test 1 of the government commissioned BS8414 tests is very likely to require remediation.

Notwithstanding this, we acknowledge this guidance concerns financial risk and seeks to take a reasonable view on when an EWS1 is required or not to inform a valuation/lending decision. Therefore, we presume the 25% threshold proposed is in recognition of the financial risk that lenders may tolerate. Consequently, we offer no opinion in respect of financial risk for which NFCC are not best placed to comment within our role and areas of expertise. However, it should be made clear and unambiguous that the 25% threshold is set as the basis of financial risk assessment and must not be used as a criterion for a life safety fire risk assessment.

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?

No.

It is not clear that remediation work to the extent that would affect value is *likely* for this scenario as a general assumption. Such decision is likely to be building specific and determined on a case-by-case basis. Nevertheless, we note a requirement for an EWS1 assessment is proposed for this scenario. We assume this has been determined by engagement with valuers / lenders and is based on their financial risk assessment.

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?

No.

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.

NFCC are of the opinion that HPL panels should be included. Given the poor fire performance of, for example, Class C/D HPL rainscreen in combination with combustible insulation there is a need to investigate the EWS further in respect of life safety. Assessment of the need, or otherwise, to remediate an EWS incorporating HPL cannot be made visually. Consequently, an investigation of the EWS will also likely be required for the purposes of a valuation/lending decision on a building of any height. Therefore, it is logical that HPL should be included in the criteria for an EWS1 assessment. Any such investigation should include any paperwork or plans that would show what type of HPL and insulation was used.

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?

Yes.

As a general principle this appears to be a reasonable assumption for the purposes of this guidance, but again and as identified above, this will need to be considered on a case-by-case basis.

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?

Yes.

Not all ACM or MCM cladding (e.g. classified as Category 1 in the MHCLG screening programme) may need remediating. However, given the grave concerns over fire performance of the more prevalent types of ACM and MCM cladding then there is a need to investigate the EWS further in respect of life safety where such materials are present. Consequently, an investigation of the EWS will also likely be required for the purposes of a valuation/lending decision on a building of any height. Therefore, it is logical that ACM and MCM cladding should be included in the criteria for an EWS1 assessment.

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?

Yes. The four-storey threshold appears reasonable for the purpose of this guidance. We note this is in line with the analysis on the GOV.UK page *'Building Safety Programme: estimates of EWS1 requirements on residential buildings in England'* which uses a threshold of greater than 11m in height (more than 3 storeys).

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?

The EWS1 process currently incorporates criteria which relate to External Wall Systems. However, we note that the introduction (para 1.1.) to the consultation suggests this may be broader “*provides criteria that can be used by a competent valuer during a standard valuation inspection to identify buildings where remediation work for fire safety purposes that may materially affect the value of the property is not likely to be required.*”

It is NFCC’s understanding that the remit of EWS1 is limited solely to External Wall Systems. Inclusion of terms such as ‘fire safety purposes’ could be interpreted as capturing a much wider set of fire safety matters (e.g. those associated with internal compartmentation) which are not covered by EWS1, and ought to be captured through existing mechanisms. We would recommend care is taken to amend this wording, to be clear in any future guidance to ensure the scope of EWS1 is clearly understood and communicated.

Other (for all respondents)

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

Section 2.1 - Criteria where an EWS1 should not be required

It would seem reasonable that where either a life safety fire risk assessment which includes the EWS, or a competent person’s report covering the EWS is available, then these should be considered by a valuer when deciding whether a separate EWS1 assessment is required.

Appendix A – Curtain Wall Glazing has been specifically referenced in the text, but no case study is provided. An example would be beneficial.

NFCC strongly believe that the EWS1 form itself leads to the confusion between life safety and valuation and recommend that option B is reworded to address this, and we give an example of this below. Suggested edits to option B are highlighted below.

Current EWS1 text for option B:

OPTION B^(Note 1) – Where combustible materials are present in external wall

I confirm that:

- I meet the professional body membership and competence criteria as described in Note 3
- I have used the reasonable skill and care that would be expected of the relevant professional advisor to assess the level of fire risk ^(Note 9) presented by the external wall construction and attachments (*tick one of the following*)
 - B1** - I have concluded that in my view the fire risk ^(Note 8) is sufficiently low that no remedial works are required
 - B2** - I have concluded that ~~an adequate standard of safety is not achieved, and I have identified to the client organisation the remedial and interim measures required (documented separately).~~

Proposed amended EWS1 text for option B:

OPTION B^(Note 1) – Where combustible materials are present in external wall

I confirm that:

- I meet the professional body membership and competence criteria as described in Note 3
- I have used the reasonable skill and care that would be expected of the relevant professional advisor to assess the level of fire risk ^(Note 9) presented by the external wall construction and attachments (*tick one of the following*)
 - B1** - I have concluded that in my view the fire risk ^(Note 8) is sufficiently low that no remedial works are required
 - B2** - I have concluded that **in my view the fire risk ^(Note 8) is sufficiently high that remedial works are required. I have informed the client organisation that they should undertake a fire risk assessment to identify the interim measures that may be required.**