



Advice Note 14 – An overview

Advice Note 14 – Advice on external wall systems that do not incorporate Aluminium Composite Material

The Problem

In December 2018 the Government issued Advice Note 14 (AN14) concerning wall covering systems that do not incorporate Aluminium Composite Material (ACM). These cover such commonly used materials as wood and High-Pressure Laminate (HPL) installations. Although only an Advice Note this document is recently causing issues in the sales and re-mortgage areas as some valuers are returning a £0 value on flats. The valuer is so doing to put a brake on the mortgage application until the material is deemed safe or remediation costed and doesn't mean the flat is worth £0. The core of the problem is that no-one is prepared to say that the cladding meets the required criteria for fear of liability. We are told that the defining test (BS 8414) can cost £45,000 and take between 6-18 months to complete and hence is not a viable option with respect to unlocking a sale or re-mortgage.

The problem is increasing daily – one ARMA member already has nearly 500 affected homes and this is rising by 10 per day. We are also starting to hear reports that valuers are extending the £0 valuations to properties below 18m.

AN14 would appear to ignore whether a building was passed by building control as conforming to regulations at the time i.e. it is being interpreted as retrospective conformation to building regulations. It also does not take into consideration other mitigating circumstances such as the presence of waking watches, sprinkler systems or the amount of combustible materials present.

We have also heard of ARMA members self-certifying that a building cladding system is non-combustible. Although this will ease the sale of flats it does expose the ARMA member to considerable liability, should anything untoward be found at a later date.

ARMA members are also experiencing that people with sales that fall through are blaming the managing agent and seeking compensation.

What is happening

The matter has only received limited coverage in the media but contains all of the hallmarks of a situation that could easily spiral out of control. People unable to move home, divorce, sell or re-mortgage are already being encountered and it is not out of bounds to foresee a complete lock down of the home selling process nationwide.

ARMA has raised the matter with the Prime Minister's Special Adviser and also with MHCLG. There is a separate note in the ARMA section on ARMAs activity and the media activity to date. A cross industry working group was set up by RICS.

The (potential) solution

The RICS Joint Working Group has produced a form (EWS1) that is acceptable to valuers and lenders. However, there is a discussion about whether the Professional Indemnity Insurance providers behind the firms that would sign the form are happy to proceed. ARMA, IRPM and RICS will be meeting with the CEO of BIBA (British Insurance Brokers Association) in early January and we will keep you updated.

The form contains two options. Option A is that a suitably qualified person (such as a building surveyor – see Annex A of Information Note 1 Information note for landlords and building owners of tall residential buildings with ACM cladding) can sign and by so doing acknowledge that the building meets the criteria of limited combustibility. Option B requires a Fire Engineer (see Annex A paragraph 7) to investigate and authorise. The reason for the two options is one of industry capacity – there are 11,500 buildings above 18m and only 250 FE's. By providing Option A it should help relieve the bottleneck.

The form is used with respect to a block, not an individual flat and hence you should look to arrange for the form to be completed for each relevant building in your portfolio.

Other

MHCLG have compiled a list of Advice Notes which can be found here:

<https://www.gov.uk/guidance/the-building-safety-programme>

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