

RICS Consultation Draft

proposed changes to Global Red Book for 2025

Overview, structure and Glossary

1. Overview

RICS has a policy of reissuing the Global Red Book to coincide with the effective date of each new edition of the International Valuation Standards (IVS). Many of the changes are to reflect changes in the IVS published earlier this year, which have an effective date of 31 January 2025. Apart from the introduction of a new VPS, see below, most of the changes made to reflect the latest IVS are semantic and unlikely to impact on how RICS members undertake or report valuations. The opportunity has been taken to undertake some simplification

Our Comments:

Having experience of working on both the IVS and the RICS Red Book, we cannot understand why RICS considers it necessary to issue an updated Red Book to coincide with each new IVS. This has the effect of limiting the time available to allow for proper consultation, which has now reached a low of 33 days. By adopting this policy RICS is compromising the quality of its own standards.

The IVSC fulfils an important role in agreeing and promoting common valuation practices globally but has no powers of enforcement. Organisations that wish to adopt the IVS do so voluntarily and can do so at any time. We urge RICS to not only ignore the effective date on each edition of the IVS but to put in place a proper process that allows at least three months for consultation on not only changes to the Red Book but also on whether changes in the IVS should be adopted into the Red Book.

2. Structure:

The VPSs have all been renumbered to match revised sequence of standards in IVS. The latest IVS have also introduced a new standard, **IVS 105 Valuation Models**, so RICS is following suit by reordering the VPS and including a new VPS5 to mirror IVS 105.

Our Comments:

We see no purpose in the new IVS 105 because the issues it covers are already dealt with in other IVSs. It makes what many would consider a pointless distinction between a model and a method, with the former being a tool for implementing the latter. No one disputes the need to use the appropriate tool for calculating a valuation, but this is well covered elsewhere in the IVS and even more so in the Red Book and other RICS Standards. Fortunately, RICS is not proposing to do anything other than summarise the new IVS in its new VPS5 and does not elaborate it in any way. There should be little need for RICS firms to do anything differently because of this new standard.

More significant is the changes that have not been made to the structure. The Pereira-Gray review indicated that it found the Red Book to be a daunting document and that the reader might benefit from its structure being simplified to make it more accessible. We agree.

Matters that need to be addressed include:

- The use of longwinded explanations of certain requirements which cannot cover all situations and therefore simply generate more uncertainty. The focus should be on

making requirements simple and generic. If examples are needed on how the principle applies to different situations they should be in subject specific guidance.

- Some VPGAs are on subjects for which there are also standalone Practice Statements or Guidance Notes. There are frequent overlaps and it is not always clear which takes priority.
- The alpha numeric paragraph numbering is unnecessarily complicated and not consistently applied.
- Requirements are not listed in logical sequences, making it easy to miss those that are related or that arise in a similar part of the valuation process.
- Related to the above, where the same subject is covered in both the Terms of Engagement and the Report, the referencing is not consistent, for example “Nature and source(s) of information upon which the valuer will rely” is in VPS1 3.1 j) but “Nature and source(s) of the information relied upon” is in VPS6 2.1 h). It would be more user friendly to adopt consistent sequencing and numbering protocols to help cross referencing.

3. Glossary:

A few changes are proposed to the wording of various existing definitions, a few additions and a few deletions. The changes likely to be of most interest in practice include:

- Additions: “infrastructure”, “purpose of valuation”, “records”, “valuation model”
- Removals: “external valuer” and “internal valuer”

Our Comments:

We see no useful purpose in the proposed new definitions which do not restrict or modify the normally understood, dictionary meaning of the words involved. The definition proposed for infrastructure also goes way beyond the simple definition of “a structure or system of component parts” into a long discussion of examples which makes distinctions between different components of infrastructure that will not always be applicable. This is just as likely to confuse as assist members advising on infrastructure components.

We do agree with the removal of external and internal valuer. Firstly, these commonly used terms often have specific requirements in regulations that govern the purpose for which the valuation is required which make any RICS definition superfluous. Secondly in the absence of any such regulatory requirements, whether the member has the suitable experience and independence to provide an objective and unbiased opinion of value involves many considerations, which are referenced in PS2. A simple indication of whether a valuer is employed by the client or not is insufficient assurance that they meet the independence requirements in PS2 or the Rules of Conduct.