

RICS Consultation Draft

proposed changes to Global Red Book for 2025

1. PS1 Compliance with standards:

A new paragraph (1.9) that includes clarification that providing a “forward look” provided in isolation must not be referred to as a valuation or value and would not therefore include a valuation basis.

Our Comments:

This has been introduced as a result of a comment in the recommendations of the Pereira-Gray report that a “forward look” or property risk advice, is not the same as a RICS Red Book valuation and it should not be described as such. While the intention is fine, it would create the odd situation of a rule in the Red Book making requirements in respect of advice that is outside its scope. It is also too long winded which only obscures the meaning. Better would be to simply say that *“Forward looking property risk advice provided without any valuation is not a written opinion of value as described in 1.3 and therefore outside the scope of the Red Book.”*

Paragraph 3.4 talks about the International Ethics Standards. A sentence has been added confirming that the IES do not replace the RICS Rules of Conduct.

Our Comments:

We fail to see why the reference to the IES was included in the first place and the proposed new sentence emphasises that this para has no relevance to RICS valuers or other Red Book users. We recommend the whole of 3.4 be deleted.

3.5 refers to the IPMS and says that members should have regard to them wherever applicable.

Our Comments:

We have experience of building measurement systems used around the world and very few use IPMS. The role of the valuer is to understand how the relevant market prices assets, not to impose their own system. The RICS has a Property Measurement Standard that defines different measurement systems currently in use, including the IPMS, but the Red Book should not be promoting any particular measurement basis over any other.

Section 5, dealing with exceptions from the VPSs in the Red Book has had significantly more explanatory text added in recent years. It is now proposed to add a further exception:

“Providing valuation advice expressly in preparation for, or during, negotiations or litigation, including where the valuer is acting as advocate.”

Our Comments:

Since the Red Book was extended to most valuation advice 30 years ago, *“Acting or preparing to act as an expert witness”* has always been an exception. Questions have arisen as to when *“preparing to act”* begins, for example the client may need a valuation to help them to decide whether to pursue litigation but at that stage there is little expectation that the valuer may be appointed as an expert witness. This new exception seems to be an attempt to clarify the point by also excepting such preliminary advice, but then obfuscates it by saying that if a

written communication containing a figure on defined basis on a specified date the exception does not apply.

In our experience of litigation and expert witness work it is always expected by those instructing the valuer that their advice will be based on recognised professional best practice, and therefore members advising will invoke the relevant provisions in the Red Book to ensure this is the case. While some details in the procedural aspects, in particular VPS1 and VPS6 may be altered by the relevant law or other applicable legal requirements, most of the fundamental principles in the Red will need to be followed. This basic point is already made in 5.1 so much of the explanatory text added to these two exceptions would be better deleted as the more detail that is discussed simply increases questions in relation to circumstances not expressly addressed.

Alterations are also proposed to the exception where a valuation is provided for internal purposes. Originally this exception was for valuations by internal valuers solely for internal use by their organisation where no part of the report, including the valuation figure is to be seen by, or communicated to, any third party. However, over recent years this has morphed to remove reference to internal valuers (then defined as valuers employed by the entity requiring the valuation) and extend it first to all valuations for internal use and then adding a condition that this advice be without liability.

Our Comments:

The original exception was clear and easily understood since it would have been unreasonable to expect a member employed by an organisation that required valuations only for its internal purposes to provide terms of engagement to their employer, or to prevent them reporting in the way their employer required. However, as the clause currently stands, with or without the proposed amendments, its purpose and when it applies is unclear.

VPS 1 already requires the member to agree any limitations on the scope of their investigations, the format of the report, and a statement on any liability limitations agreed, so it appears that you have to comply with VPS1 in order for this exception to apply which makes little sense. Furthermore, the proposed PS1 1.9 is proposing that forward looking strategic risk advice without a valuation is outside the Red Book anyway.

We consider that this exception should revert simply to “*Valuations by employees of an entity solely for the internal use of that entity and where no part of the report, including the valuation figure is to be seen by, or communicated to, any third party.*”

2. PS2 Professional and Ethical Standards

Paragraph 1.2 makes reference to consistency with the IES (see comment on 3.4 of PS1 above).

Our Comments:

Again, we see no relevance to members in this information. They have to comply only with the RICS Rules of Conduct.

Section 5 deals with disclosures where the public has an interest in the valuation or where third parties may rely on the valuation. References are made in at least two places to the mandatory requirements for such valuations introduced in May 2024 in the UK Supplement.

Our Comments:

We are pleased that there has not been a proposal to extend the new UK requirements into the global standards. However, we consider it inappropriate to cross reference requirements in a specific national supplement in Global Standards and believe these should be removed. This is particularly so because we are seeing implementation issues arising from applying these new UK requirements in practice and further refinement is likely to be required.