

# What's new in the Red Book supplement?

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**The new Red Book UK supplement is here. What do RICS-registered valuers need to know?**

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RICS has led the way in recognising the role of valuation standards and their effective implementation, setting up the Assets Valuation Standards Committee in 1974. Now more than ever, appropriate standards and their effective regulation are vital to ensure public confidence in the valuation process. Uniform standards help to reduce investment risk, increase confidence in financial reporting, and provide a consistent approach to portfolio and asset valuation.

Originally, the RICS Red Book was largely concerned with the UK market, but from an early date it became progressively more global in reach, and UK-specific material now supplements the global core text. Other jurisdiction-specific supplements have also been developed in recent years, reflecting the fact that RICS members operate across more than 140 countries, in many of which the Red Book is a respected reference work.

Since 2012, the Red Book global edition has formally adopted the International Valuation Standards (IVS) published by the IVS Council, RICS having been a major contributor to the development of these standards over many years. The Red Book not only implements the IVS, it also supplements them with additional standards and extensive guidance for RICS members. This is why the Red Book continues to be such an important publication.

Published for many years in a single-volume global and UK edition for the convenience of members, the Red Book was in January 2014 split into two volumes, with the UK material still firmly a supplement to the global. The global material is to be found in the RICS Valuation ? Global Standards 2017, and the previous supplementary UK material in the RICS Valuation ? Professional Standards UK January 2014 (revised April 2015). The latter has now been replaced by a new supplement taking effect from 14 January 2019 ([rics.org/redbookuk](http://rics.org/redbookuk)), after extensive public consultation last summer.

## Summary of changes

- Easy-to-read and more intuitive to use, the document has been restructured to be more user-friendly and clearer about what is and is not mandatory;
- VPGAs follow a logical sequence;
- Elements have been combined to avoid the need to jump between sections for a definitive answer to valuation issues, saving time and reducing risk of misinterpretation;
- The material on valuation for financial reporting has been substantially reworked, with greater differentiation between [UK GAAP](#) and [IFRS](#) requirements;
- There is a new section on valuation for commercial lending purposes;
- 'Existing Use Value?' has become a separate VPGA; and
- There is a revised section on valuation for residential mortgage purposes, although members working in this area should note that residential specifications in the RICS Valuation ? Professional Standards UK January 2014 (revised April 2015) will still be recognised, pending agreement of further refinements with stakeholders such as [UK Finance](#) and the [Building Societies Association](#) .

The first point that this document seeks to stress is that it is just a supplement to the global edition, because it has sometimes been mistakenly assumed that the UK material is self-contained. This has never been the case, and the new edition makes that clear.

The second key point is that the format of the new edition has substantially changed by comparison with the 2014 (revised 2015) edition. The division of mandatory standards, that is UK professional standards (PS) and valuation technical and performance standards (VPSs), from advisory guidance, the UK valuation practice guidance ? applications (VPGAs), is again intended to be clear.

The balance between mandatory material and advisory guidance has been adjusted; the former accounts for less than ten per cent of the new volume and the latter rather more than 90 per cent. This redresses the balance in the current (2014, revised 2015, edition), where explanatory material in the present standards, although designed to be helpful, cannot sensibly apply in all cases. The new format reinforces the supplementary character of the UK material; most of the mandatory standards are found in the global edition.

The Basis for Conclusions document published alongside the UK supplement explains the new content in detail, including the various changes made as a result of the responses to the consultation draft. All members should read the section on structure in the Basis for Conclusions, which explains exactly how the division between standards and guidance has been reset.

One of the key developments is to divide some existing guidance into a larger number of individual sections to make them more accessible. In particular, the material on valuation for financial reporting has been substantially reworked, with greater differentiation between UK Generally Accepted Accounting Principles (GAAPs) and International Financial Reporting Standards (IFRS) requirements.

Members will also notice some changes around the secured lending material, but for the moment the existing RICS residential mortgage specification continues, pending agreement of further refinements with stakeholders including trade association UK Finance and the Building Societies Association.

Ben Elder, RICS Global Director of Valuations, says: 'The new Red Book clarifies that it is a supplement to RICS Valuation - Global Valuation Standards 2017, and redresses the balance between mandatory requirements and guidance. It has also comprehensively reviewed where guidance best sits and now comprises 18 VPGAs, regrouping many to be more user-friendly.'

**John Baguley is tangible assets valuation director, RICS**

### **Further information**

- Related competencies include: [Loan security valuation](#) ; [Valuation](#) ; [Valuation of business and intangible assets](#) ; [Valuation reporting and research](#)
- This feature is taken from the [RICS Property Journal](#) (January/February 2018)
- Related categories include: [Valuation practice/methodology](#) ; [RICS Valuation - Global Standards 2017](#)