Ten things you need to know about the New RICS Red Book

1. It is now mandatory to include the limit that applies to your liability in the Terms of Engagement (ToE) and report, even if this is confirmation that it is unlimited. *VPS 1, 3.2, r)*

2. It is now the default position that RICS members should exclude liability to third parties. You must carefully consider any alteration to this and make sure the terms of any extension of liability to third parties is carefully documented in the ToE. *VPS 1, 3.2, c)*

3. One of the fair value definitions has been changed to "equitable value" to avoid confusion with the accounting definition of fair value. Equitable Value is very useful if you are asked for a value that is fair as between two specific parties rather than in the market at large. *Glossary and IVS 105, 50*

4. If you need to use a basis of value that is not defined in either the Red Book or the IVSs, and which is not required by statute or regulation, this now has to be disclosed in the ToE and reported as a departure from the Red Book. This could particularly affect you if you do valuations for banks, who often ask for bases that do not appear in the standards or in any relevant banking regulation*. PS1 6.3*

5. There is a new mandatory standard, VPS 5 *Valuation Approaches and Methods*. This is not as draconian as it might appear at first sight. The only real requirement is that members must use an approach or method that is suitable having regard to the nature of the asset, the purpose of the valuation and any statutory requirements. In the previous Red Book this requirement was in IVS 102, which although included in the Red Book was not referenced in the RICS material. Since it has been a long standing requirement to disclose the approach or method used in the report, the only real change is to make explicit what was previously implied.

6. There is a new VPGA 10 that brings greater clarity to when uncertainty disclosures are required, which is a lot less often than many people were led to believe by the guidance in the previous Red Book.

7. The removal of the former IVS 300 *Valuations for Financial Reporting* from the IVS has not been matched by RICS providing improved guidance in its own VPGA 1. As a consequence, the Red Book no longer contains any useful guidance on financial reporting valuations under IFRS.

8. Market value is no longer stated to be the most appropriate basis for secured lending valuation. However, if a bank requests an alternative that is not one of those defined in the standards, beware that this could be a departure, see 4 above. *VPGA2 5.1*

9. As before, the IVSs are included within the Red Book and are regularly cross referenced from the RICS material. The five RICS VPSs all have an IVS equivalent as do four of the ten VPGAs. However, the words used are not always identical and no indication is given as to which takes precedence in the event of a conflict.

10. The IVS Standards for business, intangible and plant valuations are stated to be mandatory. Although the equivalent RICS VPGAs have similar content, they use different words and are advisory. Practitioners in these specialisms should therefore make sure they understand the IVS material rather than rely on the VPGAs.