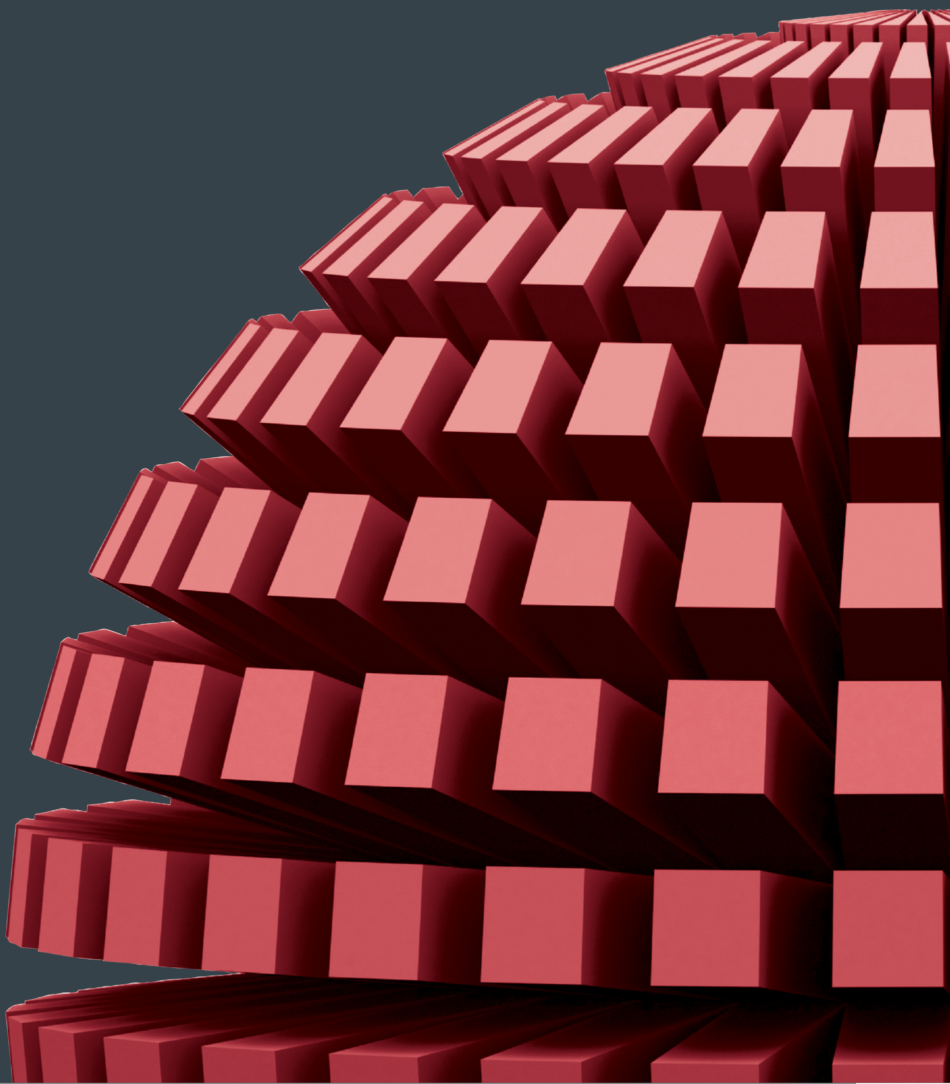
REPORT



RICS Valuation – Global Standards: UK national supplement

Basis for conclusion: excluding UK VPS 3

October 2023

RICS®

Contents

Purpose

This document has been prepared to accompany publication of RICS Valuation – Global Standards: UK national supplement effective from 1 May 2024, to explain the refinements made as a result of the public consultation that closed on 30 December 2022. These refinements relate purely to the text in Parts 1 to 4 of the UK national supplement.

Please note that this basis for conclusions document is only concerned with technical updates made. A separate document has been produced relating to feedback received and updates made in respect to UK VPS 3 governance changes following implementation of recommendations from the Review of Real Estate Investment Valuations.

It is emphasised that this document has been produced purely to assist the reader and does not form part of the standards.

RICS Professional Practice and Development

October 2023

Overview

The main reason for issuing an update to the UK national supplement is to incorporate various recommendations advised following the Review of Real Estate Investment Valuations. However, other changes and refinements to the UK national supplement have been made in the light of experience and developments since the current edition was first issued.

There were 18 written responses received in response to the online consultation to consider proposed changes in respect of the general content. Responses were mainly from valuation advisory firms, UK-based property holding companies and investors, banks, consultancies, individual members, and other professional associations. Though some respondents were anonymous, those who stated their firm were from a range of company sizes and business purposes, the majority being valuers. Valuers who responded were active in residential, commercial and public sector markets and worked for a range of firm sizes, from SMEs to multidisciplinary international firms.

Respondents provided both overarching principles-based commentary and specific technical comments on each section. Both approaches provided helpful insight into developing the standards. While some respondents made significantly more comments than others, this has not impacted the balance and objectivity of the exercise. Each response has been considered and weighted on its own merits and in line with RICS values.

Commentary is set out below referencing those sections commented on by respondents. Any further changes agreed from the draft version to reflect responses have been detailed below. Where a suggested change is not considered appropriate, a response and alternative next steps are provided. All changes have been referred to and agreed by the RICS Global Valuation Standards Expert Working Group and approved by RICS Standards and Regulation Board following a full public consultation. RICS thanks all contributors to the consultation.

Introduction

Several comments were made in respect of the Introduction section, all submitted by the same respondent representing an academic institution.

One of these comments in respect of this section asked why shorten ‘Valuation Global Standards’ to ‘Red Book Global Standards’ when in fact the proper title of three words does not need a colloquialism to replace it using four words? We have decided not to action a change in this respect, being of the view that ‘Red Book Global Standards’ as a brand is generally instantly recognisable globally.

A further comment from this same respondent was received in respect of Section 1 Conventions suggesting: ‘the rules and regulations should be in one part of the publication and completely separately, practice information/guidance [in] the so called ‘explanatory notes’ should be presented in a statute.’ While we note this observation, RICS’ view would be that the document is already arranged so that the content is structured as Parts 1 and 2 representing the mandatory professional standards and Part 3 (the UK VPGAs) representing the advisory content. In addition, the usual standards framework from the front section has been removed to assist in avoiding confusion on this point.

The same respondent made a comment relating to Section 2 IRRV members: ‘Interested to learn why this has been removed – what has happened to IRRV involvement? There is nothing about this mentioned by either RICS or IRRV I have seen?’. Our view on this point is that RICS continues to discuss with IRRV how the relationship with them and our standards works moving forward. In our view this does not need to form part of the RICS standards.

A comment was made by this same respondent in respect of Section 3 Effective date, alluding to the fact that the International Valuation Standards Council appears to permit early adoption and asking whether RICS intends this and, if not, why as it would be better to be more current than work under extant or dated provisions. Our own view is that a reasonable adjustment period for implementation by members is required, particularly given the major changes being incorporated from the investment valuation review.

A comment was made by the same respondent in respect of Section 5 Standards framework and in particular questioning the inclusion of the statement, ‘Its approach is to foster a supportive atmosphere that encourages a strong, diverse, inclusive, effective and sustainable surveying profession’. We don’t propose any action on this point and consider this to be a reasonable statement and a major recommendation arising out of the independent review of investment valuations.

A further comment was made on the document definitions table, specifically practice information definition. Would the concept of information or guidance come into play as part of the concept? It is also noted that the professional standard versus practice information shows members only under the standard whereas information covers both the member and regulated firm. Would a regulated firm not have to adopt the requirements of a professional standard?

Our response: no action proposed. All members in the regulated firm would need to adopt the requirements of a professional standard.

The usual standards framework from the front section has been removed to assist in avoiding confusion.

Glossary of technical terms

Several comments were received from the same respondent in respect of various items appearing within the glossary as follows:

What is the reason for omitting the IVSC definitions as surely they are integral to understanding the RICS VGS?

Our response: no action proposed. IVS are incorporated in Red Book Global Standards, which is cross referenced throughout the UK national supplement so replicating again is considered unnecessary.

'Basis of value': would this not also be seen as a 'definition of value'?

Our response: no action proposed. This is considered a point of personal preference and 'basis' is longstanding in its usage.

Date of valuation: Do we need to state 'date of valuation' – see 'valuation date' – would not the glossary just state valuation date?

Our response: no action proposed. Sometimes both terms are used interchangeably so there are no perceived drawbacks in keeping both expressions within the glossary.

Depreciated replacement cost (DRC): the definition includes 'the current cost'; current implies 'now': what if a valuer were asked to give a DRC valuation on an historic date – market value as a basis of value refers to a valuation date – so why would DRC not do the same thing? E.g. in a revised format – 'On the valuation date, the cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.'

Our response: no action proposed. There is an argument that 'current' should be removed. It is perfectly possible that a historic date is used for the calculation of a DRC-style valuation, but in that case it will generally be clear that that opinion relates to a specific (historic) valuation date.

Environmental, social and governance (ESG): why is this tied down just to companies and investors – we see charities, governments and their adjunct organisations, local authorities, etc. have these policies?

Our response: we have now incorporated the IVSC's updated definition of ESG as per their 2023 consultation draft of their updated International Valuation Standards.

Firm: A definition is given for 'firm' yet not for 'regulated firm', a term used before page 5.

Our response: no action proposed. A separate item appears within the glossary relating to 'registered for regulation/registered by RICS': 'A firm that is registered for regulation by RICS under the RICS bye-laws.'

Goodwill: Could the concept of 'goodwill' be defined as an 'intangible asset'?

Our response: in response to this specific question, we consider that 'goodwill' could be defined as an 'intangible asset' but do not consider that any change to the national supplement is required in this respect.

Income approach: does that not also mean the converting of both 'current and future' cashflows? Would it not be more resilient as a definition to cover off both 'actual or expected' cashflows?

Our response: no action proposed. Our view is that these terms are interchangeable and effectively mean the same thing.

Investment property: would this not be better defined as being held by either an owner or entity, as owner appear to imply an individual unless it is clear it is an 'owner's interest'? And rather than talk about 'rentals', would 'income' or 'cashflows' not be a better definition to tie in with the concept of the income approach?

Our response: no action proposed. Our understanding is that the entity owns its own assets and has liability for its debts. The stock shareholders are considered the legal owners of the company, however, are not responsible for debts. 'Income' or 'cashflows' could potentially be used instead of 'rentals' but the same point is implied.

Market approach: would both the concepts of 'mark to market' and 'mark to model' not feature in the market approach methodology? Not sure the current definition makes this clear?

Our response: no action proposed. Our own interpretation is that this is what the current definition is implying already.

Generally, some terms are regarded as 'proper nouns' so would market rent, etc. not be capitalised?

Our response: no action proposed. It is our convention not to capitalise.

Real estate: The definition should be amended on things 'attached to the land' to include (e.g.) buildings, parts of buildings, other structures, land covered with water and mines and minerals, whether or not held with the surface.

Our response: no action proposed. These points already seem to be incorporated in the current definition.

Registered for regulation: this should be aligned to 'registered firm' for consistency with the remainder of the matters under VGS.

Our response: no action proposed as both terms are interchangeable.

Special value: suggest 'An amount that reflects particular attributes of an asset that are only of value to a special purchaser' but add 'on the valuation date' to ensure consistency with other terms.

Our response: agreed. This has been actioned.

Sustainability: could not some alignment with the UN goals be considered or even the Bruntland Commission definition which has been extended?

Our response: no action proposed. As stated in the definition: 'There is as yet no universally recognised and globally adopted definition of sustainability', including via the UN or Bruntland Commission.

Terms of engagement: while 'terms of engagement' are defined, it might also prove beneficial to have 'terms of business' added as the two together will form the 'valuation contractual terms'.

Our response: Given potential global implications, we will review this as part of the review of the Red Book Global Standards.

Valuation: where the state passes rules that require compliance with other matters not covered by the VGS, then an exemption must apply? Further, does the third sentence need to be included as part of the definition of valuation? Desktop and pavement valuations, however instructed, may involve no or a limited inspection.

Our response: no action proposed. RICS is to review the definition of 'valuation' in the upcoming review of Red Book Global standards.

Valuation date: currently stated as 'The date on which the opinion of value applies' – would this not be better phrased as to the point at which the basis of valued adopted becomes effective?

Our response: no action proposed. Our view is that these are two ways of saying the same thing.

UK Professional and Valuation Standards – mandatory

Several comments were received from the same respondent in respect of various items appearing within this section.

UK PS 1 Compliance with valuation standards within the UK jurisdiction

A comment was received in respect of section 1:

'Does the reference to 'firms' mean any firm or RICS 'regulated firms'? Further, the standards now refer to 'Valuation Technical and Performance Standards' and are still labelled as 'VPS', a hang-up from the past? Surely these should now be stated as VTPS? Clearly the same approach would apply to the global standards in due course?'

Our response: 'firm' is a defined term appearing elsewhere in the glossary. VPS is a commonly used and well-known abbreviation, and its use has therefore been retained.

Another comment was received that compliance by reference to a particular edition of valuation standards should be mandatory – not 'necessary or desirable'. Our response on this point is that the national supplement already makes clear which content is mandatory in application.

UK VPS 2 Terms of engagement (scope of work): supplementary provisions in Scotland

A comment was received in respect of UK VPS 2 being as labelled currently, rather than make it 'supplementary' for Scotland. 'Can the title not be more prescriptive as this is a point revolving around single surveys, etc. which are only for residential property?'

Our response on this point is that the text appearing below the title clarifies the intention of this section.

UK VPS 3 Regulated purpose valuations: supplementary governance requirements

Please refer to our separate basis of conclusions document in these aspects.

UK Valuation Practice Guidance Applications (UK VPGAs) – advisory

UK VPGA 1 Valuation for financial reporting: general matters

For the purposes of the consultation draft, minor amends had been undertaken to this section incorporating: general administrative updates; providing signposting to recent RICS guidance including IFRS 16 practice information; providing further clarification within UK VPGA 1.6 relating to treatment of purchaser's costs; and providing further clarification about making land/build apportionments within UK VPGA 1.10.

During the consultation process, six respondents provided comments related to the proposed changes to UK VPGA 1.

An overall comment was received pointing out that the lack of guidance on IFRS requirements in Red Book Global Standards has to be addressed. This may lead to revisions in the UK national supplement in the future.

UK VPGA 1.5

One comment said that ESG commentary added in UK VPGA 1.5 was unnecessary and superfluous in view of existing RICS guidance in this area. In view of this, this commentary has now been removed.

UK VPGA 1. 7

We received a comment that there is reference to Stamp Duty Land Tax (SDLT), but this is not consistent with the provisions under the devolved institutions. The respondent requested that this be widened so as to prevent it becoming 'very English'. To be inclusive we have now referred to 'transaction taxes'.

In respect of paragraph 3, we received a request that the inference needs to be spelled out that yields may be analysed and applied on either a gross or net basis, and where net, the inference point on costs kicks in as stated. After discussion, we believe this overcomplicates the message, as the issue only arises if the valuer is using yields that are net of costs. We say instead that the guidance applies to any yields quoted on a net basis, so there is no need to introduce gross options. No action was taken on this point.

UK VPGA 1.8

A comment was received that it is impractical and unnecessary for RICS to mandate that the valuation date must be the same as the reporting date of the financial statement. In view of this, the EWG have now moderated to:

‘Valuations for inclusion in financial statements are normally stated at the reporting date of the financial statement, though if this is not practical an alternative close to the financial reporting date may be agreed.’

UK VPGA 1.10

A query was received in respect of paragraph 8 to the effect of: ‘wouldn’t a lessor’s interest in an operating lease always require to be valued?’ The EWG agree that some clarification is needed that, like finance leases, operating leases need to be accounted for differently by lessors and lessees. This has now been actioned.

Two comments were received in respect of the componetisation-related commentary. One respondent believed further clarity should be addressed (paragraphs 43 – 49) to highlight the difficulties, for non-specialised properties, in addressing a cost-based componentisation model against a traditionally capitalised income approach as the methods are not aligned and will often produce different outputs. Another respondent believes that listing ‘potential components’ at paragraph 48 creates the risk that the profession will simply adopt this list, without giving full and proper consideration to the components in an asset, or their relative significance in terms of depreciation. Some items in the list, it was argued, are very unlikely to be of significant cost in relation to the cost of the whole asset.

The EWG agreed with this observation and have emphasised the principle that components of an asset can be depreciated separately and have removed the list.

The biggest change comes from amending the wording around ‘componentisation’. Since ‘componentisation’ is not a word used in UK GAAP or IFRS and – because the current text largely repeats the principle of separately depreciating different components explained three pages earlier – the EWG have taken out the subtitle and replaced most of the text with an explanation that components other than just the land and buildings may need to be treated separately for depreciation. The EWG consider this deals with both comments received in this regard.

UK VPGA 1.11

We received two comments relating to 'Apportionment between land and buildings – general'. One comment was an observation of the addition of a third accepted method of apportioning the asset valuation to establish the depreciable amount – the percentage method. While supportive of this and accepting the proposed wording that requires the approach to be based on 'experience backed up by sound analysis of relevant evidence', it was considered there is a considerable risk that valuers will not base their apportionments on sound evidence, but on what they have done previously. Further, without the use of sound evidence, the apportionments would not be market-based and would vary considerably across the sector.

The EWG considered that while the respondent might have concerns over whether their members will heed this new requirement, we can only make sure what is written is clear and straightforward, so ultimately no action was taken on this point.

We received a comment in respect of para 28(a) to the effect that in addition to the new wording proposed, it was suggested reinstating at the end of this sub-paragraph the former sentence, 'It is not appropriate to consider alternative uses unless they are reflected in the value at which the property has been included in the balance sheet.' By reinstating this useful sentence, it would help ensure no misinterpretation of the principle being applied. The EWG agreed and the sentence has now been reinstated.

UK VPGA 1.13

A comment from an Internal Valuer suggested that the publication statement to be used where assets are valued by an in-house member or firm include a clear inference that such valuations are not valid unless accompanied by a statement that a sample of properties have been also valued by an external firm. This suggests RICS does not place the same value on the opinion of a valuer, simply because they are employed by the entity commissioning the valuation.

The EWG did not agree that there is any negativity implied. However, the EWG have removed all examples, leaving just the cross reference to VPS 2.2 (j) that lists the requirements for any publication statement. Furthermore, the examples given are written from the perspective of the reporting entity, not the valuer. What the entity has to disclose about its valuations is outside of RICS' remit.

UK VPGA 2 Valuations for other regulated purposes

For the purposes of the consultation draft, it had been decided to remove much of the original content because it was felt that the content was reproducing the regulations issued by the relevant authorities and risked being out of date if (when) these change.

During the consultation, a comment was received noting that much of the guidance on this has been removed from Red Book Global Standards and observing that it would be helpful to have separate guidance on this to support valuers when advising on such matters.

RICS is not of the view that comprehensive guidance that replicates other material is required, but a summary of key points and updated references have been included to address these comments, and some of the original content has now been restored in an updated format.

UK VPGA 3 Valuations for assessing adequacy of financial resources

For the purposes of the consultation draft, minor amends had been undertaken to this section incorporating general administrative updates and commentary relating to implementation of the Basel III regulatory framework for banks by the Prudential Regulation Authority and a small comment on solvency II.

During the consultation, a single specific comment was received in this section seeking clarity around whether these valuations are considered Regulated Purpose Valuations? Further clarity in respect of the Regulated Purpose Valuation is provided within updated UK VPS 3.

UK VPGA 4 Valuation of local authority assets for accounting purposes

For the purposes of the consultation draft, UK VPGA 4 had been entirely re-written by the working group in conjunction with representatives from CIPFA, to present the information to members in a more accessible and user-friendly manner, and to avoid duplication of information.

A general comment was received during the consultation process in respect of the updates made to UK VPGA 4, 5 and 6 indicating that the various updates made to these sections for the purposes of the consultation draft should help prevent some inappropriate interpretations of what the relevant accounting standards require.

UK VPGA 5 Valuation of central government assets for accounting purposes

For the purposes of the consultation draft, minor house style and clarification related amends were undertaken in respect of this section.

During the consultation, several suggestions were made by a respondent in respect of the consultation draft version of this section to help clarify the coverage of this section, all of which have been actioned by RICS. These included an amendment of the title to ‘Valuation of central government, devolved administration and NHS assets’. This more accurately captures the reach of UK VPGA 5, removing any uncertainty about the extent of its coverage.

A further suggestion was to insert a new first paragraph stating, ‘This UK VPGA should be read in conjunction with UK VPGA 1.’ This appropriately mirrors the first paragraph of UK VPGA 4. This point has been actioned.

Finally, relating to existing draft paragraph 3: In the opening sentence, after the first two words ‘The Manual’, it was recommended to insert: ‘and its NHS equivalent’. This has now been actioned.

UK VPGA 6 Local authority and central government accounting: existing use value (EUV) basis of value

For the purposes of the consultation draft, major amends to this section were incorporated which have been authored by the by the RICS Existing Use Value Working Group, prepared in conjunction with a new professional standard prepared in this area.

Following the consultation process, no specific comments were received in respect of this section appearing within the consultation draft other than a generic comment welcoming the change.

UK VPGA 7 Valuation of registered social housing providers assets for financial statements

For the purposes of the consultation draft, minor amends were made to this section incorporating general administrative updates worked on in conjunction with affordable housing valuation experts.

During the consultation, one specific comment was received indicating that the content of this section had not been updated and that changes need to be made to reflect changes in the affordable housing sector that have the potential to impact on valuation approaches and techniques for affordable housing.

Our view on this point is that technical changes to this section were in fact made in liaison with representatives from the affordable housing sector.

Please also refer to the commentary in respect of UK VPGA 14 and 18, which also relates to the valuation of social housing.

UK VPGA 8 Valuation of charity assets

For the purposes of the consultation draft, major amends were made to this section in conjunction with major updates made to the Charities Act 2022.

Only one specific comment was received in respect of this section, requesting under the introduction that the statutes be set out in alphabetical order and the word 'the' removed. These points have been actioned. In addition, further content had been incorporated into this section.

UK VPGA 9 Relationship with auditors

For the purposes of the consultation draft, minor amends had been made to this section incorporating commentary relating to minimum information requirements for auditors (particularly in portfolio valuations).

During the consultation, a general overall comment received from one respondent was that the content for this section was fit for purpose, very detailed and easy to follow.

One comment that the requirement to include reasons for change in valuation for the auditors is onerous for the valuer and often not required as part of the valuation instruction. In addition, there was a view that guidance is required on approval required from the client to share information with auditor. This will need to cover NDA and GDPR where relevant.

The EWG believe that UK VPGA 9 already explains why a client's auditor may need to question their valuer as regards any Fair Value estimates and advises that the valuer may need to take this into account in their terms of engagement. It also covers the confidentiality issue. Over recent years most valuers providing valuations that are material for any listed or substantial private entity will have had interaction with auditors because the audit regulators are expecting this of the auditors. Therefore, we have not taken any action on these points.

Another respondent said that they are seeing increasing enquiries from auditors to justify valuations, including expectations from auditors that valuers will provide a significant amount of supporting evidence and access to the valuer's underlying source data. Often valuers are using aggregated information from other valuations or from other clients, most of which is subject to NDAs, creating conflict with auditors. The respondent went on to say they have also seen auditors challenge or dispute valuer's opinions on inputs into models. This causes valuers to come under increased pressure from clients to revise figures to meet with auditors' expectations.

The EWG's view is that while UK VPGA 9 does not specifically discuss the need for keeping information other than that shared with the client confidential, that is covered in the Rules of Conduct and specific situations in relation to valuation data are in PS 2 of Red Book Global Standards. Para 22 of the proposed new UK VPGA 9 covers confidentiality of client information. An auditor cannot unilaterally force a valuer to disclose confidential information, so we have added a sentence relating to the use of confidential input data and cross referring to PS 2 3.6-3.8. We have also added a reference to RICS' document on comparable evidence as this also deals with confidentiality.

We received a comment that conflicts are an important aspect that need covering, along with a tie in with PS 2. This point has not been actioned as this is already covered by the existing sentence: 'Independence and objectivity requirements are covered in PS 2, which also addresses issues and risks concerning conflicts of interest.'

Finally, during discussions on this section with the Global Valuation Standards Expert Working Group, concerns were expressed about the potential need for valuers to provide detailed valuation models to auditors, and changes to the wording were made to reflect:

'Where cooperation with the client's auditor is within the scope of a valuer's instructions, the valuer should cooperate reasonably and responsibly with them, for example by providing details of the key inputs and assumptions adopted and the rationale for the reported valuation.'

UK VPGA 10 Valuation for commercial secured lending purposes

We received a comment in respect of 10.3, that reference is made at paragraph 5 as to 'Limitation of reliance', and that this is an interesting point given the developing UK case law over the relationship between valuer and third party (i.e. specifically the borrower here). The respondent queried if the time has been reached where a Limit of Reliance form is completed by the lender, valuer and borrower to explicitly cover off whether a third party can place reliance?

Our response on this point is that terms of engagement and caveats to valuation reports should be explicit on this point. Beyond those principles referred to in Red Book Global Standards, valuers and clients will need to agree terms relevant to the specific task being undertaken.

Another comment was made by the same respondent in respect of ‘Suitability’: as this is best practice advice, could a section not be added in as the expectations of what a valuer should be covering off? This will aid reporting consistency across the profession.

Our view is that the existing content is reasonable, and that ultimately different lenders have different requirements and that this criteria is not always within the valuer’s remit.

In additional consultation with lenders, valuers and other relevant stakeholders RICS has received feedback that it has a role to play in clarifying expectations around ESG. Though no mandatory content has been included, direct reference to ESG in a UK commercial secured lending context has now been made in this section. This supports other ESG workstreams being undertaken.

UK VPGA 11/12/13 Valuation of UK residential property

One respondent said that many of the principles of the existing UK VPGA 11 could be applied more broadly to the valuation of UK residential property, not just for the mortgage purposes. In addition, a number of comments were received from valuers and also end users of valuation advice where UK VPGA 11–13 is used, saying that while the content was on the whole helpful, the sections were too detailed and a more principled approach would be more user-friendly, with the further detail to be included in separately published guidance. As a result of this feedback, and in consultation with the EWG, RICS has redrafted UK VPGA 11 and broadened the focus to include the valuation of UK residential property, including overarching principles that are designed to achieve a uniform approach to the provision of valuation advice for residential property.

In addition to these principles, RICS will publish a separate, detailed professional standard to residential valuers operating in the UK. The intent of this guidance is to be comprehensive and sit alongside the existing suite of residential valuation-related professional standards.

The EWG also agreed the existing content for UK VPGA 12 and UK VPGA 13 would be removed from the revised UK national supplement, reviewed, updated and placed in the new, separate detailed guidance.

Several comments were received (all from the same respondent) in respect of UK VPGA 11 as follows:

Under the ‘valuer’s role’: is it not a general requirement that (a) valuation evidence should be included and (b) factors other than those seen during an inspection should be commented on?

The EWG agreed with the sentiment of the feedback, though believe (a) is already dealt with in the valuation reporting section and (b) is suitably covered in the valuation advice without a full inspection section.

A further comment was made in respect of UK VPGA 11, highlighting instances where not all parts of the property can be accessed above and beyond ‘undue difficulty’ or ‘risk to personal safety’ – e.g. where a valuer has been refused entry because of an unwell or dying person.

The EWG are of the view that, in the unlikely event a valuer has been refused entry to a property due to the reasons set out, this should be communicated to the client and the valuer should await their instruction as to how to proceed. No further change will be made to this UK VPGA, but will be considered as part of the follow-up residential professional standard.

In respect of UK VPGA 11.8 Incentives: will separate guidance be issued on this subject as this has implications not just for residential property transactional analysis but also for commercial properties too?

It is already programmed into RICS’ 2-4 year pipeline to review our standards on comparable evidence.

Relating to UK VPGA 11.9 Insurance, there was a request to tighten the terminology to a reinstatement cost assessment.

The EWG agree with the sentiment of the feedback and have updated the draft to note where the client requests an estimate for a reinstatement cost assessment be provided it should be in accordance with the latest edition of RICS’ Reinstatement cost assessment of buildings.

UK VPGA 14 Valuation of registered social housing for loan security purposes

Several points were made by a single respondent in respect of the content at UK VPGA 14 and 18 as follows:

- ‘Reference to Registered Providers (RPs) – the document should reference and clearly define both For profit and Not For Profit Registered Providers. The documents must also reflect recent changes in market dynamics following the increase in the volume of private sector investment in Affordable Housing and the larger numbers of For Profit Registered Providers.

- Transactional evidence – The availability of market data is increasing and transactional evidence is becoming more transparent. The basis of valuation must be able to 'mark properties to market". The use of EUV-SH in its current form seems to discourage rather than encourage valuers from benchmarking against market evidence. Reference to comparable data/transactional evidence must be included in updated guidance.
- Sustainability - should they reference the RICS ESG Guidance? Should it also include reference to EPC ratings?
- Property due diligence and reporting – given the volumes of properties that are typically valued in a single instruction, the level of individual properties due diligence that is has been undertaken has been lower than for other property types. Clear and updated guidance needs to be drafted to ensure valuers are providing robust and accurate valuations and to provide clarity on the information that must be provided (and relied upon) and reported particularly relating to (but not exclusively); building safety, sustainability/energy consumption/ESG and related regulations, building condition and form of tenure.
- Market Value subject to Tenancy – Consideration should be given to the inclusion of a formal definition in VPGA 14 for Market Value subject to Tenancy (with an appropriate and consistent abbreviation – MV-T/MV-ST/MVSTT) which is frequently now used for loan security valuations. Stronger guidance in this area should promote consistency.
- Grant funding – clear guidance/reference to how it is applied to valuations as there seem to be some inconsistencies across the sector.
- Development land – is there the potential to include reference and definition of 'package price' which is regularly used by RPs. Potentially with a method statement?
- Benchmarking metrics – is there any prospect of outlining expectations/guidance in terms of benchmarking for valuations and reporting – i.e. including NIY, % of VP etc.
- Governance – does there need to be clear reference to regulation in the sector and the Regulator of Social Housing (RSH)?'

In response to these points, RICS initiated meetings with a working group consisting of specialists working within the affordable housing sector to consider these points further and various updates to UK VPGA 14 were actioned.

UK VPGA 15 Valuations for Capital Gains Tax, Inheritance Tax, Stamp Duty Land Tax and the Annual Tax on Enveloped Dwellings

For the purposes of the consultation draft, much of the original content was removed incorporating general administrative upd.ates, signposting to additional HRMC and VOA guidance, and inclusion of commentary relating to Residential Property Developer Tax.

Two comments were received from respondents during the consultation process, both critical of much of the original content having been removed from this section. In response, we have revisited this section, restoring much of the original content and incorporating general administrative updates, signposting to additional HRMC and VOA guidance, and inclusion of commentary relating to Residential Property Developer Tax.

UK VPGA 16 Valuations for compulsory purchase and statutory compensation

For the purposes of the consultation draft, only minor amends were made to this section including Noting that a CPO professional statement update was recently consulted on.

During the consultation, a single comment was received in this section indicating that the professional standard and guidance for compulsory purchase and compensation should be in one place and that it is potentially merged into the revised professional standard on compulsory purchase and compensation, and removed from the supplement.

Based on the advice of the CPO working group and the Global Valuation Standards Expert Group, it has been discussed and agreed that this content remains as is.

UK VPGA 17 Local authority disposal of land for less than best consideration

For the purposes of the consultation, new guidance covering Northern Ireland and Scotland had been incorporated along with general reordering.

No comments were received in respect of this section during the consultation.

UK VPGA 18 Affordable rent and market rent under the Housing Acts in a regulatory context

In response to various points received from a single respondent in respect of UK VPGA 14 and 18, RICS initiated meetings with a working group consisting of specialists working within the affordable housing sector to consider these points further. As a result of these meetings, it was unanimously decided to entirely remove the content of UK VPGA 18 as the existing content is no longer relevant.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org

RICS®

rics.org