



Chartered property,
land and construction
surveyors

A GUIDE TO COMPLIANCE WITH RED BOOK FOR RESIDENTIAL VALUATIONS FOR NON-LENDING PURPOSES



SCSI/RICS DOCUMENTS STATUS DEFINED

The SCSI/RICS produce a range of professional standards, guidance and information documents. These have been defined in the table below. This document is an information paper (IP).

Type of document	Definition	Status
Standard International standard	An international high-level, principle-based standard developed in collaboration with other relevant bodies.	Mandatory
Professional statement SCSI/RICS professional statement (PS)	A document that provides members with mandatory requirements or a rule that a member or firm is expected to adhere to. This term also encompasses practice statements, Red Book professional standards, global valuation practice statements, regulatory rules, SCSI/RICS Rules of Conduct and government codes of practice.	Mandatory
Guidance SCSI/RICS code of practice	Document approved by SCSI/RICS, and endorsed by another professional body/ stakeholder, that provides users with recommendations for accepted good practice as followed by conscientious practitioners.	Mandatory or recommended good practice (will be confirmed in the document itself). Usual principles apply in cases of negligence if best practice is not followed.
SCSI/RICS guidance note (GN)	Document that provides users with recommendations or approach for accepted good practice as followed by competent and conscientious practitioners.	Recommended best practice. Usual principles apply in cases of negligence if best practice is not followed.
SCSI/RICS information paper (IP)	Practice-based information that provides users with the latest technical information, knowledge or common findings from regulatory reviews.	Information and/or recommended best practice. Usual principles apply in cases of negligence if best practice is not followed.
SCSI/RICS economic/ market report	A document usually based on a survey of members, or a document highlighting economic trends.	Information only.
SCSI/RICS consumer guide	A document designed solely for use by consumers, providing some limited technical advice.	Information only.
Research	An independent peer-reviewed arm's length research document designed to inform members, market professionals, end users and other stakeholders.	Information only.

A GUIDE TO COMPLIANCE WITH RED BOOK FOR RESIDENTIAL VALUATIONS

FOR NON-LENDING PURPOSES

What is Red Book?

RICS Valuation - Global Standards (Red Book Global Standards), commonly known and referred to simply as Red Book, contains mandatory rules, best practice guidance and related commentary for all Society of Chartered Surveyors Ireland (SCSI)/Royal Institution of Chartered Surveyors' (RICS) members undertaking asset valuations. Red Book is issued by RICS to promote and support high standards in valuation delivery in Ireland.

The current edition of Red Book is available here

<https://www.rics.org/uk/upholding-professional-standards/sector-standards/valuation/red-book/red-book-global/>

Purpose of this Guidance Note

This guidance is intended to provide members with practical compliance support when undertaking routine valuations of residential property for a number of purposes for which valuers will commonly receive instructions. This guidance is not intended to be a substitute for valuers having a full understanding and knowledge of Red Book requirements.

Membership of SCSI/RICS and the RICS Valuer Registration Scheme

Members of the Society of Chartered Surveyors Ireland undertaking written valuations must be members of the Royal Institution of Chartered Surveyors' (RICS) Valuer Registration Scheme (VRS) and must comply with Red Book, and with Valuer Registration Scheme Rules, available here

<https://www.rics.org/globalassets/rics-website/media/upholding-professional-standards/regulation/rules-registration-schemes-appendix-a-150518-mb.pdf>

Important aspects of Red Book

Red Book is a set of standards and not a manual as to how to value. There are seven standards – Professional Standards PS 1 & 2 and Valuation Technical and Performance Standards VPS 1-5.

Professional Standards PS 1 & 2 are mandatory for all members providing written valuations.

Valuation Technical and Performance Standards VPS 1-5 are also mandatory, except in exceptional circumstances set out in P.S.1.5.

PS 1	deals with Compliance with standards where a written valuation is provided, and practical compliance will be achieved by compliance with PS2 and VPS 1-5.
PS 2	deals with Ethics, competency, objectivity and disclosures, and practical compliance is achieved by the valuer having appropriate qualifications, membership of VRS and having sufficient knowledge of the asset type in its particular market, and the skills and understanding necessary to undertake the valuation competently. Members are required to undertake a conflict of interest check and record the findings of that check on file.
VPS 1	deals with Terms of engagement (scope of works) and sets out what you need to include in your Terms of Engagement.
VPS 2	deals with Inspections, investigations and records, and sets out what you need to do in terms of inspections and investigations and what records you need to keep on file.
VPS 3	deals with Valuation reports and sets out what you need to include in your valuation report.
VPS 4	deals with Bases of value, assumptions and special assumptions, and practical compliance with this standard will be achieved by compliance with VPS 1 Terms of engagement and VPS 3 Valuation reports.
VPS 5	deals with Valuation approaches and methods, and practical compliance with this standard will be achieved by compliance with VPS 2 Inspections, investigations and records and VPS 3 Valuation reports.

This guidance specifically deals with practical compliance with VPS 1-3.

VPS 1 - Terms of engagement (scope of work)

Red Book requires valuers to have an agreed terms of engagement (TOE) on file, signed by the client. The format of the TOE is a matter for the valuer, but must deal with the matters of minimum content of VPS 1.3 set out below:

- a. Identification and status of the valuer
- b. Identification of the client(s)
- c. Identification of any other intended users
- d. Identification of the asset(s) or liability(ies) being valued
- e. Valuation (financial) currency
- f. Purpose of the valuation
- g. Basis(es) of value adopted
- h. Valuation date
- i. Nature and extent of the valuer's work – including investigations – and any limitations thereon
- j. Nature and source(s) of information upon which the valuer will rely
- k. All assumptions and special assumptions to be made
- l. Format of the report
- m. Restrictions on use, distribution and publication of the report

- n. Confirmation that the valuation will be undertaken in accordance with the IVS (International Valuation Standards)
- o. The basis on which the fee will be calculated
- p. Where the firm is registered for regulation by RICS, reference to the firm's complaints handling procedure, with a copy available on request
- q. A statement that compliance with these standards may be subject to monitoring under RICS' conduct and disciplinary regulations
- r. A statement setting out any limitations on liability that have been agreed.

The practical application of this standard is demonstrated in a sample TOE for a valuation of a hypothetical property for Fair Deal purposes available in Appendix A.

VPS 2 – Inspections, investigations and records

Red Book requires valuers to carry out inspections and investigations to the extent necessary to produce a valuation that is professionally adequate for its purpose. A proper record must be kept of inspections and investigations, and of other key inputs in an appropriate business format. While not mandatory, it is recommended that valuers employ a template for this purpose, which will help to ensure that all relevant matters are considered and to ensure consistency across valuation files.

A template for this purpose is available here

<https://scsi.ie/scsi-residential-valuation-site-note-checklist/>

That template, fully completed, also satisfies the requirement to record comparable evidence used to arrive at the valuation, its analysis and linkage between the comparables and the valuation figure reported, demonstrating the valuer's thinking and rationale.

Red Book allows valuations to be undertaken on the basis of a limited inspection, for example, if the property had been previously inspected by the valuer, but such limitations must be agreed with the client and set out in the TOE and in the Report.

VPS 3 – Valuation reports

Red Book requires valuers to produce a report that clearly sets out the conclusions of the valuation in a manner that is neither ambiguous nor misleading, and which deals with all matters agreed with the client in the TOE. The format of the Report is a matter for the valuer, but must deal with the matters of minimum content of VPS 3.2.1 set out below:

- a. Identification and status of the valuer
- b. Identification of the client and any other intended users
- c. Purpose of the valuation
- d. Identification of the asset(s) or liability(ies) valued
- e. Basis(es) of value adopted
- f. Valuation date
- g. Extent of investigation
- h. Nature and source(s) of the information relied upon

- i. Assumptions and special assumptions
- j. Restrictions on use, distribution and publication of the report
- k. Confirmation that the valuation has been undertaken in accordance with the IVS
- l. Valuation approach and reasoning
- m. Amount of the valuation or valuations
- n. Date of the valuation report
- o. Commentary on any material uncertainty in relation to the valuation where it is essential to ensure clarity on the part of the valuation user
- p. A statement setting out any limitations on liability that have been agreed.

The practical application of this standard is demonstrated in a sample Report for a valuation of a hypothetical property for Fair Deal purposes available in Appendix B.

Other Valuations Purposes

For valuations for other purposes, the TOE and Report should be amended to reflect purpose, basis of value and valuation date as follows:

Valuations for Fair Deal Scheme

The Nursing Home Support Scheme, better known as the Fair Deal Scheme, is a Health Service Executive (HSE) scheme to assist in meeting the cost of providing nursing home care to those needing long-term care. As part of the scheme, a percentage of the value of a person's assets are assessed to contribute towards the cost of care payable from the applicant's assets after death. The application process requires a valuation of the applicant's non-cash assets including their home, if owned by them.

The basis of value is: *“Estimated market value means the price the asset concerned would fetch on the open market on the date on which the application for State support is made subject to such conditions as might reasonably be calculated to obtain for the vendor of the asset the best price of the asset.”* (Source: Nursing Homes Support Scheme Act 2009, Part 3 of Schedule 1).

The valuation date is the date of application to the HSE.

Valuations for Taxation – Probate and property transfers

Capital Acquisitions Tax (Gift Tax or Inheritance Tax) may be payable on gifts and inheritances of property, and valuers are routinely asked for valuations for those purposes.

The basis of value is derived from legislation and is defined as: *“the price which, in the opinion of the Revenue Commissioners, such property would fetch if sold in the open market on the date on which the property is to be valued in such manner and subject to such conditions as might reasonably be calculated to obtain for the vendor the best price for the property.”* (Source: Section 26 of the Capital Acquisitions Tax Consolidation Act 2003)

The valuation date depends on the circumstances and is the date on which the market value of a gift or inheritance is established. That may be a number of different dates, including the date of death. The valuer needs to establish the relevant date with the client or the client's advisers.

Valuations for Local Property Tax

Local Property Tax (LPT) is an annual self-assessed tax charged on the market value of all residential properties in Ireland. It came into effect on 1st July 2013 and is collected by the Revenue Commissioners. Properties were re-valued at 1st November 2021. The valuation of properties at that date will determine the amount of LPT homeowners will pay for 2022 and for the three years from 2023 to 2025, when the next re-valuation is due. Property values are divided into nineteen bands up to €1.75m, and each band has a basic € charge for all properties within that band range. It is a matter for property owner to select the appropriate band for their property. For properties over €1.75m, tax is charged at the chargeable value rather than on a band. For properties worth over €1.75m, LPT will be charged a rate of 0.1029% on the first €1.75m of their value, with a higher rate of 0.3% on the property's value in excess of €1.75m.

The basis of value for LPT is Chargeable Value defined in the Finance (Local Property Tax) Amendment Act as *“the price which the unencumbered fee simple of the property might reasonably be expected to fetch in the open market were that property to be sold on the valuation date in such manner and in such conditions as might reasonably be expected to obtain for the vendor the best price for the property and with the benefit of any easement necessary to afford the same access to the property as would have existed prior to the sale.”*

The valuation date for the most recent valuation for LPT is 1st November 2021.

Note:

No responsibility for loss or damage caused to any person acting or refraining from action as a result of the material included in this guidance can be accepted by the authors or SCSl. The guidance is intended to assist valuers in complying with RICS Valuation - Global Standards and in maintaining compliant valuation files. The guidance is not a substitute for knowledge and understanding of the Standards. Members are not required to follow the advice and recommendations contained in the note. They should, however, note the following points: When an allegation of professional negligence is made against a surveyor, a court or tribunal is likely to take account of the contents of any relevant guidance notes published by SCSl in deciding whether or not the surveyor had acted with reasonable competence. In the opinion of SCSl, a member conforming to the practices recommended in this note should have at least a partial defence to an allegation of negligence if they have followed those practices. However, members have the responsibility of deciding when it is inappropriate to follow the guidance. Alternatively, it does not follow that members will be found negligent if they have not followed the practices recommended in this note. It is for each surveyor to decide on the appropriate procedure to follow in any professional task. However, where members do not comply with the practice recommended in this note, they should do so only for a good reason. In the event of a legal dispute, a court or tribunal may require them to explain why they decided not to adopt the recommended practice. Also, if members have not followed this guidance, and their actions are questioned in an SCSl disciplinary case, they may be asked to explain the actions they did take and this may be taken into account by the Panel.

APPENDIX A

FIRM NAME / LOGO

TERMS OF ENGAGEMENT

In respect of valuation of 63 College Park, Anytown, Co. Dublin

1. Identification and status of the valuer:

This valuation will be undertaken by AN Other, who is a Chartered Surveyor & Registered Valuer who has sufficient knowledge of the asset type in its particular market, and the skills and understanding necessary to undertake the valuation objectively and competently. AN Other does not have any prior involvement with the property or with any parties to any transaction involving it that would give rise to a conflict of interest.

2. Identification of client:

Mrs Mary Browne, 63 College Park, Anytown, Co. Dublin.

3. Asset/liability to be valued and the interest therein:

The asset/liability to be valued is the freehold (or long leasehold) interest in 63 College Park, Anytown, Co. Dublin, on the special assumption of vacant possession.

4. Currency:

All currency will be reported in Euro (€).

5. Purpose of valuation:

The purpose of the valuation is for an application under the Nursing Homes Support Scheme (the Fair Deal Scheme).

6. Basis of value:

“Estimated market value means the price the asset concerned would fetch on the open market on the date on which the application for State support is made subject to such conditions as might reasonably be calculated to obtain for the vendor of the asset the best price of the asset.” (Source: Nursing Homes Support Scheme Act 2009, Part 3 of Schedule 1).

7. Valuation date:

Insert the actual or intended date of application.

8. Extent of investigations and related Assumptions:

- 1) We will not make any title enquiries and will assume that the property has good title, free from onerous or restrictive covenants, rights-of-way, easements, etc. which might adversely affect the property.
- 2) We will not carry out a building survey and will assume that the buildings and services are generally in satisfactory repair and condition.
- 3) We will not make any planning enquiries in respect of the property and will assume that the existing development and user thereof comply with the planning acts and that it is not affected by any proposed changes to the existing roads serving the property.

- 4) We will not carry out any environmental investigations in respect of the property and will assume that the property is not adversely affected by contamination, flooding, radon or other issues.
- 5) We will seek sight of the building energy rating certificate (BER Cert) for the dwellinghouse, if available, and will reflect that rating in our valuation.

9. Nature and source of information:

We will obtain information from the client, the inspection, from the Property Price Register, from local estate agents and from our own records. We will rely on the veracity of the information as presented and will apply professional scepticism to that information.

10. Format of Report:

The report will comply with the minimum content of VPS 3 para 2 of Red Book and will be made available to you in duplicate in hard copy format.

11. Restrictions on use, distribution and publication:

The valuation report is intended for the stated purpose only and is not to be relied upon, distributed to, or shared with any third party without the consent of the valuer, which consent, if any, will be at the valuer's sole discretion.

12. Compliance with RICS Valuation - Global Standards:

The Valuation and Report will be prepared in accordance with the International Valuation Standards (IVS) and RICS Valuation – Global Standards, effective 31st January 2022 (Red Book).

13. RICS Monitoring:

The valuer is registered with RICS Valuer Registration. Please note that our files may be subject to monitoring under RICS conduct and disciplinary regulations.

14. Complaints:

The firm operates a Complaints Handling Procedure in accordance with SCSI/RICS guidelines. A copy is available on request.

15. Limit on liability:

To be completed if a limit on liability has been agreed with the client.

16. Fee:

Insert agreed fee.

Signed by: _____
AN Other MSCSI MRICS RICS Registered Valuer
(On behalf of AN Other & Co., Estate Agents)

Date:

Signed by: _____
Client

Date:

APPENDIX B

FIRM NAME / LOGO

REPORT & VALUATION
63 College Park, Anytown, Co. Dublin

1. Identification and status of the valuer:

This valuation has been undertaken by AN Other, who is a Chartered Surveyor & Registered Valuer and who has sufficient knowledge of the asset type in its particular market, and the skills and understanding necessary to undertake the valuation objectively and competently. AN Other does not have any prior involvement with the property or with any parties to any transaction involving it that would give rise to a conflict of interest.

2. Identification of client

Mrs Mary Browne, 63 College Park, Anytown, Co. Dublin.

3. Asset/liability to be valued, interest therein and description:

The asset/liability to be valued is the freehold (or long leasehold) interest in 63 College Park, Anytown, Co. Dublin. College Park is a 1980's development of some 100 detached and semi-detached homes located 3 km from the town centre on the west side of Sea Road. The dwellinghouse is detached, extending to 145 sq.m. gross internal area, and is of traditional concrete block construction with a concrete tile roof. Accommodation comprises an entrance hall, sittingroom, kitchen/dining area, utility room and toilet on the ground floor and four bedrooms (one en-suite) and a bathroom at first floor level. The site extends to 600 sq.m. with gardens to front and rear, generally bound by concrete block walls. The dwellinghouse is connected to all main services.

4. Currency:

All currency in this report is in Euro (€).

5. Purpose of valuation:

The purpose of the valuation is for an application under the Nursing Homes Support Scheme (the Fair Deal Scheme).

6. Basis of value:

"Estimated market value means the price the asset concerned would fetch on the open market on the date on which the application for State support is made subject to such conditions as might reasonably be calculated to obtain for the vendor of the asset the best price of the asset." (Source: Nursing Homes Support Scheme Act 2009, Part 3 of Schedule 1).

7. Valuation date:

Insert the actual or intended date of application.

8. Extent of investigations and related Assumptions:

- 1) We have not made any title enquiries and have assumed that the property has good title, free from onerous or restrictive covenants, rights-of-way, easements, etc. which might adversely affect the property.
- 2) We have not carried out a building survey and have assumed that the buildings and services are generally in satisfactory repair and condition.
- 3) We have not made any planning enquiries in respect of the property and have assumed that the existing development and user thereof comply with the planning acts and that it is not affected by any proposed changes to the existing roads serving the property.
- 4) We have not examined any environmental reports in respect of the property and assume that the property is not adversely affected by contamination, flooding, radon or other issues.
- 5) We have had sight of the building energy rating certificate (BER Cert) of the dwellinghouse and that rating is reflected in our valuation.

9. Nature and source of information:

We have obtained information from the client, the inspection, from the Property Price Register, from local estate agents and from our own records. We have relied on the veracity of the information as presented and have applied professional scepticism to it.

10. Restrictions on use, distribution and publication:

This valuation report is intended for the stated purpose only and is not to be relied upon, distributed to, or shared with, any third party without the consent of the valuer, which consent, if any, will be at the valuer's sole discretion.

11. Compliance with RICS Valuation - Global Standards:

This Valuation and Report has been prepared in accordance with the International Valuation Standards (IVS) and RICS Valuation – Global Standards, effective 31st January 2022 (the Red Book).

12. Valuation:

In arriving at our opinion of value, we have adopted market approach and have relied on the following comparable evidence:

- 1) 47 College Park – a similar property in the same development in similar condition. Sold October 2021 for €275,000 (Source: Property Price Register)
- 2) 27 College Park – a similar property in the same development which has been modernised recently. Sold July 2021 for €285,000 (Source: ABC Estate Agents)
- 3) 121 College Grove, Anytown - a larger four bedroomed detached house in an adjoining development. Sold July 2021 for €295,000 (Source: Property Price Register)

Comparison 1 above is the most relevant to the subject property. We have allowed a positive adjustment of €5,000 to reflect that the subject property stands on a larger end site with additional on-site parking and potential for an extension.

In our opinion, the market value of the subject property at the valuation date is €280,000 (two hundred and eighty thousand euro).

13. Limit on liability:

To be completed if a limit on liability has been agreed with the client.

Signed by: _____

**Name of Valuer: AN Other MSCSI MRICS RICS Registered Valuer
(On behalf of AN Other & Co., Estate Agents)**

Date of report: *date of issue of report*