Red Book Terms of Engagement and Valuation Report Frameworks: guidance on use

Use of these Frameworks can only be carried out satisfactorily after a careful reading of the *RICS Valuation – Global Standards* as amended in January 2025. It is not considered good practice simply to refer to them as the *RICS Valuation – Global Standards* and not to mention the date of the edition. The current edition will otherwise be assumed. The practitioner must first be familiar with the mandatory requirements as well as the commentary and guidance contained in those Standards before attempting to use these Frameworks. Failure to do so may result in their inappropriate use and completion, and failure to comply with the mandatory requirements of Red Book.

This suite of documents is aimed at the sole practitioner and small firm only. The chief aim is to facilitate compliance with the requirement for mandatory minimum content of terms of engagement (**Red Book VPS 1**) and report (**Red Book VPS 6 para 2**). Frameworks are provided for taking valuation instructions, creating terms of engagement and reports and associated covering letters.

Note: all written valuations are subject to PS 1 and PS 2 of Red Book without exception. The valuer must also establish whether or not the valuation being carried out is subject to **VPS 1 to VPS 6** of Red Book and must comply with those Standards as well as any other relevant mandatory section of Red Book. These frameworks do not tell the valuer what to say which remains at the valuer's professional and commercial discretion. The frameworks do, however, offer some guidance for their completion which must be read and applied along with the guidance already set out in the relevant sections of Red Book.

The valuer should be aware that all valuations are commissioned for a particular purpose and each purpose brings into play its own regulatory requirements. The valuer must therefore familiarise themselves with all **Valuation Practice Guidance – Applications** and **UK Valuation Standards** (where applicable) covered by Red Book and comply accordingly.

Exceptions to the mandatory application of VPS 1 to VPS 6

PS1 para 5.6 makes it clear that *'Even though the content of VPS 1 may not be mandatory in 'exception' cases, terms of engagement are still required and they must be clear, unambiguous and appropriately documented. This is as much in the interests of the member as of the client, as it ensures there is no ambiguity about what is being requested and supplied.'*

RICS Regulation expects that **VPS 1 – VPS 6** should be followed as far as circumstances allow in order to satisfy the *RICS Rules of Conduct* for firms and members. **Rule 3** requires members and firms to undertake their work '*with due care, skill and diligence, and in accordance with RICS technical standards'.*

The terms of engagement and report frameworks

The terms of engagement and report frameworks are standalone yet parallel documents. Terms of engagement are primarily a memorandum of what has been agreed between the valuer and client for the avoidance of doubt and confusion. Red Book requires that much of the agreement set out in the terms of engagement is repeated in the report and the valuer will see that many of the headings in terms of engagement are repeated in the report.

Valuation instruction form

The valuer should begin with the valuation instruction form which has been designed to enable the valuer to obtain from the client all the information necessary in order to carry out the valuation instruction.

Terms of Engagement

The terms of engagement framework has all the headings required for compliance with VPS 1 and should be completed based upon the information in the valuation instruction form.

The sections of the terms of engagement framework dealing with assumptions and extent of investigations follows the guidance to be found in **VPS 2 para 9** and **VPGA 8** of Red Book. The valuer must read and apply **VPS 2 para 9** and should take into consideration **VPGA 8**. The vast majority of valuations are carried out based upon limited inspections and investigations, in other words with limited due diligence. This means that the valuer is not in possession of the full facts about the property and therefore has to make assumptions. The limits in due diligence must be agreed with the client, clearly stated in the terms of engagement and covered by an agreed and reasonable assumption. It is recommended that the limits in the inspections and investigations and the consequent assumptions are stated together in the same section of the terms of engagement.

Report

The report framework is set out to follow the list of minimum required content in **VPS 6 para 2**. This list closely follows the list in **VPS 1** for terms of engagement underlining the point that terms of engagement are a memorandum of the agreed facts upon which the report is to be based. The principle is that the report should mirror the terms of engagement. Thus, the valuer can cut and paste many of the statements made in the terms of engagement directly into the report. This will save time and effort and will ensure that the report agrees with the terms of engagement and that there are no errors, omissions and ambiguities.

To report the facts about the property such as its location, description, accommodation etc. these can be reported under the *Identification of the asset(s) or liability(ies) valued* heading where suggested sub-headings are given. The list of headings is not exhaustive.

The results of the inspections and investigations should be set out under the heading *Extent of Investigations*. The valuer should cut and paste what has been said under the same heading in terms of engagement to ensure consistency and to eliminate errors and ambiguities. Of course, in reporting, the past tense must be used.

The valuer then reports the findings of their inspections and investigations and states whether or not their assumptions remain valid or must be altered in the light of the findings.

Model letters

The letters are suggestions only and the valuer may adjust and amend as they see fit. The principle is that the letters do not repeat anything which is said in the terms of engagement or report. This avoids unnecessary repetition and avoids having information split across two documents with the risk of error, omission, contradiction and ambiguity.

DISCLAIMER

*These documents are intended as a general framework only to assist suitably qualified valuation practitioners to comply with the requirement for minimum content of terms of engagement and valuation reports specified in **VPS 1** and **VPS 6** of the current RICS Valuation – Global Standards. RICS makes no representation as to their suitability to any particular situation or set of circumstances. The practitioner shall need to exercise their own skill and judgment to form a view as to their suitability to a given situation and will need to tailor them as they see fit in each case. Please note that the documents have been designed as a single suite and are intended for use in conjunction with each other and as such we recommend that care is taken to ensure that the individual documents remain consistent with each other. In particular, it is recommended that special care is taken to ensure statements describing the scope and depth of inspection and investigations and the attendant valuation assumptions referred to within the terms of engagement are consistent with corresponding statements made within the valuation report itself.*