

THE WELCOME TO THE NEW EDITION OF **CEMICIRCULAR**

This information bulletin is compiled by The College of Estate Management as a key study aid for all current and former students.

This latest updated edition of *CEMiCircular* includes information about a range of topical issues in the world of surveying and property collated over the past few months. This edition has been produced in two distinct formats:

- A PDF bulletin containing summary articles, and a range of short précis with attached references, html links and ISBN references.
- A shorter html summary which highlights key elements of the bulletin and provides a direct link to CEMiCircular hosted on the VLE.

Both versions are designed to allow easier access to the highlighted materials drawn from a number of sources including academic journals, the property press, and industry-based websites.

In this edition we have included two extensive summary articles discussing a report on environmental behaviour from the Worldwide Fund for Nature and on updates to the RICS Red Book. There are also new sections on offices and regeneration.

We hope that the new PDF format is more accessible and practical.

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BUILDING

The recent questions concerning tender prices have been discussed in Building magazine, as have the issues created by falling material and labour costs. These articles may be found using the links below:

www.building.co.uk/story.asp?storycode=3145525&origin=bldgweeklynewsletter

www.building.co.uk/story.asp?storycode=3146137&channel=745&origin=bldgqsnewsnewsletter

In discussing issues relating to the management and preservation of historic environments, there are three recent articles of interest. Two are from Context, which is the journal of the Institute of Historic Building Conservation (mainly LA conservation officers and English Heritage membership), dealing with Article 4 directions and Part L of the Building Regulations.

The other is from English Heritage's Conservation Bulletin, and comprises a series of articles on climate change and historic buildings.

1. *Journal of the Institute of Historic Building Conservation*

'Article 4 directions in conservation areas' – ANDREW DICK

Recent research shows that most local authorities are failing to make use of one of the most effective tools in the management of conservation areas.

Context 108, March 2009, 37–38

2. *Journal of the Institute of Historic Building Conservation*

'Changes to Building Regulations: Strong views on Part L exemptions' – CHRIS WOOD

Context 109 May 2009, 10, See also www.english-heritage.org.uk/upload/pdf/ign_partl_buildingregs.pdf

3. *'Learning to adapt' – There are many ways in which the historic environment can respond to climate change – from local mitigation to international adaptation strategies.*

Conservation Bulletin 57, Spring 2008, 26–39

CONSTRUCTION

This year the CIOB has produced several interesting research reports. These are listed below and can all be found at www.ciob.org/resources/research

- 'Crime in the construction industry' – research examining the scale and impact of crime on the construction industry and highlighting the key areas of concern for senior level construction workers.
- 'Skills in the construction industry 2009' – CIOB third skills survey showing that, despite the recession and downturn in construction demand, the industry is still suffering a skills shortage.
- 'The impact of the ageing population on the construction industry' – research examining how the ageing population will impact the industry; the biggest challenge facing the 21st century.
- 'Leadership in the construction industry' – CIOB report on surveys to gain the industry's opinion about leadership generally, and focusing on the current level of leadership within construction.



CONSTRUCTION LIFE CYCLE COSTING

- The relationship between life cycle costing and sustainable design was the subject of a major RICS research report in February this year. Examining the methodology for the life cycle costing of sustainable design, this research report may be found at:

www.rics.org/NR/rdonlyres/45EB0658-EE89-4848-BF76A1F412BE2B8B/0/Lifecyclecostingofsustainabledesign.pdf

- A RICS Cobra research paper examines the issues of managing building and civil engineering projects, in particular those that contribute to construction conflict and disputes:

www.rics.org/NR/rdonlyres/46791B64-7942-4C41-B11B-DC242F794DBA/0/Aibinu.pdf

- The July/August issue of *Construction Manager* (CIOB) contains an article entitled 'Fantasy manager' (p. 18). This concerns a new training facility in Coventry, the Centre for Advanced Construction Technologies, and uses virtual construction sites for training, with associated problem-solving exercises.

This can be found at www.construction-manager.co.uk

FACILITIES MANAGEMENT

In the field of facilities management the following recent published materials are recommended for students to consider.

In July 2009, *Property Facilities Management* published an article by Rosemary Elder which, in discussing the RICS White Book, reviews the overarching FM Guidance Note that covers the strategic role of FM in business performance.

The definition of FM used in this Note is the BS CEN 15221-1:2006, the BSI endorsed European Standard. The main area of contention with the RICS approach to FM is that it, not surprisingly, positions FM beneath property. We, however, see a spectrum of FM activity from operation through tactical/management to strategic business influence, where property is but a physical space, albeit one which hopefully is designed to provide that environment required in direct support of the business.

Historically, RICS members have satisfied themselves with meeting a stated requirement (e.g. x thousand m² of office space in a certain location), whereas FM helps interpret the core business objectives in terms of the support environment which permits the way-of-working required by the business.

You are probably aware that CEM has access to the RICS members' area using the following link and these materials can be accessed on this site using the CEM login and password: www.isurv.com

See also:

The Strategic Role of Facilities Management in Business Performance

RICS Guidance Note, 1st edition

ISBN-13: 978-1842195239

www.ricsbooks.com

PLANNING

The question of the recession and its impact on planning activities across the UK has been an important focus in the planning press over recent months.

Three items from *Planning* explore the impact of the recession on different sectors of the property market:

- Smulian M (2009) – 'Cities raise sights', *Planning*, 19 June, 14–15. (The continuing ambition of developers and some local authorities to pursue the construction of tall 'icon' office buildings.)
- Kochan B (2009) – 'Crunch hits the streets', *Planning*, 10 July, 14–15. (The need for closer links between retailers, landlords and local planning authorities to be forged.)

- Morris H (2009) – 'The price of failure', *Planning*, 28 August, 14–15. (The polarised debate over supply and demand in respect of housing.)

More broadly, two recent articles provide interesting comparative studies of planning control over retail development:

- Sherburn C (2009) – 'Assessing impact: Impact assessment as a factor in retail development decisions in England and the United States', *Journal of Planning and Environment Law*, 8, 985–999.
- Gerend J (2009) – 'The logic behind Germany's intricate retail planning regulations', *ICSC Research Review*, 16(2), 44–49.

(www.icsc.org/srch/rsrch/researchquarterly/index.php)

OFFICES

This year, while the office market has laboured in the doldrums, two important research publications have been released.

- Firstly, the British Council for Offices released a new BCO Guide: Best Practice in the Specification of Offices.

New research was commissioned to inform this latest edition of the BCO Specification, covering subjects ranging from office temperatures, occupier densities and small power consumption. There is additional coverage in the report on acoustics, vertical transportation, building refurbishment, handover and taxation. Following the format of previous editions, this new edition includes the incredibly useful 'Quick guide to key criteria'.

Please see:

www.bco.org.uk/research/researchavailabletobuy/detail.cfm?rid=135&cid=0

- Secondly, in September 2009, RIBA Enterprises published a new book entitled, Good Office Design, written by David Littlefield. This book examines the trends and innovations at the cutting edge of office design in the UK today. Selected from British Council for Offices Award winners since 2002, the varied and stunningly illustrated case studies presented here demonstrate the latest thinking from the world of workplace design, offering insight and inspiration for architects, developers, clients and anyone interested in getting the very best out of places of work.

This new publication is a treasure trove of ideas, shedding light on current best practice in the sector where matching the needs of business with the needs of staff is increasingly important for commercial or organisational success.

Please go to:

www.ribabookshops.com/site/viewtitle.asp?sid=&pid=10838&HID=761

PROJECT MANAGEMENT

Two similarly interesting articles on carbon consumption have been published in the *Building Surveying Journal* and the *RICS Construction Journal*.

The aim of the articles (which are essentially the same with different titles) is to highlight the significance of the potential for carbon consumption during the project (inception to completion/handover) execution. Most people are aware of the operational potential for carbon consumption, but some projects can have lengthy development and construction periods too, e.g. the 2012 Olympics. Furthermore, it is during the project period (usually post feasibility) when design and procurement of the frame, fabric and internal

facilities are selected for the operational life of the building. In the same way that cars are road taxed according to their carbon consumption, many project managers believe it is only a matter of time before carbon controls/incentives are introduced by the government for the size of carbon footprint left during the project/construction stage of a building.

These articles may be found using the following references:

Roger Waterhouse (2009) 'Green is the new (carbon) black', *Building Surveying Journal*, May-June, p24-25

Roger Waterhouse (2007) 'Chasing the Holy Grail', *RICS Construction Journal*, Nov-Dec, p29-30.

REGENERATION

- In January 2009, the DCLG published a report by Professor Michael Parkinson, Professor Michael Ball, Dr Neil Blake and Professor Tony Key, looking at the impact and implications of the credit crunch on regeneration.

Report available to download at:

www.communities.gov.uk/publications/citiesandregions/creditcrunchregeneration

- There has been much debate this year about the future of the regional development agencies (RDAs). A government-commissioned report by consultancy Pricewaterhouse Coopers published in March 2009 found that every pound spent on the regional development agencies will eventually generate at least £4.50

for the local economy. The Conservative party, however, is promising a comprehensive review of the RDAs if it gains power, with the threat of abolishment.

Link to Pricewaterhouse report:

www.berr.gov.uk/whatwedo/regional/regional-dev-agencies/Regional%20Development%20Agency%20Impact%20Evaluation/page50725.html

- Eco-towns: On 16 July 2009, the DCLG announced four new eco-towns. See:

www.communities.gov.uk/housing/housingsupply/ecotowns/



SUSTAINABILITY

The most important document released by the government over the summer was its outline for how the UK would move to become a zero-carbon economy.

The UK Low Carbon Transition Plan plots how the UK will meet the 34% cut in emissions on 1990 levels by 2020, as set out in the 2009 Budget.

‘Transforming the country into a cleaner, greener and more prosperous place to live is at the heart of our economic plans for “building Britain’s future” and ensuring the UK is ready to take advantage of the opportunities ahead.’

A variety of documents relating to this subject can be downloaded through the following link:

www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.aspx

Over the summer the government also made a number of important announcements relating to the creation of a zero-carbon housing stock in the UK.

In July the Department for Communities and Local Government published details on the creation of a ‘zero carbon definition’ for the UK housing stock and further statements on eco-towns.

These can be accessed through the following link:

www.communities.gov.uk/corporate/?view=Search+results&query=low+carbon+transition+plan&contentType=all&sites=all+sites&quickSearch=true&resultsPerPage=20

Over the course of this year the government has been developing policy on the Carbon Reduction Commitment (CRC) and the latest news on the CRC can be accessed at:

www.defra.gov.uk/environment/climatechange/uk/business/crc/index.htm



SUSTAINABILITY

'WEATHERCOCKS AND SIGNPOSTS. THE ENVIRONMENT MOVEMENT AT A CROSSROADS'

Worldwide Fund for Nature/Tom Crompton, April 2008

Available at:

www.wwf.org.uk/filelibrary/pdf/weathercocks_report2.pdf

This 37-page report makes for very interesting reading. It has major significance for the way in which the environmental lobby groups (including governments) seek to develop and progress the future sustainability debate, as well as demonstrating the complexity and contradictory values and motivations which underpin why we do (or don't do) what we should.

Specifically, the report 'critically reassesses current approaches to motivating environmentally-friendly behaviour change ... [and] constructs a case for a radically different approach. It presents evidence that any adequate strategy for tackling environmental challenges will demand engagement with the values that underlie the decisions we make – and, indeed, with our sense of who we are'. (p. 5)

Thus:

- the argument that using a 'marketing approach' to encourage small and painless steps to improve the environment will motivate people to engage in more significant behavioural changes is challenged;
- such a 'marketing approach' which fits in with particular personal values (e.g. saving money, i.e. self-interest) are misdirected and achieve limited results;
- the report opines that such an approach (which is fraught with contradictions and deflects precious resources) undermines prospects for more far-reaching and systemic behavioural changes that are needed;

- 'green consumption' detracts attention from the fundamental problem with consumerism – which is inherently unsustainable;
- reasons for adopting particular behavioural changes have important implications for the energy and persistence with which these behaviours are pursued, and for the chances that further environmentally positive behaviours will be encouraged;
- in discussing the 'attitude-behaviour gap', the report draws the distinction between attitudes and values, and highlights the importance of engaging values and self-identity as a basis for motivating pro-environmental behavioural change;
- marketing approaches recognise the need to communicate with different people in different ways, but this ignores the motivation factors which underpin how different people behave and is unclear about the effect the communicator is seeking to achieve;
- social norms and status are critically important to the marketing approach, but the values and therefore the motivations on which these norms are based are not identified and therefore not addressed.

Thus the report:

- proposes an alternative approach: rather than moulding the message/product to reflect consumer demand/attitude, the environmental movement must be unequivocal in articulating what it stands for;
- opines that appeals to individualistic and/or material values are inadequate;

- recognises that those with a more inclusive sense of self-identity care more about the environment, and asks how such values can be nurtured and 'activated';
 - in rejecting the marketing approach, concludes that 'materialistic values cannot form the basis for motivating systemic pro-environmental behavioural changes' (p. 7). Instead, motivations which are intrinsic, i.e. not dependent on material goods for their fulfilment, are more likely to lead to pro-environmental behaviour.
- The report challenges the environmental lobby to:
- achieve greater clarity on the values that motivate the environmental movement;
 - emphasise intrinsic goals in environmental communications;
 - begin to deploy a broader vocabulary of values in policy debates;
 - find common ground with development agencies on these values;
 - help responsible businesses think beyond 'the business case for sustainable development';
 - highlight the way in which the marketing industry works to manipulate our motivations;
 - work to support and embolden public figures in the course of articulating intrinsic values in public discourse;
 - identify and promote mechanisms to make public affinity for nature more salient.



SUSTAINABILITY

UK GREEN BUILDINGS COUNCIL

The UK Green Buildings Council (GBC) has recently published its latest report on 'Financing low energy refurbishment in housing'. Following on from the government's commitment to pilot a Pay As You Save scheme, this is by far the most comprehensive analysis yet of how such an innovative financing scheme could be implemented in the UK. This can be accessed through the following link:

www.ukgbc.org/site/resources/show-resource-details?id=559

VALUATION

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS (FAO) (2008) 'COMPULSORY ACQUISITION OF LAND AND COMPENSATION', LAND TENURE SERIES 10.

Available at:

www.fao.org/docrep/011/i0506e/i0506e00.htm

Issues surrounding equitable and secure access to land are fundamental to everyone around the world, particularly for the rural poor, for food security (and the reduction of poverty and hunger), for increasing agricultural productivity and for sustainable rural development.

It is recognised that sensitive and appropriate use of state powers of compulsory acquisition are necessary for the development of the aspirations of the wider public through the provision of services and infrastructure; but that these must be delivered with sensitivity for the rights of those displaced, and also accompanied by prompt and appropriate compensation which at the very least places those displaced in a position equivalent to that before the acquisition.

Failure to achieve such an outcome can have serious negative impacts on people, their livelihoods and wider social issues, such as informal settlements and social unrest.

This document from the FAO raises awareness of compulsory acquisition prerequisites – the need for strict and appropriate legal frameworks and the capacity for implementation, good governance and the rule of law.

It is aimed at supporting land tenure and land administration by demonstrating what are recognised to be fundamental principles and evidence of good practices, rather than providing an exhaustive and comprehensive guide to the relevant issues. The document is structured around the issues of compulsory acquisition; planning and publicity; valuation, compensation and taking possession; appeals; and advocacy and assistance, together with final comments.

More information on the FAO's Land Tenure Series and on its work on land tenure can be found at:

www.fao.org/sd/ltdirect/ltstudies_en.htm



VALUATION

'RICS VALUATION STANDARDS, 6TH EDITION (THE RED BOOK)'

Anthony Banfield FRICS DipProjMan, CEM Director of Retail Studies

A brief overview of the updates and changes made from 1 September 2008 up to the present (based upon notes for a presentation provided by Arthur Whatling, Consultant Editor, RICS Red Book)

This article is intended to provide a brief update on the changes to the Red Book over the past year. Since it was published in January 2008, the 6th edition of the Red Book has had three updates:

- 1 September 2008
- 1 March 2009
- 1 July 2009.

It is assumed that the reader is already familiar with the detail of the 6th edition of the Red Book, and the majority of it remains unchanged. All references will be to the 1 July 2009 version of the Red Book, which may be accessed by members via the RICS website or through isurv.

We will be considering four main types of amendments, namely:

- changes in procedures
- valuations relating to secured lending
- valuations relating to financial statements
- miscellaneous amendments.

CHANGES IN PROCEDURES

1. Removal of an exception
2. Addition to Minimum Terms of Engagement and Reporting
3. Complaints handling and Reference to monitoring

1. Removal of an exception

Valuation of fine arts and antiques and personal property – New GN 7: Personal property

To reflect the expansion of the Red Book to all types of valuation, the Fine Arts and Antiques Faculty, as it then was, decided that the exception for personal property in general, including fine arts, etc., is no longer appropriate, and from 1 July 2009 that exception no longer applies. In reality, the main valuations that will now be within the Red Book will be for insurance or taxation purposes. Valuations for auction, etc. still fall within the exception, where advice is market related (PS 1.2.10).

Because the application of the Red Book will be new to most personal property valuers, a new GN 7 has been written, explaining how the procedural requirements of the Red Book can be adapted to suit this specialised area. This Guidance Note is published as an exposure draft and will become mandatory on the next update in 2010.

2. Addition to Minimum Terms of Engagement and Reporting

Knowledge and skills – New PS 2.1 (q) and PS 6.1 (r)

The wording has been changed to:

'confirmation that the valuer has the knowledge, skills and understanding to undertake the valuation **competently**'.

This change is very important, and must be incorporated into your own procedures.

It was realised that, although the minimum terms of engagement and reporting included various details about the valuer, there was no mention of a requirement that the valuer should actually have the knowledge and skills necessary to perform the task (although for some purposes such a statement is incorporated into the rules governing the purpose, for example, the Takeover Code Rule 29.1(b), p. 205; UK Appendix 2.2 – Takeovers and mergers:

‘The valuer must be able to demonstrate that he has ... knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.’

It may have been implicit, but with the development of the new regulation scheme it was considered that a more explicit reference should be made. This new term requires an explicit comment that the responsible valuer has experience in the subject.

A short statement in the Terms of Engagement and Report is all that is required – you do not need to provide a potted history unless you choose to do so.

3. Complaints handling (PS 2.1 (s)); Reference to monitoring (PS 2.1 (t))

Complaints handling

Following the introduction of the new Rules of Conduct in 2007, this requirement was changed so that it referred to the firm’s procedures. It clearly cannot apply to an individual.

It was later suggested that the requirement was now for the full procedure to be incorporated into the Terms of Engagement. That is not the intention, so the wording has been changed slightly to read ‘reference to the firm’s ...’.

Reference to monitoring

It has been suggested here that the wording means that the actual valuation figure is subject to monitoring. Again, this is not the intention, so the wording has been amended to ‘compliance with these Standards’.

VALUATIONS RELATING TO SECURED LENDING

1. Advice on commercial secured lending
2. UKPS 3.1 and Appendix withdrawn
3. Incentives on new residential property
4. Retype reports
5. Revised HomeBuyer Report and Scottish Home Report

These are all changes to reflect the developments in the secured lending area.

1. Advice on secured lending – New Appendix 4.4

2. UKPS 3.1 and UK Appendix 3.1 withdrawn

Reacting to concerns about the valuer’s independence, a working group was established to consider the guidance originally contained in UKPS 3.1. It was decided that, in following the general policy of having guidance in the Red Book on a global basis, the Appendix should be rewritten accordingly.

The revised guidance was issued as a consultation paper in 2008 and the final version includes much of the original guidance, but has been extended where it relates to the identification of conflicts of interest.

The new Appendix 4.4 is part of the global requirement on commercial secured lending in PS 4.2 (which adopts IVSC IVA 2) and, in consequence, UKPS 3.1 and its appendix are withdrawn.

3. Incentives on new residential property (UK Appendix 3.2)

The treatment of incentives on new residential property has been a hot topic for some time and the Specification (UK Appendix 3.2) has been revised a number of times.

The latest revision, from March 2009, considerably expands the guidance on the treatment of incentives and introduces a new procedure, agreed with the industry, whereby the developer provides a document called the ‘Disclosure of Incentives’. This lists all the incentives relevant to the development so that the valuer can properly reflect them, if appropriate, in the valuation.

The Residential Group has also recently published a Guidance Note – The Valuation of Individual New Build Homes – that provides considerably more information than the Appendix, both on the treatment of incentives and the content of the disclosure form.

4. Retype reports (UKPS 3.6, UK Appendix 3.5)

It is recognised that, particularly in the residential market, a valuer will provide a retype report for use by a different party from the one for whom the original report was provided.

There has been some concern that there could be conflicts of interest in providing such reports so UKPS 3.6 was developed, together with UK Appendix 3.5, to provide a framework within which such retypes could be provided. The PS distinguishes between England, Wales and Northern Ireland and the different legal system in Scotland.

5. Revised HomeBuyer Report (UKPS 4.1) and Scottish Home Report (UKPS 4.4)

Both these Practice Statements are the means by which work undertaken under either of these procedures is brought within the mandatory scope of the Red Book. The Practice Statements contain only a short summary of the contents of the schemes.

This summer, the current Homebuyer Survey and Valuation is being replaced by the HomeBuyer Report, and there is a transitional period where either scheme may be used. However, from 1 January 2010 only the HomeBuyer Report will be allowed.

VALUATIONS RELATING TO FINANCIAL STATEMENTS

1. Small companies
2. Land in course of development
3. The Takeover Code
4. Collective Investment Schemes
5. Central government asset valuations

This group of amendments reflects changes to the various regulatory bodies' requirements. Note that there is a common theme here of moving to market value rather than the UK existing use value.

1. Small Companies (UK Appendix 1.1.4)

Now market value with option for current value as in UKPS 1.1.

The requirements for small companies are regulated by an FRSSE (Financial Reporting Standard for Smaller Entities).

This now provides that assets shall be valued to market value at the balance sheet date. However, where the directors consider that market value is not appropriate they may use current value (lower of replacement cost and recoverable amount) on the same basis as FRS 15.

This reverses the previous position.

2. Land in course of development (UK Appendix 1.2.3.8)

As some of you will know, this particular paragraph has been amended several times.

Under FRS 15, land in course of development can be measured at cost or market value. If the cost approach is taken there is no need for a valuation.

The valuation has to provide the current market value (that is a partially built property) and the revised 3.8.1 simply confirms that the valuer will need to reflect the costs, including any allowances for risk and profit, which are required to complete the project at the date of valuation.

3. The Takeover Code (UK Appendix 2.2)

The valuation requirements set out in the Takeover Code were revised in 2008.

The primary basis of value is market value but if the entity has prepared its accounts under UKGAAP (UKPS 1.1), then those values may be used.

In addition, further information is required where the land is currently being developed or has development potential. These require the valuer to state what the completed value will be, the estimated costs to complete, and details of the planning consent.

4. Collective Investment Schemes (UK Appendix 2.3)

The reference to open market value has been removed, and the basis of value is market value. The FSA Rules specifically link the valuation to this Practice Statement and its appendix, but otherwise no changes have been made.

5. Central government asset valuations (new UKPS 1.15)

This is a new Practice Statement that provides a reference to the detailed guidance on valuations for central government, where the accounting system is governed by FReM (Financial Reporting Manual).

Currently, the advice relates to the preparation of accounts under UKGAAP, but that will change to an IFRS-based system in 2010. At that time the valuation guidance will be revised, but it will tie in with the Red Book.

You should be aware that a revised appendix (UK Appendix 1.5) is in preparation to reflect the move to IFRS-based accounting for local authorities in 2010. This may be published in July 2010.

MISCELLANEOUS AMENDMENTS

1. Energy performance certificates (EPC)
2. New GN 6 on EU Directives
3. Accreditation of valuers

1. EPCs

This is an addition to UK GN 1 to give some background about EPCs and a link to the government website that provides detailed information.

2. GN 6

A new Guidance Note that provides some information about the impact of EU Directives on valuations for various purposes. The Directives provide only a framework and are implemented in each EU member state by local regulatory bodies.

3. Accreditation of valuers

Finally, the next Red Book revision is due early in 2010. If the proposed valuer accreditation scheme is approved in some form, it will be reflected in the next Red Book.

