

Levitt Review Post Release Q&A

Alison Levitt QC introduced her independent review at a press conference on Thursday September 9th, alongside Nick Maclean, Temporary Chair of Governing Council, who answered questions from members of the Press, members of staff and RICS members. Further questions were submitted via the Slido platform and here we answer the most frequently asked questions.

We also invited questions to be asked via questions@rics.org and here we publish a selection of these questions with responses. Due to the volume of questions, we have published some of them here and others will be responded to directly. This email address will remain active for questions until Sep. 30.

What action is being taken by the RICS to repair the damage caused, ensure effective governance and to restore the confidence of the members and property sector?

Governing Council has accepted the independent review's recommendations in full and resolved to implement them as quickly as possible, as a first step to rebuilding trust and confidence in the Institution. But it recognises that much more will need to be done to deliver both structural and cultural change in the organisation. Confidence in the organisation will be re-built by working openly and collaboratively with members, staff, governance boards and other stakeholders. Governing Council is aware it will be judged by actions, not words.

This investigation seems to suggest a culture of self-indulgence and arrogance at the top of the institution. Is this a fair assessment?

The independent review found that a lack of clarity about the roles and responsibilities of the Boards, the senior leadership and the management left cracks within which the Chief Executive and his Chief Operating Officer had become used to operating with little effective scrutiny. Alison Levitt QC concluded that, although they believed they were acting in the best interests of RICS, they were resistant to being challenged. A review of governance is necessary to correct these issues, but it must be accompanied by cultural change. Open, collaborative relationships between the senior management and RICS' governing boards and committees are essential.

Is RICS at risk of losing their regulatory status? And what interactions have they had with Government on this matter?

No. We have a strong relationship with Government and will continue to work with all our stakeholders to explain to them the work we have set in train to reform the organisation.

I am sitting APC this Autumn. How am I supposed to discuss ethics, rules of conduct etc. when senior members of the institution don't even uphold these standards?

Governing Council accepts that the events described in the independent review have damaged confidence in the organisation. However, it is determined to take the opportunity to rebuild trust and confidence in the Institution and to create an exemplary organisation its members and the public have a right to expect. An important component will be promoting a culture where the highest standards of behaviour are demanded of all members of the Institution.

To whom did Alison Levitt QC report?

Alison Levitt QC reported to the RICS Governing Council, which commissioned the report. Five members of Governing Council, none of whom had been in post in 2019 and were therefore not involved in the events being investigated, formed a Steering Committee to act as a point of contact.

How is it possible that the RICS takes in £91.3m in revenue but makes a loss of £4.8m? I am very keen to see full transparency on where the money is spent.

As reported in RICS Annual Review for 2018-19 which is available on our [website](#), in that year RICS was operating in a period of approved and controlled financial deficits in order to make investments in technology, advance standards and regulation, and to respond to the changes needed for the future of the profession.

To enable RICS to fully maintain its financial reserves accrued over time for the future work of the institution, freeze member subscriptions for the profession for 2021 and offer subscription concessions to many members of the profession who may be facing financial challenges right now, a 3-year revolving credit facility was arranged with our bank after the pandemic began.

For some time, RICS has operated with a bank-approved seasonal overdraft facility due to the seasonal variation in its cashflow due to our subscription payment calendar. Given the uncertainty brought about by the COVID-19 pandemic, it was prudent to put in place a more secure and pragmatic form of funding. Decisions in relation to this arrangement were made with the benefit of independent external advice from KPMG. As a condition of the 3-year

facility, RICS is subject to enhanced financial scrutiny through regular covenant reporting to our bank.

We made use of the credit facility from November 2020 to January 2021 but have not needed to make use of it since.

The business plan was approved by Management Board and the independent auditor of RICS, Grant Thornton LLP, issued an unqualified audit opinion on the full financial statements for the year ended 31 July 2019.

Governing Council is committed to providing full transparency around expenditure – and in offering value for money for members. This will remain a priority going forward. Work is already under way to give more visibility about how fees are spent and an overview of the allocation of expenditure, broken down by functional areas, will be published for the first time.

Can you explain the rationale for Mr. Tompkins' bonus in consideration of the furloughed staff and redundancies that were made?

Sean Tompkins' bonus was set by an independently chaired Remuneration Committee and benchmarked against comparable organisations and conditional on the achievement of agreed KPIs. However, Governing Council has agreed to commission an external, expert-led review of senior executive remuneration.

Why did staff, including Directors, only find out about Sean's resignation in Property Week, rather than being told first?

We sincerely regret that this news broke in Property Week before staff were officially told. Unfortunately, the media learned of Sean Tompkins' decision to stand down 24 hours before the independent review was published and whilst discussions were still taking place.

Our preference would, of course, have been to tell staff first and for members to have heard it directly from RICS. We are sorry this wasn't the case.

Why was so little time given to membership regarding the press conference – less than 24 hrs notice?

Our preference would have been to give the membership and our staff more notice. However, we were mindful of the risk that the contents of the independent review would be leaked to the media and we felt it was important that our members and staff were informed about its

contents by RICS directly, and at the same time as the media, not by reading about it in the media.

We would also stress that we worked as swiftly as possible to arrange the press conference in order to avoid these types of leaks and speculation, working to ensure that the press conference was used as the right forum to give full, clear and correct information to the media, staff and members.

Will furloughed staff be paid back the money they lost given that the Non-Executives were reimbursed their losses?

No. There were sound reasons for making use of the furlough scheme to manage our costs in an unprecedented period. We were more generous than the UK government scheme in ensuring that all staff asked to go on furlough were paid 80% of their usual pay whatever their salary, and thanks to that move and other cost saving measures we are now in a position to pay back to the UK treasury government funds from which we benefited as well as invest in our plans for the 2021/22 business year. Our COVID recovery and restructure plans were not part of the Independent Review and were enacted with the support of Governing Council.

Senior leaders took a pay cut in 2020 to help towards our cost controls. At the end of the financial year the independently chaired remuneration committee reduced the variable element of those leaders' pay so that only 30% of the amounts otherwise payable were paid. This reduction was in addition to the voluntary pay reductions also taken in the year.

Did Sean Tompkins get a golden handshake to leave?

No. Sean Tompkins decided to stand down and was paid his contractual notice period.

Will you be asking Sean and others to forfeit their bonuses?

Governing Council has made no decision on this.

What will be the long-term effect on the RICS from this? Will there be criminal proceedings?

It is important to remember that Alison Levitt QC's report found no evidence of corruption or criminality, and there is no suggestion that RICS is not financially viable. Governing Council is determined that the long-term impact will be wide-ranging reforms to our organisation, which will make RICS fit for purpose and lead to a renewal of trust.

What is RICS' response?

Governing Council voted to accept all the report's recommendations and, because it is committed to fostering a spirit of openness and transparency, also voted to publish the report in full. You can read Governing Council's full response, which has been published separately.

Nick MacLean, Temporary Chair of Governing Council, has apologised privately to the four non-Executives on behalf of RICS and a public apology will be published. Legal expenses have been reimbursed.

RICS has publicly apologised to members of the GC2019 group and reimbursed their legal fees.

Are Sean Tompkins and Violetta Parylo paying the legal fees incurred personally or are members paying for them?

The independent review found that legal advice given by its external lawyers was not objective and, rather delivering advice in the interests of their client, RICS, they saw their role as being to protect the Executive. However, because members of the Executive received this advice in their professional capacity, rather than personal capacity, they did not pay for it personally.

Governing Council has accepted Alison Levitt QC's recommendation that it reviews the level of spend on legal advice and takes such steps as are necessary in the best interests of the Institution such as re-tendering for RICS legal advisers every three years.

Can you confirm the status of any debt on Great George Street and is there a risk that the RICS will lose or need to sell the assets as a result?

There is no risk that RICS will need to sell Great George Street.

To enable RICS to fully maintain its financial reserves accrued over time for the future work of the institution, freeze member subscriptions for the profession for 2021 and offer subscription concessions to many members of the profession who may be facing financial challenges right now, a 3-year revolving credit facility was arranged with our bank after the pandemic began.

For some time, RICS has operated with a bank-approved seasonal overdraft facility due to the seasonal variation in its cashflow due to our subscription payment calendar. Given the uncertainty brought about by the COVID-19 pandemic, it was prudent to put in place a more secure and pragmatic form of funding. Decisions in relation to this arrangement were made with the benefit of independent external advice from KPMG. As a condition of the 3-year

facility, RICS is subject to enhanced financial scrutiny through regular covenant reporting to our bank.

We made use of the credit facility from November 2020 to January 2021 but have not needed to make use of it since.

I sincerely hope that there will be no redactions within this report?

Nothing was redacted from the report, Governing Council published the Open version as recommended by Alison Levitt QC. Her advice was not to publish Chapter 5 of the Closed version because it included unsubstantiated allegations that she did not investigate because they were outside her remit. However, Governing Council will investigate any outstanding allegations and will provide an update if further actions are warranted.

This investigation has cost £1m to audit RICS processes & individuals. But RICS has an independent Standards & Regulatory Board. Why was it not used?

Governing Council believed it was important that the independent review was conducted by someone with no connection to RICS. It was desirable to appoint a QC able to collect and interrogate evidence provided by witnesses Alison Levitt QC has a first-class track record in this field and we thank her for her work and recommendations.

How did the RICS justify leaving Coventry to take up some of the most expensive office space in Birmingham?

The office space in 55 Colmore Row Birmingham gave RICS a more flexible space at the centre of a significant city, allowing us the opportunity to better engage the profession, employers of the profession and raise awareness and inspire the next generation.

The move allowed us to base more than 200 staff in one location, combining teams from the West Midlands regional office, which had been based elsewhere in Birmingham, and from the Coventry office, which managed central functions. The facilities available in this office also provide improved opportunities to meet and engage with local RICS Professionals and the business community.

Will the membership fees be reduced? What other benefits could be included in those fees? RICS membership fees are one of the highest professional fees.

In Governing Council's consultation with RICS professionals about RICS' strategy and purpose earlier this year members said that they wanted a clearer picture of how RICS spends the revenue it receives from membership fees and other sources, as well as an understanding of how this spending benefits members. Following working group recommendations, RICS will soon publish a breakdown of its annual allocation of spend, showing the proportion of spending across categories and the member benefits this delivers. This aims to deliver confidence in the value RICS generates for members of the profession, through spend on activity it undertakes on members' behalf to deliver the vision set out by elected members of Governing Council.

We are taking into account all the feedback we received to improve engagement between members and the Institution. RICS is already working hard to address many of the issues, including via a major programme of digital transformation to provide a better, more personalised experience for members.

Could the RICS provide an indication of timeframes and candidate recruitment process for Mr. Tomplkins' replacement; and will this be an external hire?

Governing Council is in the process of identifying an interim CEO and will make an announcement as soon as the successful candidate is identified. We expect to make a permanent appointment within 6-9 months, which will be through an open competition to seek the best possible candidate.

Shouldn't we have a member as CEO?

Governing Council believes that the new CEO should be the best possible candidate for the job, regardless of their professional background.

As a RICS employee - how are you going to ensure that morale is not affected in the long term and what input will staff have in the new structure?

As a short-term response, we held a series of special all staff calls to ensure our people were kept fully informed and were given an open forum to discuss their concerns. It is understandable if employees have felt a mixture of shock, sadness and anger at the findings of the independent review. However, looking at the long-term, Governing Council believes there is an opportunity to create a Gold Standard membership organisation with a positive culture where staff feel safe, valued and able to express any concerns, as well as making a positive contribution to the future shape of the institution.

Many former members of RICS staff had raised concerns about financial and other mismanagement, why were they not contacted as part of the review?

Alison Levitt QC issued a call for evidence at the outset of the review and received 256 responses, interviewing 56 witnesses. It was not her intention to exclude any evidence from interested parties relevant to her remit, which was to consider how the internal audit report was commissioned; whether it was a failure of governance; and make recommendations for the future.

Is our Royal Charter status now at risk?

No, there is no suggestion that RICS' Royal Charter is at risk and Governing Council is determined to re-build confidence in the institution by making necessary reforms to its structure and governance.

How will members be invited to the forums? As a member, I did not receive the invitation to this call so want to ensure I get an invitation to any such forum.

We are aware that not all Members received invites to the press conference and we sincerely regret that this was the case. Our intention was that all members would receive the notification and invite. We are currently reviewing our channels of member communication as a result.

Members will be informed of the upcoming forums through direct communication, where we have permission to send emails, and through our social media channels and website. Members can change their email preferences by logging into their rics.org account.

Were BDO correct in thinking RICS worldwide bank accounts were at increased risk of fraud? Do you think the BDO report should be published?

The BDO audit, which took place in 2018, flagged concerns about the absence of a Treasury management framework and the lack of controls across our global network. It concluded that there was therefore a higher potential for fraud, misappropriation of funds and misreporting of financial performance. The report has been published as an appendix in the independent review. The shortcomings identified in the BDO report have subsequently been addressed.

Will there be a recording of this event sent out to members?

The press conference, and question and answer session for staff and members, can be watched on the RICS YouTube channel. It had received more than 5,000 views within 24 hours

of the event, in addition to being watched live on the Slido platform by more than 4,900 people.

The 4 senior leaders who have stepped down, will they face governance procedures as well to potentially remove FIRCS/MRICS status given they failed the RICS rules?

The position of all professionals, both executives and non-executives, criticized in the review will be considered and any action consistent with RICS's status as a body acting in the public interest will be taken.

Will the secret Fieldfisher documents be made public (recommendation 16)? Response from RICS is wooly

Alison Levitt QC did not recommend that documents relating to Fieldfisher be made public.

I note recent email has said that CEO has stood down. But what has happened to the General Counsel and Chair of Audit committee?

The General Counsel remains with the organisation. The Chair of the Audit Committee had come to an end of his term of office on 5 September.

A new Chair has been selected by an appointment panel established under RICS' Global Appointments Model. The appointment process is going through the final stages and it is anticipated that the new Chair will begin their role by 1 October 2021.

Given the significant change that has already happened over the last 12 months, can you give any security that the next phase will be prompt?

Governing Council has resolved to implement the independent review's findings as quickly as possible and will do so openly and transparently. It will hold itself accountable for the delivery of the fundamental changes they are designed to facilitate.

When will members get an apology?

We are sorry for the loss of confidence and trust in the institution. We have apologised to the non-Executives who were wrongly dismissed and will follow this up in writing, and to members of the GC2019 group, who were threatened with legal action. With regards to the wider membership, Governing Council believes the most appropriate response is to hold itself accountable for the delivery of the fundamental changes the organisation needs to restore trust.

Is it now really a case the RICS is no longer fit for purpose and that their regulatory position should be split out?

Governing Council is implementing Alison Levitt QC's recommendation for a wide-ranging review of governance, purpose and strategy. However, in the meantime it is important to note that her independent review did not suggest regulatory oversight had been compromised by the events surrounding the commissioning of the internal audit report which she investigated.

When you are saying restructuring, does that mean there are more redundancies?

No, there are no plans for redundancies.

The timing and publication of the "Defining our Future" exercise now seems inappropriate and pointless. Can this be revisited in light of Alison's findings?

A consultation period began in March 2021, which closed in April 2021. Working groups set up by Governing Council have been addressing key themes from members' feedback. The Governing Council is keen to press ahead with the good ideas which can bring improvements to member engagement, experience and value for money and in relation to thought leadership and influencing activities. All of the material will be available to the reviewer appointed to undertake the independent external governance review, which will focus on both governance and strategy and purpose.

I understand that Sean Tompkins has stood down as CEO. Please can you clarify whether this means that he has left RICS with immediate effect, or whether he is still there, just not as CEO? Will the members of RICS be given an opportunity to be involved in the task of how restructuring RICS management will work? Will the scope of work that RICS does be included in the next phase of the review? For example, RICS should first and foremost be a Regulatory Body for its membership. It has a legal responsibility and duty in this role. For everything else outside of a Regulatory function, will the members be given an opportunity to influence decisions about whether or not we want those additional activities/services to exist?

Sean Tompkins stepped down from his role as CEO with immediate effect. The external review agreed by Governing Council will examine all aspects of governance, purpose and strategy. There will be opportunities for members to contribute to this extensive conversation about the future role of RICS and how it should best be structured.

Can the RICS be fit for purpose and represent the RICS community, being there is a growing imbalance of power between the individuals/small companies who pay the membership fees and are very different to the increasing numbers who are younger and employed by global companies who pay the membership fees as a benefit in kind to their employees? Will the role

and influence of the large corporate companies be investigated and identified as part of this process as no doubt without transparency this issue cannot be identified and aired and indeed has this issue to date been identified at all?

RICS needs to find a way to ensure that Governing Council, which is an elected body, reflects the broadest range of background, experience, location and professional specialism and skills. There are no easy answers, but we hope that commissioning an external review and asking an experienced and independent individual to lead it will bring a fresh perspective and help identify any issues that need to be addressed.

It is my understanding that this issue surfaces at a time when the wider RICS membership is 1) disengaged and does not feel it has any power or influence over decision making within its own RICS institution 2) may be of the opinion that the RICS is now run by institutionalised management/consultants without current and specific Surveying or sector knowledge and or experience. Does RICS acknowledge that its wider reputation has been tarnished and there is significant mistrust which needs to be addressed (not simply relating to governance). How will the RICS deal with these wider market and membership trust, confidence and reputational issues?

Please can RICS also confirm if it will publish (with member permission) details of any serious allegations but which were raised by members but fell outside the scope of this investigation and Levitt report (bearing in mind that it is possible for individuals implicated to be protected using anonymity)?

Governing Council fully recognises that the reputation of RICS and trust in the institution has been damaged by the findings of the independent review. We are in no doubt that there is much work to do before trust can be regained and that it will only happen if we implement reforms of the organisation's governance structure and change the prevailing culture. As part of Alison Levitt QC's recommendations, we will be soon publishing an over-arching statement which emphasises that culture and behaviours such as openness, transparency, ethical conduct (including fairness to all members, whether employees or non-Executives), accountability, collegiality, cooperation and openness to change are as important as governance structures.

Any allegations made to Alison Levitt, but not investigated because they fell outside her remit, will be examined further. Whilst they remain unsubstantiated it would not be right to publish the details, but Governing Council is committed to investigating any allegations of wrongdoing and taking appropriate action if they are proven.

In answering the first question about a possible pay-out to the Chief executive I believe you said "no pay out" and then added *after today!* Was that an intentional clarification or a mistake. Has a pay-out been made?

The Chief Executive has been paid his notice period under the terms of his contract, but has received no additional payment.

Having been on the receiving end of various investigations in the past by RICS (all unfounded / unproven) – how can you assure us that you will now hold yourselves to account to the standard you expect of the members?

Publishing the independent review in full and inviting members to hear Alison Levitt QC deliver her findings was intended to give a clear signal that Governing Council is determined that RICS will hold itself accountable to the highest standards. We know trust has been eroded and that there is a great deal of hard work to be done because of that.

We are aware that the BDO report identified serious failings in our financial controls and this was a cause for concern which should have been highlighted at the highest level of the organisation. Governing Council is determined to ensure that the Treasury Management function is fit for purpose and operates in accordance with standards our members have a right to expect.

The level of remuneration, particularly for the CEO, or formerly the Secretary General, has always been a matter of some incredulity (for me at least) over the years. Is this something that will be addressed in replacing resigning executives?

Governing Council has confirmed it will commission an external, expert-led review of the senior executive reward structure.

The report makes very interesting reading. It is a shame that information was not provided fully and properly by the RICS lawyers. I would also ask what has this cost in terms of Fees to Fieldfisher? Perhaps they should pay them back based on the seemingly poor legal advice they provided to the then management team? Advice that has lengthened the enquiry and therefore the costs.

Governing Council is considering its options in relation to the fees paid to Fieldfisher.

Please can you confirm that you had no prior knowledge, via any private or otherwise discussions with Sean Tomkins, nor were you aware via any other means or parties, of his intention, or indeed decision, to relieve the 4 non- Executives of their posts prior to his doing so?

Nick Maclean was not part of Governing Council in 2018 or 2109, the period described in the independent review and had no knowledge of the circumstances leading to the dismissal of the Non-Executives.

I am very disappointed to read that the first vote of whether to do this enquiry resulted in a No.

I would like to ask, and request, that the entire General Council, and indeed the entire upper management tier of RICS, is replaced. RICS is genuine in its commitment to learn from this and to restructure successfully, then it needs to start afresh and remove any possibility of internal corruption, resentment and specifically for the risk that there will be some who may be 'power crazy' and of an influential voice over others. Please can you let me know if the entire General Council will be replaced? If not, why not?

The current Governing Council was not in place during 2018 and 2019 when the events described in the independent review took place. Once they were aware of the implications of these events, they voted to commission the review and then unanimously agreed to publish the report in full and accept all its recommendations. CEO Sean Tompkins and CFO Violetta Parylo have stepped down from RICS. Governing Council remains confident in the members of RICS Executive team who remain operational in the business.

Alison Levitt said repeatedly, that her remit was very narrow. Does she believe in the circumstances it was broad enough or does she believe further investigation is required in order for the Institution to regain its lost status?

The report was conducted independently by Alison Levitt QC according to the terms of reference she herself set. Many issues fell outside the scope of her review and will be considered as part of the forthcoming externally-led review of governance, purpose and strategy, the commissioning of which is one of Alison Levitt's recommendations and which Governing Council has accepted.

What was the cost of the review and what is the budget for the further work on getting the governance right and the subsequent staff training associated with the revised governance?

Governing Council made provision of £1m to be put aside for the Independent Review and associated events arising from it; however, the total amount spent on the review will be very substantially less than this.

During the presentations on the Levitt report, it was announced that there would be discussion forums to talk about the implications.

Are any more details of these forums available?

We will update on forums for members, who will be kept informed of all key developments in the interim via a variety of channels, in due course. In the meantime, the questions email inbox remains open until September 30.

I can find no information regarding how much the Independent Review prepared by Alison Levitt QC has cost the membership? Similarly, I should also be interested to know the cost to the membership of the ending of the employment of the executives who have resigned as a result of the Independent Review?

As previously mentioned, Governing Council made provision of £1m to be put aside for the Independent Review excluding associated events arising from it; however, the total amount spent on the review will be very substantially less than this.

No payments were outside any legal obligations RICS has under employment law. No additional payments were made to senior leaders stepped aside.