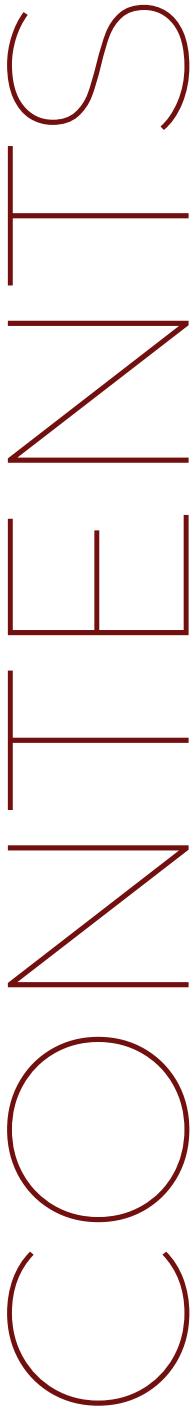


# The Bichard RICS Review

June 2022



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Transitional Arrangements

RICS is a great Institution with a long and proud history. Its members and employees retain a passion for the profession, which I was privileged to encounter time and again during this review.

Nonetheless, the problems which arose in 2018/19 have taken their toll, damaging the reputation of RICS and leaving many long standing members, and employees, with a sense of betrayal. My task, therefore, has not been to replicate the work of the Levitt Review by investigating the handling of the past problems, but rather to ask why they arose and how they can be avoided in future. That has required me to ask what the purpose of RICS is, whether its governance system is fit for purpose, what kind of culture it should have, and how it can develop a strategy for the future.

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My aim has been to help create a new sense of purpose and direction so that RICS can once more stand tall as an exemplar professional institution, capable of tackling the challenges which will shape the way we all live in the years to come. Issues such as climate change and sustainability, improving the built environment and building safety all sit within the remit of RICS and will benefit from the contribution which a revitalised RICS could make.

I am very confident that this can be achieved but success will require nothing less than a transformation of the Institution carried out at pace. Anything less will leave RICS vulnerable to members leaving to join competitor institutions, reinforce the justifiable concerns of government, and diminish RICS' capacity to influence policy and standards in the UK and around the world. The need for change is urgent and, in my view, unarguable.

I have tried to produce recommendations that will create greater clarity about RICS' purpose, roles and responsibilities, improve accountability and increase engagement with members - wherever in the world they are based and whatever their professional specialism. It makes for a challenging agenda of change but the level of agreement about what is needed, and the passion to see RICS back where it belongs, makes me optimistic about the future. However, make no mistake: there is no time to waste.



Lord Michael Richard  
Independent Reviewer

# INTRODUCTION & BACKGROUND

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The Royal Institution of Chartered Surveyors (RICS) is a globally recognised professional body, which exists to promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. RICS has over 140,000 members and trainees based around the world spanning 18 sector pathways (specialisms).

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On the 3rd March 2021, RICS launched a wide-ranging strategic review, entitled “Defining our Future”. This recognised that the global coronavirus pandemic had accelerated many global structural shifts shaping society, which RICS would need to respond to. There was a programme of consultation spanning eight key strategic issues, including “the purpose of RICS as a professional body, governance and transparency and future priorities for the profession”.

On the 7th September 2021, Alison Levitt QC published an Independent Review into historic treasury management issues that occurred in RICS in 2018-19. One of the key recommendations contained within her report was to convert this internally-led review into “*a wide-ranging examination of purpose, governance and strategy, conducted by an external reviewer*”.

RICS Governing Council accepted these recommendations, and on the 1st December 2021, appointed me to lead this review into the governance, purpose and strategy of RICS.

# METHODOLOGY

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I have drawn heavily on the previous reviews and consultations, but have supplemented these with my own information gathering, consultation and research.

I began with an open call for evidence on the day the review launched - 7th December 2021. This was publicised on the review's dedicated website and all RICS members were notified of this via a service email. Other stakeholders were able to contribute via the website.

Submissions could be sent anonymously and these were only shared with me and my small secretariat. The call for evidence ran until the 21st January 2022 and 504 submissions were received in this period. Correspondence received after the initial call for evidence closed was still considered as part of the Review and included 47 further submissions.

In addition, I held meetings with individuals and groups throughout the period of December to March. I met with over 90 individuals and hosted 40 roundtable discussions, which were attended by 372 participants from the UK and internationally. These covered a range of members, groups, employees, non-executives and stakeholders.

On the 28th February 2022, I published an update paper outlining a summary of responses, which is attached to this report as Appendix 2.

I would like to express my thanks to all those who took the time to contribute to the Review or to meet with me – this review benefited enormously from your contributions.



**372**  
roundtable  
participants



**551**  
consultation  
submissions



**90**  
one-to-one  
meetings

# THE AIMS OF THIS REPORT

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I have set out the detailed recommendations separately in Appendix 2, but in summary they aim to:

- Return the control of RICS to its members (except for the regulatory decisions made by the Standards and Regulation Board), clarifying the relationships between members and staff, ensuring that all key decisions are made by the members within the governance framework I am proposing
- Re-affirm that RICS is a professional organisation first and foremost, and not a profit-led enterprise (although it should continue with some commercial activities)
- Re-emphasise the importance of public interest and public advantage with amendments to the Royal Charter; the establishment of a Public Interest Panel to advise Governing Council; stronger involvement in thought leadership; and more pro-bono activity
- Introduce a governance structure which is clearer, simpler and more accountable, built around a Governing Council responsible for strategy and an RICS Board responsible for delivery and business planning
- Re-balance the Governing Council so that its membership comprises two main blocks:
  - Geographic representatives better reflecting where RICS members are located
  - Professional representatives reflecting the different specialisms
- Appoint two non-executive lay members on the Governing Council (one of whom will be a Senior Independent Governor) as well as a representative of younger members
- Increase levels of devolution to regions and Boards, both in the UK and internationally, and encourage and support local branches and networking between members
- Retain regulation and standards within RICS but give greater autonomy to the Standards and Regulation Board with more control of its budgets, staff and policy
- Re-introduce professional communities to increase the influence of specialisms
- Undertake a review of the global strategy with a stronger emphasis on partnerships, collaborations and influence
- Give much greater priority to diversity and inclusion in both the profession and the Institution itself
- Develop a culture and set of values which aims to be less centralised and controlling, more respectful, more focused on excellent service and value, more transparent and open, more inclusive and more collaborative
- Increase the value placed on younger members and provide channels for their greater involvement

# CHAPTER 1:

# PURPOSE OF RICS

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- 1.1 RICS was founded in 1868 as the Institution of Surveyors and received its Royal Charter in 1881. It added Royal and Chartered to its title in 1947 becoming the Royal Institution of Chartered Surveyors.
- 1.2 The Royal Charter, most recently amended in 2019, states that the objects of the institution are:

*“To secure the advancement and facilitate the acquisition of that knowledge which constitutes the profession of a surveyor and to maintain and promote the usefulness of the profession for the public advantage in the United Kingdom and in any other part of the world”*

- 1.3 The majority of the submissions I received suggested that this statement still captured the essence of the RICS purpose and I am inclined to agree. The specific activities which together make up the existing charter are:
  1. To advance and facilitate access to surveying knowledge
  2. To maintain and promote the usefulness of the profession
  3. To act in the public interest or for public advantage
- 1.4 Perhaps surprisingly, these objects do not include an explicit reference to the role which RICS plays in the setting and maintenance of standards by regulation. Given the importance of this, I think it should be referred to explicitly rather than be implied.
- 1.5 Furthermore, the objectives do not include any reference to the ultimate purpose of the Institution, which is, I would suggest, *“to deliver positive change in the built and natural environment around the world.”* It does not exist for its own sake, but to achieve positive outcomes for society, and this should be included.

- 1.6 Additionally, several respondents to the Call for Evidence felt the Charter's objectives did not include a clear enough reference to the role the profession plays in environmental improvement, given the global importance of sustainability and the impact of the built environment on carbon emissions. I agree it would be right to make an explicit reference to this.
- 1.7 At the moment, the objectives do not contain any reference to the role which the Institution should, and does, play in leading and supporting the profession to achieve the positive outcomes referred to above. The members have made it clear to me that this was a valuable role which has, in the recent past, been given less emphasis as the commercial activities have been prioritised. Again, this deserves an explicit reference in the purpose.
- 1.8 Finally, although the Charter does include an important reference to public advantage, this currently sits at the end of the objectives. My view is that everything which RICS does needs to be in the public interest or for the public advantage and that any statement of purpose needs to make that clearer, perhaps by including it at the very start.
- 1.9 If these various points are felt to have merit, then a revised statement of purpose or objectives of RICS will be needed.

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## RECOMMENDATION 1

RICS now agrees and seeks to amend its Charter to incorporate the following revised purpose:

*“The Institution exists for the benefit of society to deliver positive change in the built and natural environment in the United Kingdom and around the world. It does this by advancing and facilitating access to surveying knowledge, by maintaining and promoting the usefulness of the profession and by leading, supporting and regulating a body of skilled professional surveyors and firms who demonstrate the highest ethical and technical standards”.*



# CHAPTER 2: STRATEGY

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- 2.1 In order to develop a stronger sense of the purpose and direction outlined in the previous Chapter, RICS needs to revisit its strategy and quickly produce a plan which addresses the present and future challenges, has broad ownership and provides the context for the annual business plan.
- 2.2 In this chapter, I aim to provide the Governing Council with a roadmap for developing the strategy. It is not the strategy itself, as this needs to be taken forward by the new leadership team in consultation with members and stakeholders.

## **PURPOSE AND STRUCTURE**

- 2.3 The strategy should take the restated purpose in recommendation 1 as its starting point and be sure to cover the issues set out below. This is not meant to be an exhaustive list of contents, but should include:
- Advancing and facilitating access to surveying knowledge
  - Supporting and engaging with a body of skilled professionals and firms
  - Promoting the usefulness of the profession
  - Regulating the profession and setting the highest standards

The following paragraphs outline where I believe the Institution's focus should be in the coming years and need to be reflected in the revised strategy.

## **PUBLIC INTEREST AND ADVANTAGE**

- 2.4 I suggest in Chapter 3 how the RICS could, in addition to effective regulation, demonstrate its commitment to the public interest more effectively, such as by encouraging some pro bono work in disadvantaged communities, visiting and engaging with schools and raising the profile of its consumer protection role. The strategy should develop these ideas and make a case for public interest being given a higher priority. That should include an assurance that RICS intends to play a full part in the public debate about climate change and sustainability and how that can best be progressed. There are, for example, some excellent universities undertaking pioneering work in this area and RICS ought to be able to partner with some to mutual benefit. In the consultation on Defining our Future held in 2021, sustainability was the strategic issue most often cited by members.

## **SUSTAINABILITY**

- 2.5 RICS should take a lead in steering the built and natural environment towards decarbonisation. Climate change is one of the defining issues of our time and chartered surveyors need to be at the forefront of efforts to address it. This is an area where the expertise of members should be harnessed and partnerships should be leveraged to ensure the strategy is meaningful and impactful. I expect sustainability will be an important aspect of the Institution's work in the public interest and a focus for thought leadership going forwards. I understand that Governing Council may wish to consider establishing a Sustainability Panel to complement the work of the Public Interest Panel, given the importance of this issue for the profession. I would certainly not oppose such a recommendation.

## **MEMBER SERVICES AND ENGAGEMENT**

- 2.6 The strategy should show how RICS will better engage with members, wherever they sit, by building on the progress of the Member Engagement, Experience and Value (MEEV) programme. This should include devolving more autonomy, improving the quality of service, encouraging local networking and facilitating local branches. It will explain the plans for making essential CPD available as part of the member package. I have covered this more fully in Chapter 4 (Member Engagement).

## **GLOBAL STRATEGY**

- 2.7 The global strategy is a contentious issue which needs urgent attention. Some members do not accept that RICS should have a global strategy. Some believe that the priority afforded to globalisation has impacted negatively on services in the UK where the majority of members work. Other members think that there are too many members from outside the UK in key positions on Governing Council. Conversely, many members from outside the UK believe that the UK has seemed on occasions to be "colonial" in its approach and more recently has failed to provide the support staff necessary to make local and regional boards effective. Many members have questioned whether a strategy which is primarily about increasing the number of members outside the UK is the correct strategy.
- 2.8 For my part, I do believe that RICS is an international Institution simply because businesses, projects and indeed members themselves are no longer always managed within national boundaries. That may not be the day-to-day reality for many UK members, but if it is to remain respected and relevant, the Institution has to work on the basis that surveying is an international profession. What seems to me more questionable is whether recruiting members primarily to increase income should be the driver of the global

strategy and whether it is sustainable in countries where RICS membership is often not required to practise.

- 2.9 Personally, I think the strategy should be about increasing influence, and that is more likely to be achieved if RICS becomes better at building collaborations and partnerships with other institutions, firms, governments and intergovernmental organisations. If the purpose is about improving the built and natural environment and raising practitioner standards, this has to be the way forward and it is the route being taken by many other professional institutions, including the Institution for Civil Engineers (ICE) and the Institution of Chartered Accountants in England and Wales (ICAEW). One of the ways RICS can increase influence is of course by gaining more members but gaining more members should be about the proliferation of professionalism, rather than merely increasing income.
- 2.10 Many of the regional and national boards I met questioned the level of current commitment to the global strategy. They complained of the excessive control of activities being undertaken by staff in the central office and the loss of support staff on the ground. They said they were no longer able to function effectively. I understand steps are now being taken to return at least some of the local support, but I would recommend that greater freedom to act is swiftly devolved to World Regional Boards, and from them down to more local boards, and the executives working with those boards. The Strategy might helpfully include a new template for the Terms of Reference of the World Regional Boards.
- 2.11 I also believe that RICS could do more to collaborate with other institutions globally on issues such as service, regulation and policy. The agreement that RICS has with the Society of Chartered Surveyors in Ireland provides a good example of what can be achieved by decentralising and partnering with others.
- 2.12 Further work needs to be done to define what cannot be devolved, such as core standards, and what should be devolved, such as events and local activities. The current arrangements are sapping the enthusiasm and commitment of members who rightly feel that seeking to control everything from the centre results in a lack of sensitivity to local cultures and priorities. It also makes it very difficult to be agile enough to compete with growing local competition. A system which requires World Regional Boards to submit business plans to the RICS Board via the Membership Services Committee and receive an allocation of resources with greater autonomy on how that is spent could, in my view, revitalise RICS activities globally and raise its profile and its reputation and the quality of its service.

- 2.13 These are key issues for Council to resolve in the context of its strategy discussions because it has become a source of conflict between members in the UK and members in the rest of the world. The RICS strategy has to make clear the direction and objectives of the Institution's global activities as soon as possible.
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## RECOMMENDATION 2

Governing Council should consider the global strategy and a delegation framework to give appropriate freedoms, resources and responsibilities to regional and area boards, whilst maintaining globally consistent standards.

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## COMMERCIAL ACTIVITIES

- 2.14 I received many complaints that the focus which had been placed upon increasing income had been at the expense of service quality to members. As an example, I was told that a great deal of CPD has had to be paid for by members and permission sought for training events which might be run by members for members for fear that these might compete with commercially run programmes. I see no reason why RICS should not have commercial programmes and activities, but I think it is wrong if these dominate to such an extent that the core offer of free services to members suffers. I think it is also important that the investment made in commercial activities is clearly accounted for at the full economic cost and that the return on that investment is equally transparent. The accountability for commercial activities needs to be clear.
- 2.15 Other professional institutions, (like the Institution of Civil Engineers), and large charities such as the National Trust have separate accountable commercial arms. In part this is due to their charitable status, but I would recommend that RICS considers a new arrangement with a clear separation of commercial activity, overseen by a Commercial Committee which reports to the Board. The Governing Council should be responsible for clarifying the commercial strategy as part of the overall strategy. Ideally, that commercial strategy should, wherever possible, support the delivery of the Institution's objectives and add value for members as well as income for the Institution. Commercial income should be subsidising members' subscriptions, not the other way around.

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### RECOMMENDATION 3

Commercial activity be separated from other activities at RICS. This should be led by a suitably qualified Executive with strong commercial experience, and it should report into the Commercial Committee, who should ensure these activities deliver value for members as well as value for money.

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### YOUNGER MEMBERS

- 2.16 I was disappointed to be told by younger members that they no longer felt RICS valued them in the way they once had. There is no longer a place reserved on Governing Council for younger members and the arrangements for the 2021 APC qualification in the UK had been disastrous because of system failures. It may be a cliché but younger members represent the future of the Institution and the profession and need to be recognised and valued. They should also be a source of innovation, bringing fresh ideas and a different perspective to discussions within the Institution. I have therefore recommended elsewhere that younger members should have a place on Governing Council.
- 2.17 That should not, however, be the end of the story and as part of its strategy, Governing Council should look at other ways in which to encourage and involve younger members. In the US, for example, the Urban Land Institute has a small endowment fund to support pro bono work which young members use to good effect. RICS could facilitate and encourage local networking for younger members to help them connect with what can, for many, seem a distant and uninterested body.

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### RECOMMENDATION 4

RICS Matrics should be re-invigorated to give younger members a stronger voice in the Institution, including by allowing an appropriately selected representative from the community of younger members to sit on Governing Council, and participation by younger members should be encouraged throughout the whole RICS governance structure.

## DIVERSITY AND INCLUSION

2.18 Diversity and inclusion is an important issue for RICS and the wider profession, and one which many firms and individuals brought to my attention. It matters for several reasons:

- The profession and the organisation need to attract and retain the best talent, regardless of gender, race, disability, class, religion, sexual orientation or age.
- Firms need staff who reflect the communities they serve if they are to be credible and if they are to understand the issues faced by those communities.
- Firms and organisations with a diverse workforce have been shown to be more effective and efficient.
- Diversity is a proven route to greater creativity and innovation, which are essential qualities in a fast changing world.

2.19 At the moment, although diversity and inclusion is identified as a priority by some firms, this is not the case across the profession or at headquarters. Only 19% of all members are women and it is difficult to obtain reliable data on ethnicity. This is worrying and needs to change. In an organisation which takes this seriously, I would expect to see all or most of the following in place:

- A clear strategy and annual plan with measurable milestones
- Data on issues such as recruitment, promotions, training, appraisals and exits
- Coaching and mentoring schemes for underrepresented groups
- Dedicated staff support with access to specialist advice
- Attempts being made to market the organisation to underrepresented groups
- Genuine efforts to create an inclusive culture
- Efforts to connect with schools and universities, especially where there are underrepresented groups
- An annual report made to the Board and Executive Team
- Visible commitment from the leaders of the organisation
- A commitment to diverse interview panels (not least for and on the APC panels)
- A commitment to diversity in conference speakers
- A regular review of the membership of governance bodies

2.20 I can see few, if any, of these in place at the present time. A new senior member of staff has been appointed and Governing Council has established a new Steering Group focused on diversity and inclusion, but I believe more needs to be done to embed diversity and inclusion at all levels.

- 2.21 I am therefore recommending a Diversity and Inclusion Panel is established to provide advice to the RICS Board and the Standards and Regulation Board. This would be Chaired by an appointed RICS Member with relevant experience in diversity and inclusion, with the ability to co-opt independent members with expertise in this critically important area.
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## RECOMMENDATION 5

A Diversity and Inclusion Panel should be established to provide advice to the RICS Board and Standards and Regulation Board.

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## TECHNOLOGY

- 2.22 The importance of technology in the rebuilding of RICS is difficult to overstate and that has been illustrated by the extent of the problems which resulted from the flawed implementation of the D365 programme. This has led to increased workloads in finance and a breakdown in APC support and assessment, forcing staff to revert to manual processes which, in turn, resulted in delays in assessment and increased costs.
- 2.23 Furthermore, there have been delays in logging CPD which has affected members' ability to meet mandatory obligations, difficulties within Regulation where teams have been unable to use case management workflows and processes, problems in the delivery of the Dispute Resolution Service and, of course, serious problems affecting the quality of member engagement with the organisation which have damaged member trust and confidence.
- 2.24 If RICS is to become once more an exemplar professional body, these issues need to be resolved and arrangements put in place to ensure they do not re-occur. That process has already started with the appointment of the interim Chief Information Officer and he is working to align the technology strategy with the business strategy and so address the misalignment between system capability and user needs. I was impressed by his grasp of the issues and the way in which he is working to resolve them through the new Executive Business Transformation Board. The following recommendations are intended to support his work going forwards:
- To set out clearly the RICS technology strategy as part of the overall strategy approved by Governing Council
  - To confirm and keep updated the RICS technology plan as part of the annual business planning process

- To appoint a co-opted member of the Board with technology experience
- To establish a Technology Panel chaired by the Board's co-opted specialist, reporting to the Board with responsibility for supporting the CIO and overseeing the delivery of the Technology Plan.

2.25 Providing excellent service to members and potential members in the future, and effectively managing RICS resources, depends on these arrangements being put in place. It also depends on recruiting and retaining staff with the skills needed to avoid the fundamental errors made during the introduction of D365.

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## RECOMMENDATION 6

RICS needs to significantly improve its technology by:

- Setting out the RICS technology strategy as part of the overall strategy approved by Governing Council
- Confirming and updating the RICS technology plan as part of the annual business planning process
- Appointing a member of the Board with technology experience
- Establishing a Technology Panel chaired by the Board's co-opted specialist, reporting to the Board with responsibility for supporting the CIO and overseeing the delivery of the Technology Plan

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2.26 I did not think it appropriate for me to draft a comprehensive new strategy for RICS, because this has to be the responsibility of the new leadership. I am clear, however, that their strategy must convincingly cover the seven issues set out in this chapter.



# CHAPTER 3:

# REGULATION &

# PUBLIC INTEREST

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- 3.1 The original Royal Charter declares that RICS exists to maintain and promote the usefulness of the profession ‘for the public advantage’. Without that explicit reference I believe it is unlikely that the Charter would have been granted and this is what sets a Chartered professional body apart from trade associations, trade unions and general membership organisations.
- 3.2 Bodies like the RICS are not formed solely to further the interests of their members. Instead, they provide a vehicle for a profession to join together and advance for the benefit of society. The commitment to public interest or public advantage must remain unequivocal if RICS is to remain one of the few professional bodies to regulate its members.
- 3.3 There are, however, stakeholders, including members and UK Government officials, who have told me that, in their view, public interest or advantage has not in the recent past been given the priority it deserves. Others regret the way in which the problems of 2018/2019 have damaged the reputation of RICS in the eyes of the public. I think, therefore, that it is essential for RICS to reassert its commitment to public interest and advantage if it is to maintain its unique status as a self-regulating body and move forward with confidence restored. For that to happen it needs to take decisive action on a number of fronts.

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## RECOMMENDATION 7

RICS should reaffirm its commitment to work in the public interest and for the public advantage.

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## STANDARDS AND REGULATION

- 3.4 Standards and regulation represent an important strand of public interest. The public are protected by the way in which rigorous standards are set for entry into the profession and rules of conduct enforced through disciplinary action where required. The public also expect technical competence and knowledge to be continuously updated through lifelong learning and validation.

- 3.5 In fact, RICS has in the recent past taken action to protect standards and regulation by introducing a Regulatory Board with a lay majority in 2007 (following a review by Sir Brian Carsberg) and adding standards and qualifications to this Board in 2020. This Board has remained within RICS but was given quasi-independent status through revised terms of reference, a lay Chair and an equal number of lay and professional members. The Chair has a casting vote where it is not possible to reach a majority view. The staff who service the Board report to an Executive Director employed by RICS who is a member of the RICS leadership team. Agendas for SRB meetings are agreed between the Chair and the Executive Director, and Governing Council agrees the Board's annual budget following consultation with the Board.
- 3.6 These arrangements worked reasonably well until the pandemic, but that exposed some serious flaws. Firstly, a number of staff servicing the Board were furloughed under the government's scheme but without explicit sign-off from the Board. This suggested that the Board was not responsible for its own staff and resources. In addition, the Board has not been in a position to access additional resources to manage the exceptional demands created by the pandemic. At the same time the SRB has experienced serious problems because of its dependence on RICS systems. The new D365 IT system has been an issue for the whole of RICS, but especially for the Regulation and Entry Assessment teams, who have had to resort to manual processing, particularly for APC assessments, to carry out their work.
- 3.7 Taken together these issues have called into question whether the SRB is yet sufficiently independent to convince external stakeholders that it is not in reality controlled by the Governing Council and therefore by the members themselves. It is, of course, not the only professional body to have wrestled with these problems and in professions such as solicitors, auditors and healthcare professionals the Government has intervened to create separate regulatory or oversight bodies. In fact, separate bodies have become the default setting for professional regulation and I would be surprised if Government does not consider that option for Chartered Surveyors.

For my part, I believe that it would be a mistake to establish a separate body and very much agree with Peter Pereira Gray who in his very recent review of Real Estate Valuations said:

*“My own considered opinion is that RICS, with its deep understanding of the profession and the environment within which its members operate, should be the natural provider of regulatory oversight for all of its professional members. It should therefore be best placed to deliver optimum outcomes, so long as it maintains a steadfast independence in its regulatory governance and operations, and ensures the necessary investment in people and systems to achieve robust quality assurance for the highest risk areas of practice.”*

- 3.8 Moreover, to impose a separate UK regulatory body would damage RICS' efforts to be accepted as the leading global professional body for chartered surveyors and thereby endanger the advantage that brings to the UK's trade efforts overseas. It would also prove to be more expensive. In addition, surveying is not a reserved activity (in contrast to law, for example) and membership of RICS is wholly voluntary. In these circumstances it is difficult to envisage how a standalone regulator could operate in the absence of statutory requirements.
- 3.9 I therefore favour immediately strengthening the independence of the SRB to create and maintain clear divisions which prevent the representative functions prejudicing the regulatory functions. To achieve that I suggest, so far as possible, importing the arrangements set out in the Internal Governance Rules of the Legal Services Board.

For RICS this would mean that Governing Council would delegate the following regulatory functions to the SRB:

- Setting standards and writing the associated necessary guidance
  - Conduct Rules
  - Rules applicable to firms
  - Disciplinary arrangements in relation to regulated persons (including discipline rules)
  - Qualification regulations
  - Arrangements for authorising persons to carry out specific activities
  - Indemnification arrangements
  - Compensation arrangements
  - Any other appropriate designated professional body responsibilities
- 3.10 Governing Council would only retain the responsibility for assuring that these functions are being discharged effectively. For its part the SRB would be obliged to provide sufficient information to Governing Council for them to take a view on that, and Governing Council could only require further information if it had reasonable grounds to do so. It would not be able to require information which might be considered likely to undermine the independence of the SRB. The Governing Council would debate the effectiveness of the regulatory function at least annually.
- 3.11 Under this arrangement the SRB would determine its own governance structure, priorities, and strategy, feeding into the wider RICS strategy, and would appoint its own Board in accordance with the RICS Global Appointments Model. This should, in my view, have two additional independent members one of whom should have a background in consumer services or rights. I also believe that it is important for the composition of the SRB to reflect the strategic regulatory issues affecting the built and natural

environment. For example, I would like to think that in the future there would be Board members with a background in UK valuation, fire safety and/or residential property, given the UK Government's interest in those areas. I will not make a specific recommendation on the geographic location of Board members (as I do for other Boards in later chapters), however I do believe it is important that the composition reflect the major regulatory policy challenges within the UK where RICS has unique regulatory responsibilities.

- 3.12 The Governing Council would be under an obligation to provide the resources reasonably required for the Board to operate effectively and this might best be done by way of a three-year rolling budget. The SRB, through its Chair, would be responsible for the line management of the staff who serviced the core regulatory functions and would share other services only if this did not undermine the separation of representative and regulatory functions or the effective discharge of its functions.
- 3.13 The arrangements for legal services include provision for a Legal Services Board to deal with any disputes or to receive requests for clarification and something similar would be needed for RICS. I understand from the Legal Services Board that their role in resolving disputes happens very infrequently due to the provision in the rules which creates an expectation that the regulatory bodies and the approved regulators should endeavour to resolve issues together. Such an expectation would need to be incorporated into a future framework document and be examined as part of a five year review, which I propose later. However, I recognise that issues may not always be resolved between the governance bodies, and Governing Council should incorporate an appropriate dispute resolution mechanism into the framework, where the Senior Independent Governor (see page 40) believes there is not a way forward. I think that there are several organisations who could provide such a service as a last resort.

I believe that creating a clearer separation of representative and regulatory functions is necessary to retain public confidence in the way that standards and regulation are set and maintained and to enable the SRB to function efficiently, in line with the Principles of Better Regulation. I am therefore making the following specific recommendations:

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## RECOMMENDATION 8

Governing Council produces and consults on a framework document setting out the responsibilities and governance of the Standards and Regulation Board. This framework should align where possible with the Legal Services Board's Internal Governance Rules and include:

- Governing Council delegating regulatory functions to the Standards and Regulation Board
- The Standards and Regulation Board only focusing on regulatory operations, with no responsibility for thought leadership, public affairs, or the delivery of commercial products
- The Standards and Regulation Board taking responsibility for its own strategy, priorities and governance in accordance with the better regulation principles
- Governing Council providing the resources reasonably required for the Standards and Regulation Board to undertake its functions
- Governing Council retaining the right to assure itself that these regulatory functions are discharged effectively, whilst preserving the independence of individual regulatory decisions
- The Standards and Regulation Board providing Governing Council with information it needs to assess whether the regulatory functions are being performed effectively
- The Staff servicing the Standards and Regulation Board should be managed by a leader who is accountable to the Standards and Regulation Board through the Chair and who is also a part of the RICS Executive Board, to ensure that issues relevant to the SRB are properly represented

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## **PUBLIC INTEREST**

- 3.14 Although standards and regulation are central to fulfilling the public interest remit, RICS could do more to ensure that public advantage is at the core of all it does. For example, there are currently no independent members on the Governing Council, although there have been historically. Most boards do appoint non-executive directors who can use their wider experience to inform discussions and governance and the Governing Council could benefit from something similar.
- 3.15 An organisation whose members are providing services to clients or the general public has a responsibility to clarify how complaints can be made and how they will be handled. I am struck by the fact that the RICS website does not, at present, give this information sufficient emphasis. How you can complain about poor quality service from members or the Institution itself should be more prominently displayed. It is another important part of acting in the public interest.

- 3.16 Some other professional institutions do more than RICS to demonstrate their commitment to public advantage by way of pro bono activity. I am aware of the way in which some firms do already offer such services in their own communities, but I would like to see RICS itself doing more to show that it encourages that kind of activity. This would speak volumes for the commitment that the RICS has to communities. In the USA, the Urban Land Institute (ULI) supports this from a small endowment fund. ULI also funds something called UrbanPlan which engages school pupils and university students in learning more about the forces that affect real estate activity in their communities and beyond. Other organisations are involved in capacity building – supporting emerging markets to establish professional standards and regulation. These are all activities RICS should be considering.
- 3.17 I am not sure that young people in the UK have enough opportunities to learn about real estate and construction or to develop an interest in careers in the RICS disciplines. Supporting this in disadvantaged communities would also help build an industry which was more diverse and inclusive and a fund, if established, could even provide scholarships for disadvantaged students.
- 3.18 At the moment some argue that RICS does less than other professional institutions to listen to the voice of the consumer and again I do feel there is room for improvement. There could, for example, be a Consumer Panel reporting to the Standards and Regulation Board on consumer issues and ensuring regulation is effective in the public interest.
- 3.19 The Charter requires RICS to advance surveying knowledge, and RICS should be a leading voice on major issues (such as sustainability) affecting the profession and society in the built and natural environment. However, I have heard from stakeholders, including universities and Government, that RICS is not taking enough of a leadership role on these issues. RICS could, and should, play a crucial role in developing partnerships and convening the best minds to tackle societal challenges.
- 3.20 I firmly believe that RICS does need to do more to convince the public, its members, and its various stakeholders that public advantage is central to its very existence. I believe by doing this, it will also be able to communicate some of the passion which I have encountered in so many members throughout the review.
- 3.21 Because of the central importance of public interest, I would also suggest establishing a Public Interest Panel of senior RICS members (perhaps chaired by a Past President) reporting to Governing Council. This standing Panel would have a broad remit and would advise on any aspect of public interest as it thought necessary.

- 3.22 Finally, I would recommend that the Governing Council commits to commissioning an independent review of RICS once every five years. That review should specifically consider the Institution’s effectiveness in upholding public trust and confidence in the work of its members and the degree to which its work is undertaken for the public advantage. It would also look at the overall effectiveness of RICS in achieving the objectives set out in the Charter. These independent reviews should be published and also placed before Parliament, the Scottish Parliament, Welsh Assembly and Northern Ireland Assembly.
- 3.23 Members will be aware that the Levelling Up and Regeneration Bill currently before Parliament includes (clause 186) provision for the Secretary of State of the Department for Levelling Up, Housing and Communities to commission an independent review of RICS ‘from time to time’ with similar objectives and terms of reference. If Governing Council agrees the proposals set out above, these could form the basis of further discussions with the Department on the precise wording in the Bill.

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#### RECOMMENDATION 9

To put public interest at the heart of its work, RICS should consider establishing a fund for public interest activity, which might include support for members to undertake pro bono activity and scholarships for students from communities where surveying is not well represented. This could be funded through the sanctions imposed on members and firms from regulation.

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#### RECOMMENDATION 10

A Public Interest Panel should be established to advise the Governing Council.

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#### RECOMMENDATION 11

RICS should develop further its thought leadership role.

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#### RECOMMENDATION 12

RICS should make it clearer how clients can complain or seek redress for inadequate service.

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### RECOMMENDATION 13

The Standards and Regulation Board should consider the establishment of a Consumer Panel to report to the Standards and Regulation Board on consumer issues and the extent to which regulation is effective in the public interest.

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### RECOMMENDATION 14

RICS should commission an independent review of its effectiveness and the degree to which its work is undertaken for the public advantage every five years. This review should be published and laid before Parliament and the Devolved Administrations in the UK.

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# CHAPTER 4:

# MEMBER

# ENGAGEMENT

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*“The RICS has to do more to help the membership. It has totally lost its way and has very little engagement with its UK members. It has concentrated too much on global domination and lost sight of the fact it is a members’ organisation. We are struggling more than ever in a very difficult market and get little if any support from RICS. The only reason you need us is to produce fees to support the organisation.”*

- 4.1 This quote was a response to the Defining our Future consultation. It may seem harsh, but it captures the sense of anger which many members feel at the lack of engagement with them in recent times. It is the same sense of anger I encountered in the submissions to my Review and in many of the meetings I held, both with members from the UK and from elsewhere in the world. As other members said

*“The RICS is a member organisation. The directors pay scant regard to members’ interests but rather funding the RICS as an organisation. The RICS executives and staff members appear disengaged from members and more interested in funding the organisation itself.”*

*“I have been an RICS member since 1979. I’m afraid that the RICS has become more of a nuisance than a relevance to many of its members. Leaving aside the poor levels of service, it feels as though the Institution is run for the convenience of its administrators rather than as a service to its members.”*

- 4.2 Other members complained that the commercial activities were given priority over member support and engagement, and that RICS was not sufficiently open and transparent with its members. Many complained they were not even given a breakdown of how their fees were spent, let alone free access to essential CPD and relevant technical advice. Some have suggested to me that these concerns are not held by the majority of members but rather a vocal minority. After all, RICS has a healthy rate of renewals which suggests that many members are satisfied with the offer. I would suggest that this is not a good measure, as many, especially in the UK, feel that they have no option but to renew if they are to continue to practise. For me, a more relevant measure

would be the results of the consultation undertaken as part of Defining our Future, which showed that of 742 members who responded, only 37% were satisfied with their membership and only 21% were satisfied with the value for money it represents.

- 4.3 My view is that RICS needs to give an urgent priority to rebuilding the engagement and relationship with all of its members, not least because there is a growing number of smaller professional institutions around the world who are seeking to recruit RICS members.
- 4.4 For all these reasons, I am pleased to see that RICS has begun to give member engagement much greater attention by establishing the Member Engagement, Experience and Value Group (MEEV) in late 2021. The first initiatives sponsored by the Group address the issues which were most often raised with me, notably:

**A simple transparent way of showing the split of fee spend by functional area.** The first iteration of this represents a good start but it does not yet, for me at least, provide the information in a form that enables members to challenge the current revenue allocations. So, for example, it currently shows that 25% of revenues are dedicated to member and stakeholder engagement, but members need some more detailed breakdown of this if they are to understand whether or not this level of expenditure is justified. I am sure that this will be provided as MEEV develops, together with an indication of how the allocation of revenues is changing year on year.

**Significant quantities of free CPD offered as part of the member subscription.** I hope this will be welcomed by members, many of whom told me the failure to provide CPD as part of their subscriptions compared poorly with other professional institutions. This reinforced the way in which RICS had become dominated by commercial considerations and failed to encourage members to access the kind of CPD which was essential if they were to practise effectively. There was particular irritation that Isurv has cost £1,000 a year on top of the membership fee. Several channels will be made free to members from this summer onwards, who should begin to feel that the subscription provides much better value than it has previously.

**Support for members who wish to curate local engagement events or simply meet together in local groups.** Many members expressed disbelief that they had been unable to access colleagues' email addresses, allegedly because of the General Data Protection Regulations (GDPR). The intention now is to facilitate member to member networking through digital communities and, belatedly, to publish a new global member directory (which should be distinguished from the Regulator's Public Register). RICS represents a profession which values networking more than most because it is core to the

service it provides. The centre should therefore encourage members who wish to interact, whether in local groups or through professional communities, not least because for many younger members that is how they develop some sense of belonging in such a large and potentially distant profession. I am glad that is now encouraged and that advice on how to establish and maintain local groups will now be provided along with some necessary staff support.

**A much improved member interface.** Members told me that the quality of service they received was poor. Too often calls were not answered or, if referred to other members of staff, were never actioned. They told me that the service was neither personal nor responsive. They complained especially about their digital experience because the systems were often difficult to navigate, lacked functionality and delivered poor quality information or advice. Again, this is part of the MEEV initiative, but significant improvements will only be possible when the current IT problems are resolved – which is why technology should be one of the most urgent priorities (see page 13). RICS needs to be easier for members to do business with, which means its customer service systems need to improve.

**Local resources.** The loss of local support staff has been keenly felt and has led many members to become disenchanted. They would argue that even willing volunteers need some support to be effective and they have a point. I am pleased that more attention is to be given to the resources which are needed on the ground, both in the UK and abroad. Some local resource is essential if products and materials delivered by headquarters are to be made relevant to local markets and tailored to different cultural expectations. Every organisation has to make decisions about the prioritisation of resource, but RICS should be more transparent about the levels of local resources being deployed and the reasons underpinning those choices.

- 4.5 Since January of this year, members and prospective members have, in addition to the above, been able to access a Member Value Hub. This is a new central repository which sets out the member value proposition. Again, this is to be welcomed but I think care should be taken not to overstate the progress that has been made. Frankly, many members are very sceptical about whether the various new initiatives will be fully delivered simply because of their past experience. It never helps to exaggerate achievements when trying to rebuild trust.
- 4.6 It is also important that sampling of the member response to the MEEV initiatives is undertaken on a frequent and regular basis to ensure that the changes are having an impact and that the centre is now responding to the voice of the member by making adjustments when necessary.
- 4.7 Winning back disenchanted members is never easy and rebuilding trust takes

time. It is very encouraging that a start has been made but it will need sustained effort to convince members that RICS is once again a member-led organisation.

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#### RECOMMENDATION 15

RICS should build upon the foundation of the Member Engagement, Experience and Value (MEEV) programme to ensure all members have access to a high quality offer, which should include content and events led by members in their geographic area, supported by local staff where appropriate.

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#### RECOMMENDATION 16

RICS should instigate a customer service improvement programme, spanning processes, systems and culture, to ensure that members receive an improved level of service.

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### RELATIONSHIP BETWEEN EMPLOYEES AND MEMBERS

- 4.8 The relationship between employees and members is not working as effectively as it could. I heard from members of issues with employees, and from employees on issues with members. In order to move forward as an organisation, the bonds between members and employees need to be rebuilt and re-defined.
- 4.9 In a member-led organisation, the ultimate decisions, save for standards and regulatory decisions, should be taken by members through appropriate governance structures, not by staff. However, many members felt that the balance of power in the organisation had shifted so that in practice the big decisions were either taken or controlled by senior executives. The Levitt Review noted that senior staff said that they felt forced into this position because the governance structure was not working, and decisions had to be made somehow if RICS was to function effectively, or indeed at all.
- 4.10 Many organisations now articulate how staff are expected to behave and what they have the right to expect from managers, members, clients and colleagues. I think that some such code or statement could be a helpful way of redefining the relationship between staff and members, and clarifying the behaviour expected from both. A number of members highlighted that they are bound by Rules of Conduct and subject to formal Regulation mechanisms to hold them to account, but staff are not currently bound by comparable

standards. Others referenced the existence of a former “staff and membership partnership” document which both parties signed up to, but which seemed to have faded out of existence. A renewed partnership statement could be produced once the values have been formulated.

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#### **RECOMMENDATION 17**

The relationship between members and staff should be re-defined to make clear that staff advise and support members.

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#### **RECOMMENDATION 18**

RICS should draw up, and consult on, a renewed staff and member partnership statement which clarifies expectations of both parties. This should take place following the work to establish the Institution’s new values.

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# CHAPTER 5:

# CULTURE & VALUES

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- 5.1 In addition to concerns about how the partnership between staff and members has changed in recent years, the Levitt review identified that while there were failures in governance, many of these could have been prevented if RICS had the right culture. I have therefore been asked to review and report on the culture of the RICS.
- 5.2 Having met and listened to so many members, staff and other stakeholders, and had access to recent staff and member surveys (as well as the responses to Defining our Future) I feel that I know enough to offer my views, and I believe that there is much that needs to change. In saying that, however, I want to recognise the efforts that have been made since September 2021 to improve the RICS culture. Many staff at all levels are making a real effort to tackle the historic problems but changing the culture is not something that can be achieved overnight.
- 5.3 Nor is it something that can be imposed from the top or from the outside. It must be something for the leadership of the Institution to take forward. What I have described below are what seem to me to be the problems with the culture, and I have offered some thoughts on how the process of change should be managed.
- 5.4 To be clear, I have encountered much that is troubling and which needs to be addressed urgently. Some of the recent problems derived in part from system failures, but as the Levitt Review observed, many can also be attributed to flaws in the culture itself.
- 5.5 Let me start, however, with a clear positive. There is a passion in the organisation, and in the profession, which is rare, and which needs to be cherished. People really care about surveying (in the broadest sense) and the part they know it can play in tackling many of the big issues we face as a society. Both members and employees take pride in the profession. Indeed, many of the criticisms I have heard derive from a feeling that this passion and pride have not been celebrated or drawn upon to benefit the Institution.
- 5.6 Many of the cultural issues within RICS have been commented on already, including within the Levitt Review. In the Call for Evidence, both staff and

members highlighted several of these, which will need to be addressed if the Institution is to re-build the vital partnership between staff and members. In my view, this partnership must underpin the Institution going forward and be built on a foundation of shared values. The cultural challenges which I have observed, and which have been reported to me include:

### **Centralised and Controlling**

- 5.7 RICS has become too centralised and controlling in a way which stifles the initiative of both members and employees, with too much emphasis placed on preventing things going wrong. The best organisations realise that the key to success is to empower staff and members, not simply control them, and that requires higher levels of devolution than can currently be found in RICS. There is a need to manage risk appetite, but in a proportionate way that does not completely stifle innovation and creativity within the organisation. Of course, not everything can be devolved and there does need to be clarity about which activities are core and cannot be left to local discretion, such as consistent standards of entry, technical competence and ongoing revalidation. However, there is much more that can and should be devolved if people are to feel able to use their initiative for the benefit of RICS and if RICS is to become less risk averse.

### **Lack of Transparency**

- 5.8 RICS needs to be more transparent and open in the way it operates. The events covered in the Levitt Review demonstrated a lack of transparency in the way information was shared between boards, committees and members. I do not believe this was an isolated incident but arose because of a widespread tendency not to make information available to other colleagues or only to make available the minimum necessary when members requested it.
- 5.9 In the Defining our Future consultation, which was admittedly undertaken at the height of the turmoil surrounding RICS in 2021, just 21% of respondents felt RICS operates in a transparent way, and I believe there has in the past been a widespread tendency to simply not share information or to only make the minimum necessary available. This is linked to a lack of accountability within current structures. One staff member reported being accountable for the management of a key risk area for the Institution with the potential for multi-million pound fines to be levied, and yet they had never reported to the Executive Committee or any governance bodies about their area of work. RICS needs to be clearer about key decision points within its structure to both staff and members, and to be more transparent about the decisions being taken at

all levels of the Institution. It should only refuse to publish material relevant to members in exceptional circumstances, taking an approach that favours publication by default. Too often I was told that GDPR prevented data being shared when other organisations have found ways to share.

### **Failure to Collaborate**

- 5.10 RICS should look to collaborate more frequently. In the past, it seems to have found it difficult to build partnerships and has not been sufficiently outward looking. While there are some excellent examples of building coalitions on global issues such as fire safety and cost measurement, I believe it could do more and have greater influence and impact through more co-operation.
- 5.11 For example, the relationship with universities could be much stronger and lead to RICS being involved in topical, relevant research which would, in turn, strengthen its thought leadership work. In fact, as one university told me, their relationship with RICS did not progress beyond that of 'master and servant' because it was dominated by the way in which the accreditation process was managed. The process of accreditation, and cooperation on research and policy development are very different but need to be well choreographed if both are to succeed in the future.
- 5.12 As I have said elsewhere, I feel RICS could be more successful overseas through more emphasis on developing collaborations to enhance its influence, but I do not believe its culture has made that easy. Through collaboration, RICS might have been better able to influence overseas governments and intergovernmental organisations, by drawing on the knowledge and experience of members on the ground. In an increasingly complex world, RICS cannot expect to achieve its objectives by working in isolation. In the future, building and sustaining more and broader coalitions will be key to its success in raising its own brand awareness, exerting influence and recruiting more members.
- 5.13 As I have mentioned elsewhere, it can also partner with other institutions, as it has done with the Society of Chartered Surveyors in Ireland (SCSI), to deliver member services and other activities on the ground in different countries. This prevents duplication of effort and helps build credibility and influence.

### **Diversity and Inclusion**

- 5.14 I have dealt with this in more detail in Chapter 2 (Strategy) but it is also an important aspect of culture and, in short, RICS needs to place a far greater emphasis on diversity and inclusion. It needs to attract and retain the best talent, whatever their gender, race, class, disability, age, religion or sexual orientation.



- 5.15 Within RICS staff at management and junior level, women are well represented, making up 55% of the global workforce, but there is little data available about diversity beyond gender. I was told that the dataset about the ethnicity of the global workforce was incomplete, and even in the UK, where many RICS staff are based, it was insufficient to draw any conclusions.
- 5.16 Many firms realise that the composition of their workforce needs to better reflect the make-up of the communities they serve if they are to remain credible. They also realise that diversity brings with it greater creativity and better decision making because different cultural and life experiences can be brought to bear.
- 5.17 Although RICS has spoken enthusiastically about the importance of diversity and inclusion, it has much more to do to turn the warm words into action. It needs urgently to become genuinely inclusive in everything it does so it not only recruits from diverse groups but also provides a profession and a workplace in which everyone can thrive. If that is to happen then the new leadership needs to show that it is committed and prepared to act on the basis of reliable data covering such things as recruitment, training, promotions and appraisal marks. It needs to be visible in schools in disadvantaged areas to show young people from non-traditional backgrounds what exciting careers are available in surveying. Many members told me that the profession is still perceived as an 'old boys club'. That needs to change. I believe that the Diversity and Inclusion Panel which I am recommending, along with the recent senior staff appointment, would be the first steps toward concrete action.

### **Quality of Service**

- 5.18 RICS needs to have a greater emphasis on service quality at all levels. I heard numerous examples during the call for evidence of poor quality service to members, from calls not being answered to emails never being responded to or people simply not following up as promised. Staff told me there is a lack of accountability for decisions, and too many people focusing on strategy rather than delivery. Some of these issues are attributable to poor quality systems but some are symptomatic of the way which quality of service for members has not been seen as a priority issue. Many staff feel constantly pulled in different directions and those in delivery roles told me they feel overwhelmed by the level of demand from central teams. I was told by many staff that they felt under resourced since the restructure in 2021, or that the new matrix ways of working are ineffective. Regardless of the root causes, the Institution's values must reflect that RICS has been damaged in recent years by the poor quality of service members have received. Service excellence must be a core value going forward and without it, more members will, I fear, join competitors who charge less and deliver better support for their members. Delivering excellent quality

is also about providing value for money for members, but very few members I spoke to felt that they did receive good value for their very high subscriptions.

## **Ethical**

- 5.19 RICS' reputation depends upon the public and its various stakeholders, including the UK Government, believing that it is behaving in an ethical way and all indications suggest that this will be watched even more closely in the future. It is essential, therefore, that RICS maintains its commitment to the highest standards of behaviour, wherever it is working in the world. The events of 2018 and 2019 have naturally damaged the reputation of RICS and although the brand remains strong, the organisation and the profession needs to place ethics at the heart of its recovery. That is an important part of its commitment to public interest. The public needs to be confident that their interest will always be the first concern of the profession.

## **Developing a New Set of Values**

- 5.20 In 2021, the Governing Council responded to the Levitt Review by proposing a set of values which addressed many of the issues I have set out above. The proposed values were integrity, transparency, inclusion, collaboration, advocacy and passion. I will not make firm alternative proposals because I believe that values need to derive from a genuine and sustained engagement with staff and members. If not, they will not be recognised, let alone owned, and without ownership they will have little impact. In my view, RICS should therefore embark swiftly on a wide ranging consultation with staff and members about values which will then provide the framework for changing its culture. Values define organisations far more than business visions because they are about how people behave and that is what distinguishes one institution from another. But to make a difference, values also need to shape the most important organisational processes. In other words, they need to influence the kind of people you recruit, the way they are appraised, the training you provide and the criteria for promotions. If that is not the case, then staff will assume that values are not really important and tend to ignore them.
- 5.21 The values proposed by Governing Council could be the starting point for the wide ranging consultation I am recommending but I would also include a commitment to excellence and respect, perhaps in place of advocacy and passion. Others might argue for some reference to enterprise and innovation as well as the overriding commitment to public advantage. In time, examples of how each value can be translated into behaviours will help clarify what is meant and what needs to change. Difficult choices will have to be made about priorities if the values are to be kept to a small number, as I believe they must be, but this exercise needs to start as soon as the new leadership team is in place.

5.22 Finally, on the subject of culture, it would be ideal if the chosen values were common to both RICS staff and the profession and I see no reason why that cannot be achieved by drawing up a renewed staff and member partnership document. There needs to be total commitment to common values and behaviours shared across the whole of the surveying family.

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#### RECOMMENDATION 19

RICS should consult widely on a proposed set of values that will be applicable to all staff and shared across the whole surveying family. This set of values should include reference to quality of service, respect and public advantage.

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# CHAPTER 6:

# GOVERNANCE

# STRUCTURE

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- 6.1 While culture was central to the challenges highlighted in the Levitt review, the underlying issues lay in the governance structure of RICS, which despite many reviews and changes over the past decade, is still not functioning well.
- 6.2 To be effective, my recommendations on governance structure need to:
- Simplify a structure which has become too complex
  - Clarify accountabilities and the roles and responsibilities of members and chairs
  - Make transparent and improve relationships between boards, committees and groups
  - Reduce the likelihood of problems going unnoticed or unresolved
  - Better involve members who currently feel they have no influence (not least some professional specialisms)
  - Reinforce the culture and values of the RICS

The proposals that follow have been designed with this in mind and if any amendments are proposed, I would hope that they meet these same criteria.

## GOVERNING COUNCIL

- 6.3 A successful RICS depends on a successful Governing Council. That means its members need to have the skills required to function effectively: It needs to work well as a team with a clear sense of purpose and direction; it needs, so far as possible, to reflect the location of members and include members from the various disciplines; it needs to be a model of good corporate governance and it needs to demonstrate the values of the Institution. That is a demanding set of requirements to meet in a Council which should, I believe, have few, if any, more than its current 25 members.
- 6.4 Some other professional associations do have advisory forums, which sit alongside their equivalent of the Governing Council and which have upwards of 70 members. The advantage of this, it is said, is that more members have the opportunity to feed their views into the Council. The disadvantage is that

such forums can become 'talking shops' and will inevitably increase the administrative costs for the Institution. I do not believe that adding this additional tier of governance will do much, if anything, to address the issues I have set out above and therefore I do not recommend it.

- 6.5 The Governing Council should therefore remain the ultimate authority within RICS with responsibility for:
- Agreeing the Institution's strategy and vision
  - Overseeing the delivery of that strategy via annual business plans
  - Overseeing the effective delivery of standards and regulations
  - Agreeing changes to Byelaws and Regulations
- 6.6 The Council should meet quarterly with two of the four meetings being virtual. To minimise the cost of the in-person meetings, I would suggest that these are held in the RICS building at Great George Street.
- 6.7 The Council should be chaired by the President. I am conscious that not everyone will share that view. Some suggest that it is difficult to maintain continuity if the Chair of Governing Council changes every year and others feel that the workload of the President precludes them from also chairing Council. The President will, however, have been a member of the 'leadership team' for two years as I propose to retain the roles of President-Elect and Senior Vice-President. The Chair will have therefore played an important part in setting the Council's direction before taking on that role. To support the Chair, and provide an important degree of continuity, I also propose appointing a Senior Independent Governor and establishing a new RICS Board. This will have delegated responsibility for delivery of the business plan and oversight of operations (excluding standards and regulations). Those changes will reduce the burden placed on the Chair, provide continuity and should allow the President to Chair Governing Council effectively.
- 6.8 To continue with the current arrangements would mean that there will be three people with roles which will be seen to overlap – the President, the Chair of Governing Council and the Chair of the RICS Board. As a result, accountability will be blurred and the outside world will be confused by who has the ultimate authority.

### **The Role and Appointment of the President**

- 6.9 The President represents the pinnacle of the surveying profession and should be something every surveyor aspires to. I understand the intention behind removing the responsibility of chairing Governing Council was to free up the President to undertake more of an outward facing, ambassadorial role. With the changes I am proposing, I believe the President will be able to be both an

effective Chair and an ambassador for the whole profession. Indeed, this dual role is often carried out in many other professional bodies.

- 6.10 Being President of the RICS is clearly a time consuming role and requires a high level of commitment and competence, but more needs to be done to simplify the application process and increase the transparency around this critical appointment. I believe the Nominations and Remuneration Committee (see page 50) should oversee a much simplified shortlisting process, rather than a separate Presidential Nominations Committee as is currently the case. Under this process, an individual would stand for Senior Vice-President, and progress to President-Elect and then President.
- 6.11 I would suggest two options for the selection of the Senior Vice-President. The first is that shortlisted candidates present to Governing Council members, who would then take a vote. This is the current process but I believe it could be significantly more transparent and simplified if this is to be the preferred option. The second option is that shortlisted candidates would be presented to the whole membership, who would then take a vote – perhaps at the AGM. Whichever process is selected, RICS must ensure that diverse candidates are not disadvantaged, and all candidates are supported throughout the process.
- 6.12 The role of the President is tied to the role of the President-Elect and Senior Vice-President, and all three should work closely together as a team. They are the figureheads for the strategy set by Governing Council and should be empowered to represent the Institution. They should be visible, and accessible, to all members.

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## RECOMMENDATION 20

The Nominations and Remuneration Committee should oversee the Senior Vice-President selection process and the Presidential Nominations Committee should be dissolved.

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## Membership of Governing Council

- 6.13 Membership of Governing Council is a substantial responsibility and goes beyond simply attending meetings and voting. It should be something that more members aspire to and actively put themselves forward for. Members of Governing Council are leading ambassadors for the profession around the world and should also be visible leaders in their professional communities.
- 6.14 I am suggesting some significant changes in the membership of the Council. Firstly, it is important, in my view, for the members of Council to better reflect

the geographic location of members. Members of Council are not, and should not be, representatives for their geographic area because they need to see themselves as corporate members of the Institution's most senior body. Nonetheless, there is currently great resentment that although 71% of members reside in the UK and Ireland, this is not reflected in the Council membership. Indeed, each UK and Ireland member of Governing Council currently 'represents' 18,850 members, whereas each member from every other region 'represents' a constituency of less than 3,000 members.

- 6.15 My core principle in recommending changes to the membership of Governing Council is that it should more proportionately reflect the geographic location and professional disciplines of members. It should do so without substantially increasing the number of seats on Governing Council or creating a mechanism to increase numbers in perpetuity. I have used the membership numbers correct as at May 2022 as the basis for my proposals.
- 6.16 I am proposing that the five geographic world regions should be retained, and every region should have at least one representative on Governing Council. There should be a threshold in the percentage of qualified members which enables additional representatives on Governing Council, and I would recommend this is 10%. This means that once a world region has over 10% of the qualified members, they would gain an additional seat on Governing Council. A representative would be added at each 10% increment, so a region with over 20% of qualified members would have three representatives, 30% of qualified members would have four representatives and so on. This allows the proportion of Governing Council members to reflect the geographic locations of members now and in the future.

World Region	Number of Qualified Members	Percentage of Qualified Members	Number of Proposed Seats
Americas	2,760	2%	1
Europe	8,562	8%	1
Middle East & Africa	4,623	4%	1
Asia Pacific	17,155	15%	2
UK & Ireland	79,724	71%	8

- 6.17 I recognise that linking geographic representatives to a proportion of qualified members means that the membership of Governing Council may ebb and flow as the proportions of members in different regions changes. This may, at times, result in one region reaching a threshold without another region falling below one. This may mean there are more than 13 geographic representatives for short periods of time – I do not believe this is a problem and should create a healthy turnover within Governing Council.

How these representatives are selected I leave to Governing Council to decide, but I believe there are two main options.

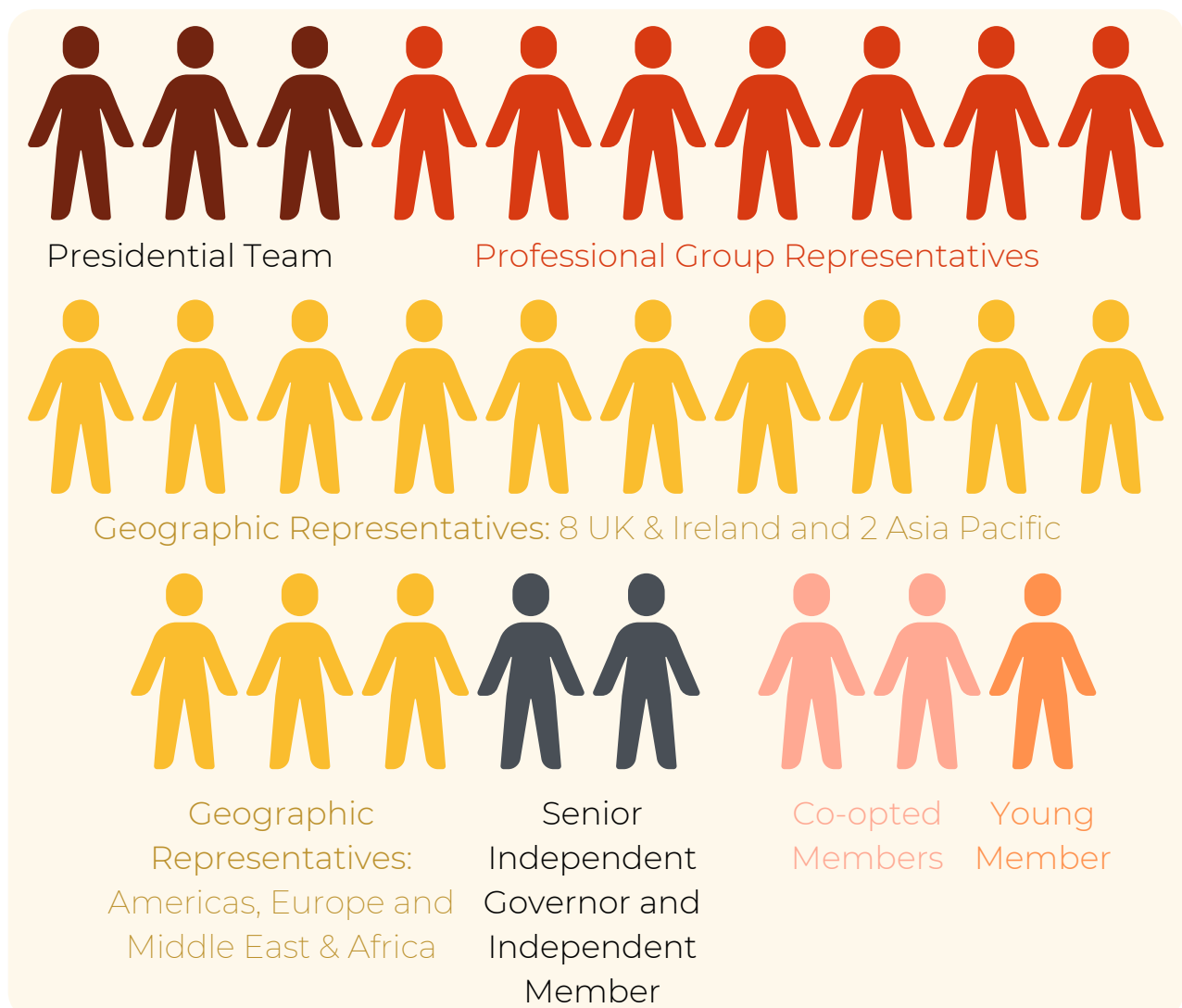
- 6.18 The first is that five of the thirteen geographic representatives are the World Regional Board Chairs, who are automatically appointed to Governing Council upon confirmation of their appointment as Chair of a World Regional Board. I believe this would strengthen the link between Governing Council and the world regions, ensuring the global strategy is informed by local market insight.
- 6.19 However, I recognise that the role of World Regional Board Chairs and Governing Council members are very different – one is about oversight, and the other about delivery - and that there is an argument for splitting these roles out. The other option therefore would be for five of the thirteen geographic representatives to be elected by World Regional Board constituencies. Those five individuals would sit on both Governing Council and the World Regional Boards, to ensure the link between Governing Council and World Regional Boards remains.
- 6.20 The remaining eight geographic representatives would be elected, either through a much simplified qualified election process, which I discuss on page 54, or an open election process.
- 6.21 The second major change I am recommending would be for the many different disciplines to have a greater presence. At the moment there are 18 professional groups in the RICS family, and many disciplines within those, but it should be possible to group some of these without losing professional identities. I therefore recommend that 7 seats should be filled from the professions, and that RICS should consult on combining the 18 professional groups to a more manageable 7 (which I discuss later in this chapter).
- 6.22 As is the case with the World Regional Board appointments, I believe the appointment of these 7 seats could be undertaken in two ways – either appointment of the Chairs of the Professional Group Panels, or through an election, with the successful Governing Council members also sitting on the professional group panel. The principle still stands that there should be effective dialogue between those groups and Governing Council.
- 6.23 I am very concerned that younger members do not feel their voice is heard and I have made some suggestions which I hope will help address this on page 11. As part of this, I recommend that a representative from the community of younger members should sit on Governing Council, as was the case until 2017.
- 6.24 Unlike many governance bodies, Governing Council currently has no independent (non-RICS) members. I would recommend that there should be two independent members in future who would bring board experience from



other sectors, as well as an understanding of corporate governance. They would also reinforce the commitment to public interest and advantage. These posts would be advertised for a three year period and one would be designated as the Senior Independent Governor. I would also propose that Governing Council could appoint up to two additional members with relevant expertise or interests.

6.25 Under these proposals, Governing Council would have 28 members and would comprise:

- 3 elected members of the Presidential Team (President, President-Elect and Senior Vice-President)
- 7 elected/appointed Professional Group representatives (who could be the Professional Group Panel Chairs or elected by the disciplines)
- 13 elected geographic region representatives, including 8 from the UK & Ireland and 2 from Asia Pacific, who could include the 5 World Regional Board Chairs
- 1 appointed Senior Independent Governor
- 1 appointed independent member
- 1 representative from the community of younger members
- Up to 2 appointed members, with relevant expertise or interests



## The Senior Independent Governor

- 6.26 Some people have suggested that RICS should re-establish the role of Honorary Secretary. They argue that this post provided some continuity, acted as a bridge between members and the Council and was in a good position to call out actions, proposals or omissions which threatened the integrity or good governance of RICS. They say that such a post would have been likely to ensure that the failings of 2018 and 2019 were dealt with before they became so damaging to the organisation.
- 6.27 Although it is, of course, the responsibility of all members in senior roles to identify and deal with problems as they arise, I am attracted to the idea of having someone with a specific role to monitor and deal with issues that are likely to bring the Institution into disrepute. All local councils in the UK, for example, have a statutory monitoring officer for this very purpose and some similar post would help reassure members and stakeholders that the mistakes of the past are not likely to be repeated. I would suggest that the best way to address this is through the appointment of the Senior Independent Director (SID), which I believe is an integral part of modern good governance. To avoid any confusion with executive functions, I suggest that in RICS this post should be called the Senior Independent Governor.
- 6.28 The role of a SID was first recommended in the Higgs Review of 2003 in the wake of serious failures in corporate governance at Marconi and Equitable Life. The SID was intended to act as a bridge between shareholders (or members) and the Board. The SID should be available to members if they have a reason for concern that contact through the normal channels of Chair or Chief Executive had failed to resolve.
- 6.29 While SIDs have traditionally been confined to the corporate world, they are now being used more often in other sectors where complex negotiations and stakeholder relationships are key features, such as NHS Trusts and Housing Associations in the UK. I believe appointing a Senior Independent Governor to the Council would reduce the likelihood of failures occurring, provide a degree of continuity and reassure all members that the Council was following the best governance practice.
- 6.30 The detailed responsibilities of the Senior Independent Governor are set out in the 2018 Financial Reporting Council's UK Corporate Code and Guidance on Board Effectiveness, and most of these are relevant to the circumstances of RICS. Based on these, I would propose the role of the Senior Independent Governor is:

- To meet a sufficient range of members to develop a balanced understanding of their views
- To act as an intermediary, where required, between Governing Council and the RICS membership
- To act as a sounding board for the President and the Chair of the Board, providing them with support on the delivery of their objectives
- To take responsibility for an orderly succession process for the President, working closely with the Nominations and Remuneration Committee and to be a member of the panel tasked with appointing the next Senior Vice President
- To make themselves available to Governing Council and the members to discuss concerns which have not been resolved through the normal channels of President, Chair of the Board and/or Chief Executive
- To lead an annual Governing Council effectiveness review involving all Governing Council members
- To act as the lead member of Governing Council when it has concerns about the performance of the President.
- To liaise with the Chair in relation to including items on the Agenda of the Governing Council where matters arise which the SIG feels require discussion and/or resolution, such as
  - If succession planning is being ignored
  - If there is a disagreement between Governing Council and the Standards and Regulation Board
- To lead when the Council is undergoing a period of stress, working with the Chair and other directors to resolve significant issues, for example:
  - Where there is a dispute between the Chair of the RICS Board, the President and/or the Chief Executive
  - Where Council members have expressed concerns that are not being addressed
  - Where the strategy is not supported by the entire Council
  - Ensuring relationships between executives and non-executives are functioning effectively
  - When decisions are being made without the approval of the full Council
- To ensure that Governing Council considers any issue which may threaten trust and confidence in RICS or bring RICS into disrepute or where the governance structure or principles of good governance are not being followed

**6.31** Although the SIG role is especially important at times of crisis the postholder needs to stay close and be accessible to members at all times.

**6.32** The appointment should be for a three year term, renewable once only. The Senior Independent Governor will be a full member of Governing Council and of the Board and have the right to attend any other Committee as needed to discharge the duties of their role.

- 6.33 Appointing a Senior Independent Governor is another way of protecting the public interest. To further reinforce that, I have suggested on page 20 that Governing Council appoints a Public Interest Panel of senior members, perhaps chaired by a Past President. Governing Council should decide on the membership of this panel.
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#### RECOMMENDATION 21

A Senior Independent Governor should be appointed to act as an intermediary between Governing Council, the Board and the Executive.

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#### RECOMMENDATION 22

Governing Council should remain the body ultimately accountable for directing and overseeing RICS' strategy, but should be reformed so its membership of 28 better reflects the geographical distribution of members and the importance of professional specialisms

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#### RECOMMENDATION 23

Governing Council should be Chaired by the President, who will be the highest elected officeholder and should represent the pinnacle of the profession.

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#### RECOMMENDATION 24

Governing Council should meet formally four times a year, with additional meetings as required to ensure effective direction and oversight of the strategy.

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# THE RICS BOARD

6.34 I am recommending the establishment of the RICS Board which will be responsible for overseeing the day to day operations and for agreeing and managing the delivery of a business plan. The business plan will seek to implement the strategy agreed by the Governing Council. In many ways, the RICS Board will become the Institution's driving force and the Governing Council will, in effect, delegate delivery to this Board (save for matters reserved for the Standards and Regulation Board). The key points are as follows:

- The Board will meet every two months or more frequently if the Chair thinks that is necessary (which in my opinion may well be the case)
- The Chair will be a RICS Member appointed after a selection process for a three year term, renewable for one further term
- The membership of the Board will be:
  - The appointed Chair (who must be an RICS Member)
  - The Chair of the Membership Services Committee (who must be an RICS Member)
  - The Chair of the Audit, Risk, Assurance and Finance Committee
  - The Chair of the Commercial Committee (who must be an RICS Member)
  - The Chair of the Knowledge and Practice Committee (who must be an RICS Member)
  - The Chair of the Nominations and Remuneration Committee
  - The Senior Independent Governor
  - Up to 2 co-opted members with relevant skills, one of whom must be an RICS Member
  - The Chief Executive, who I suggest below should be renamed to Director-General or another similar title

6.35 I have prepared detailed Terms of Reference for the Board which will be available if these recommendations are agreed.

6.36 The five main Committees will report into the Board, as shown below in figure A, and their Chairs will be members of the Board. Three of the five Committee Chairs on the Board must be RICS Members because there should always be a majority of RICS Members on the Board. The quorum should be five members. There is a strong feeling amongst members that decisions should be made by a Board which always has a majority of RICS members, but there is also an acceptance of the value added by non-executive independents, hence my recommendations. There will always be a majority of RICS members on the Board.

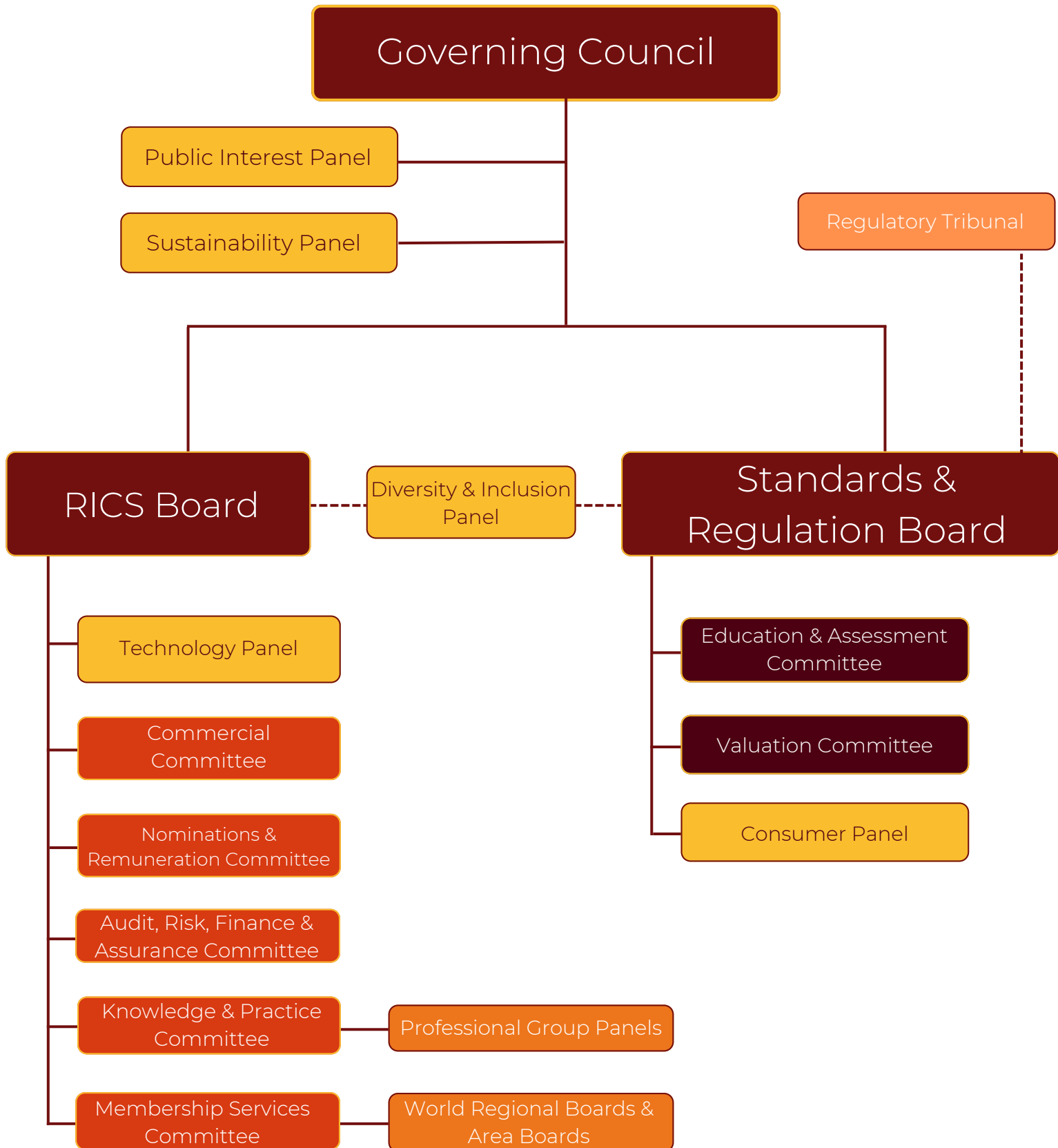
- 6.37 I would strongly recommend that, for the foreseeable future, one of the two independent co-opted members should bring significant experience of technology, IT and digital transformation, given the importance of resolving the current problems in this area.
- 6.38 I have carefully considered the role of the CEO, including whether the CEO should be a voting member of the RICS Board, given the history of the Institution's governance arrangements. My view is that the CEO plays an important role in overseeing the delivery of the Institution's strategy and should therefore have a full voting position on the Board. However, I recognise that there may be some decisions where it is not appropriate for them to have a vote, in particular where there may be a conflict of interest or accountability. I therefore recommend that the Chair of the Board has discretion to manage those potential conflicts and ensure the CEO is not permitted to vote on such decisions.
- 6.39 I also recommend that the role of CEO, as lead executive, is revised in light of this report. Some professional and public bodies use the title Director-General, or something similar, rather than CEO, and this may better convey the role now envisaged.
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## RECOMMENDATION 25

An RICS Board should be formed to oversee day to day operations and delivery of the business plan agreed by Governing Council. The Board will have an appointed Chair, who will be an RICS member and there will always be a majority of RICS members on the Board.

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# PROPOSED GOVERNANCE STRUCTURE



# AUDIT, RISK, ASSURANCE & FINANCE COMMITTEE

6.40 In my view, and I know it is a view shared by the current Chair of the Audit Committee, the current arrangements for finance, audit and risk management in RICS do not reflect best practice and they must if RICS is to minimise the possibility of past failures being repeated. The following recommendations are therefore important if this Review is to achieve its key objectives.

6.41 I have prepared this section in consultation with the recently appointed Chair of the RICS Audit Committee, Mike Driver, who also serves as this year's President of the Chartered Institute of Public Finance and Accountancy (CIPFA). We think that there are advantages in bringing the finance, audit and risk functions together in one Committee, not least in providing clarity and focus, which is why I am suggesting that the Finance Committee is dissolved. The new Committee will comprise of six members:

- Three independent (and finance qualified) non-executives, one of whom will Chair the Committee and serve as a member of the RICS Board
- Three non-executives, who will be Members of RICS

6.42 Its responsibilities will be to advise the RICS Board and CEO on:

- The strategic process for risk, control and governance
- The accounting policies, the accounts and the RICS annual report, including the process for review of the accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditors
- The planned activity and results of both internal and external audit
- Adequacy of management response to issues identified by audit activity, including external audit's management letter
- Assurances relating to the management of risk for the Institution
- The performance of and (where appropriate) proposals for tendering for either Internal or External Audit services and for purchase of non-audit services from contractors for special investigations
- Anti-fraud policies, whistleblowing processes and arrangements for special investigations
- Succession plans in place for the roles of Chief Financial Officer and Chief Risk Officer
- The Audit, Risk, Assurance and Finance Committee, at the discretion of the Chair, will also periodically review its own effectiveness and report the results of that review to the Board



I have prepared detailed Terms of Reference for the Audit, Risk, Assurance and Finance Committee which will be available if the recommendation to establish it is agreed.

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## RECOMMENDATION 26

An Audit, Risk, Assurance and Finance Committee should be formed from the existing Audit Committee to replace the existing Audit and Finance Committees, with enhanced responsibilities for managing risk. The current Finance Committee should be dissolved.

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# MEMBERSHIP SERVICES COMMITTEE

- 6.43 At present there is no specific committee looking at member services. Given the levels of dissatisfaction in the profession, I believe it is fundamental that a member services committee be formed to ensure the organisation drives up satisfaction levels and delivers on regional plans.
- 6.44 This Committee will advise on how the Institution's strategy is operationalised so that members feel valued and engaged. It will also oversee the service which members receive and plan further improvements. In the short term, it will oversee the implementation of the Member Engagement, Experience and Value (MEEV) programme. It will agree a communications strategy to ensure that members are kept adequately informed.
- 6.45 If my proposal to give Regional Boards more autonomy is agreed, the Committee will consider and approve regional business plans developed by the Regional Boards and oversee the allocation of membership resources delegated by the Board. It will oversee the subsequent delivery of those business plans. I recommend that, in due course, RICS reviews the terms of reference for both the World Regional Boards and other local Boards, ensuring these are consistent across geographical areas.

The key points are as follows:

- The Committee will provide a link between the membership, the Board and Governing Council
- The Chair will be appointed and should always be an RICS Member
- 4 nominated members, one each from the Europe World Regional Board, Americas World Regional Board, Asia Pacific World Regional Board and the Middle East and Africa World Regional Board
- 4 nominated members from the UK and Ireland World Regional Board

I have prepared detailed Terms of Reference for the Membership Services Committee which will be available if the recommendation to establish it is agreed.

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## RECOMMENDATION 27

A Membership Services Committee should be formed to advise on the operationalisation of RICS strategy in the world regions and ensure a consistent and improved level of quality in member services globally.

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# KNOWLEDGE & PRACTICE COMMITTEE

- 6.46 The Charter talks about the importance of advancing and facilitating knowledge and I believe this is an area where RICS needs to demonstrate its leadership to the profession. Many of those I spoke to told me that they are unclear as to how RICS goes about its work to guide and inform their professional practice. The absence of an identifiable point of interface between their discipline and the Institution also makes them feel remote from its workings.
- 6.47 This is one of the reasons why I am recommending the establishment of a Knowledge and Practice Committee whose main purposes would be to:
- Develop and improve the knowledge and professional practice of surveyors
  - Develop the provision of advice and information, training and professional development materials, the sharing of best practice and training and development opportunities for members which is appropriate for the different sectors within the profession
  - To support the implementation and development of technical standards, providing input to the Standards and Regulation Board
  - To ensure RICS demonstrates knowledge and influence and amplifies the voice of the profession, on issues that are most relevant to members, the natural and built environment and the public interest
  - To oversee the development and work of the Professional Group Panels
  - To support and provide assistance to the Standards and Regulation Board on professional knowledge and practice issues, including insight on future requirements for entry, conduct and technical standards
- 6.48 In respect of professional specialisms, I understand that 17 “Professional Groups”, formerly known as Faculties, were established in 2000, replacing 7 pre-existing divisions. Each of these Faculties had its own Board, which was tasked with providing insight and feedback from its respective discipline.

These were stood down in 2020, largely to enable a more flexible, strategic approach to standards setting, with fewer silos and reduced duplication. Although I understand the reasons for these changes were consulted on at the time, I heard from many members that they felt these Boards were an important link between the professional disciplines and RICS and should not have been dismantled.

6.49 The proposed Knowledge and Practice Committee would therefore, I suggest, be supported by a number of Professional Group Panels who would refer issues of importance to their specialism. I believe 17 would be an unwieldy number and risks repeating the past where groups were duplicating the work of each other.

6.50 In order to avoid this, I suggest that RICS consults on a more manageable number of disciplines. This would reflect the multidisciplinary nature of surveying and ensure that the groups could be focused on advancing and maintaining the profession's knowledge base and support, but not mirror the work of the Standards and Regulation Board and its expert working groups when required. A suggested list on which RICS should consult could include:

- Valuation
- Residential Property
- Commercial Property
- Built Environment
- Construction
- Land and Natural Resources
- Planning and Development

Particular thought will need to be given to valuation where in response to the Pereira Gray report there already exists an interim valuation group and the Global Valuation Standards Expert Working Group. The Knowledge and Practice Committee should not usurp or duplicate the work of the Standards and Regulation Board, as the Terms of Reference for the new Panels should make clear.

6.51 I recognise that some smaller specialist areas may not be sufficiently large to warrant a Professional Group Panel. The Panels are part of the formal governance structure but not a substitute for continuing member engagement across all specialisms represented within the surveying family, both large and small. I would therefore expect them to be supplemented as necessary with special interest communities that sit outside the governance structure but connect into the relevant Professional Group Panel and provide a forum for members to network and share knowledge.

6.52 Supported by the Professional Group Panels, I believe a Knowledge and Practice Committee can help ensure that RICS provides the right support and professional development, alongside best practice advice and thought leadership. I have prepared detailed Terms of Reference for the Knowledge and Practice Committee which will be available if the recommendation to establish it is agreed. The key points are set out above in paragraph 6.47. The Committee would have an appointed Chair who must be a RICS Member and there will be seven additional members, one nominated by each of the seven Professional Group Panels with an option to co-opt additional members with specific skillsets.

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#### RECOMMENDATION 28

A Knowledge and Practice Committee should be formed to oversee the Professional Group Panels, to lead on the advancement of knowledge and professional development and to take responsibility for policy affairs and thought leadership and ensure a consistent level of representation across RICS disciplines.

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#### RECOMMENDATION 29

RICS should consult on the structure of its professional disciplines to inform the development of a number of Professional Group Panels, which will lead the advancement of knowledge and professional development with their respective surveying sectors.

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## NOMINATIONS & REMUNERATION COMMITTEE

6.53 I am recommending that the existing Committees should be merged to create a single Nominations and Remuneration Committee. It has been argued that this is not the time for a merger because of the extra workload which will result from the other recommendations in this report. My judgment is that a merged committee could cope with appropriate support from the Executive staff (although there may need to be some transitional arrangements if it is to cope with the workload generated in the short term). I did consider going further and suggesting a People Committee to oversee all HR matters but felt this would be a step too far in the immediate future. It may be worthy of consideration in the future, but in the meantime, the Board will have

responsibility for strategic HR matters taking advice, as appropriate, from a Diversity and Inclusion Panel.

The key points are as follows:

- The Committee will advise on appointments to Governing Council, the RICS Board and other key governance appointments
- It will oversee an updated Global Appointments Model, which will set out how other appointments to governance bodies will operate
- It will commission and provides advice on the setting of reward across RICS, especially for Senior Executives and Non-Executives
- It will advise on succession planning for key governance roles
- Its membership will consist of:
  - An appointed Chair with significant HR, senior appointments and/or reward experience
  - A member of the Board who is also an RICS member
  - A member of Governing Council who is also an RICS member
  - The Chair of the Diversity and Inclusion Panel, who is also an RICS Member
  - Another Independent member who has appointments and/or reward experience

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### RECOMMENDATION 30

The Nominations Committee and Remuneration Committee should merge to form a new entity with responsibility for both areas. This new Committee would oversee an updated Global Appointments Model and advise on appointments to Governing Council, the Board and other governance appointments as appropriate.

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## COMMERCIAL COMMITTEE

- 6.54 As I have said elsewhere in this Review, there is too little accountability for commercial activities undertaken in the name of RICS. I am recommending that commercial activities be clearly separated and overseen by a Commercial Committee. This would approve a commercial business plan prepared by an appropriate Executive Director, who will be appointed to lead the commercial operations. This would make transparent the objectives and agreed priorities of the commercial committee, together with the investment made and the return on that investment.

- 6.55 This structure would also ensure that the inevitable tensions which arise between the commercial priorities of the business and the rest of the organisation could be properly managed. The commercial activities should, of course, be making a surplus but they should also, wherever possible, be adding value to the membership – perhaps by offering products and services which are only otherwise available at a higher cost elsewhere.
- 6.56 For all these reasons, I would prefer to see RICS members having a majority on the Commercial Committee. There are, after all, many very successful commercial members of the Institution. The membership of the Committee might therefore be as follows:
- Chair of the Committee, who should be an RICS Member with relevant experience in commercial operations
  - Three RICS Members with relevant experience in commercial operations
  - Two independent members with relevant experience in commercial operations
- 6.57 Finally, I would recommend that the Commercial Committee should oversee the commercial aspects of the Dispute Resolution Service operated by RICS. This is currently within the remit of the Standards and Regulation Board. The responsibility for managing the accreditation of individuals able to provide this service, including the assessment of individuals and checks on competence, should remain there as a regulatory scheme. The delivery of the service is, however, an important commercial activity, which impacts on the reputation of RICS. The Commercial Committee, advised by the appropriate Executive Director (ideally a Commercial Director), should be responsible for ensuring that a quality service is offered.

I have prepared detailed Terms of Reference for the Commercial Committee which will be available if the recommendation to establish it is agreed.

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### RECOMMENDATION 31

A separate commercial arm should be established, with responsibility for delivering RICS' commercial activities.

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### RECOMMENDATION 32

A Commercial Committee should be established to have oversight of RICS' commercial activities.

# STANDARDS & REGULATION BOARD

- 6.58 I have set out in the chapter on Public Interest and Regulation how the Standards and Regulation Board will operate in future, together with proposals for the membership of the Board (see page 15).

## COMMITTEE EFFECTIVENESS

- 6.59 The Chairs of all committees have a responsibility to ensure that their committee is functioning effectively. That means they should meet the Committee members at least annually to conduct a two way appraisal. The committee should also undertake a self-evaluation of its performance annually. Chairs should consider whether an external evaluation might be beneficial every three years. This external evaluation should be mandatory for the RICS Board and the Standards and Regulation Board. Other committees should submit a brief report to the Board each year following the self-evaluation, submitting details of any issues that have arisen and changes that have been made as a result.
- 6.60 In my experience, effective Chairs use the annual appraisal process to identify and address the development needs of committee members and this helps ensure their full potential is realised. I did not see evidence that this is happening much currently in RICS. It is especially important if members are elected because they may not immediately possess the full range of competences required. They should be helped to develop for their benefit, as well as the benefit of RICS. I think it might be useful to describe the responsibilities of the Chairs of Boards and Committees in a brief handbook to assist them with the appraisal and evaluation process.

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### RECOMMENDATION 33

All committee Chairs should undertake an annual evaluation to monitor the performance of their Committee.

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### RECOMMENDATION 34

All Committee Chairs should introduce an appraisal process to develop and evaluate the performance of the members of their Committee.

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## RECOMMENDATION 35

The Board and Standards and Regulation Board should commission an external evaluation of its performance every three years.

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# ELECTION PROCESSES

- 6.61 The current arrangements for electing representatives to Governing Council in RICS are complex and unclear. Under current arrangements, candidates can choose to pursue one of two routes to election. Route 1 is a qualified election process where candidates are validated by the RICS Nominations Committee, and route 2 is unqualified election where candidates are not validated. Where candidates choose to proceed under the qualified election route, applications are sifted by a panel of members of the Nominations Committee against a list of capability criteria. Candidates who meet the required list are then invited to meet a panel of independent members of the RICS Nominations Committee, where they prepare a short presentation on a specific topic related to the role and answer questions from the panel.
- 6.62 Candidates are under no obligation to take this path and anyone who is unsuccessful at the interview stage can still proceed under the second route. When candidates are presented for election, those who have passed the process are marked as “validated by RICS Nominations Committee”. Over time there has been a growing perception that the validation process is used to favour certain candidates, and concerns that it currently only involves the Independent Members of Nominations Committee, rather than RICS members. While there is no evidence of this, the perception is damaging. I have also heard that the process can be cumbersome for candidates, who have to demonstrate how they meet a large list of competencies and invest a great deal of time (even more so for candidates standing for the Presidency, who undergo a lengthy process before being presented to Governing Council).
- 6.63 However, over the last three years, 21 seats on Governing Council were put up for election and 18 of the elected candidates were validated by the Nominations Committee, and almost 80% of the votes were cast in favour of those candidates – which suggests the process is having an impact. I also have some sympathy with the need to ensure there is a balance of skills, experience and diversity across Governing Council, which is easier if a qualified process is pursued.



- 6.64 I do not believe the current system works - it is the worst of both worlds and is too complex. I believe there are two options available to Governing Council to replace it. The first is an open election process where representatives are elected by voting members from an open candidate list. Under this option, any member may stand for election. All voting members are entitled to vote for the candidate of their choice, and the candidates who receive the highest number of votes are elected. This is the most democratic method, but it offers no guarantee that the elected representatives will fill gaps in skills, knowledge, experience or diversity. It comes with the risk that representatives may be elected to a key leadership role without the necessary competencies.
- 6.65 The second is a much-simplified qualified election process, which would apply to all members standing for election. This could be along the lines of an anonymised sift to identify candidates who are a good match to the required role profile, or through a panel interview. I would strongly recommend that members are more involved in the validation process to give it greater legitimacy if this option is pursued. Whichever option is pursued, Governing Council should work with the new Nominations and Remuneration Committee to ensure the process is straightforward and transparent.

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### RECOMMENDATION 36

Governing Council should simplify the election process for governance bodies and set this out in a straightforward and transparent manner.

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# CHAPTER 7:

# TRANSITIONAL

# ARRANGEMENTS

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- 7.1 I recognise that changes of this magnitude will take time to implement, in particular where new governance structures have been proposed.
- 7.2 To assist with this transition, I have prepared draft Terms of Reference for the Board, the five new Committees and the three new Panels. These will all be available when Governing Council takes its decisions on my recommendations. Some changes, particularly to the Charter and Bye-Laws, will take a considerable amount of time and will need to be approved by the Privy Council as well as requiring a membership vote.
- 7.3 I believe other changes can be implemented at pace – and as I have said elsewhere in the report, RICS must take action as swiftly as it can if it is to achieve the scale of change necessary to restore its reputation. I would recommend three key phases of transition.
- 7.4 Phase one includes the most critical changes that need to be set in motion immediately upon publication of this report. This includes:
- Transitioning the responsibilities of the Chair of Governing Council to the President
  - Recruiting a new Chair of the Board
  - Recruiting a Chair of the combined Nominations and Remuneration Committee
  - Recruiting the next Senior Vice-President
  - Consulting on changes to professional groups
  - Recruiting a permanent Director-General
  - Governing Council producing and consulting on a framework document setting out the responsibilities and governance of the Standards and Regulation Board
- 7.5 Phase two should begin once the new Chair of the Board is in place. This includes:

- Transitioning Management Board responsibilities to the new RICS Board
- Recruiting the Senior Independent Governor and independent member
- Appointing the Board Members (Chair of Membership Services Committee, Chair of Knowledge and Practice Committee, Chair of Commercial Committee, Chair of Audit, Risk and Finance Committee, independent members)
- Elections for geographic Governing Council seats, with a view to candidates being elected in early 2023

7.6 Phase three should begin once the Board is operational and should focus on establishing and populating the five key Committees, and then the Committees that report into them:

- Establish and populate the Membership Services, Knowledge and Practice and Commercial Committees
- Establish and populate new Professional Group Panels, including Chairs
- Establish and populate Public Interest Panel and DEI Panel
- Populate World Regional Boards and appoint new Chairs
- Elections for new disciplinary Governing Council seats, once Professional Group Panels are in place

7.7 I hope therefore that agreed recommendations can be implemented quickly and the only exceptions would be changes to the Charter and Bye-Laws, which must be done in conjunction with the Privy Council and according to their timetable.

## CONCLUSION

7.8 I hope that the Governing Council will feel able to agree the vast majority of the recommendations in this Review and ensure that these are implemented swiftly. I believe they will find favour with most RICS members, who I hope will rally around a new leadership team and restore confidence in the Institution. I would recommend that Governing Council reviews the progress made in delivering this review in a year's time and I have recommended further independent reviews every five years.

7.9 If delivered, the recommendations in this report will go a long way to ensuring that RICS can, once again, speak with authority of behalf of its profession so that its voice is heard and respected around the world.

7.10 That unique voice has never been more relevant than it is now as governments, communities and economies struggle with the unique challenges that face us all. This is no time for the profession to remain preoccupied with its internal politics. It is the moment for RICS to show that it can lead, influence, collaborate and deliver for the benefit of everyone.

# APPENDIX 1:

## Responses to the Call for Evidence

The call for evidence received 504 responses and I am grateful to all those who took the time to contribute. The call did not require respondents to identify themselves, or in what capacity they were responding, and so no information was collated on the demographics of respondents. In many cases, respondents chose to specify they were providing evidence as members of RICS or other stakeholders, and where possible this distinction has been made in the summary below.

A number of responses provided information on issues that are outside of the terms of reference for this review, for example on specific regulatory cases. I was unable to act on such evidence as part of this review, but I have considered any underlying issues that these contributions raised in respect of my terms of reference.

### **SUMMARY OF RESPONSES**

#### Governance

The Levitt Review exposed a lack of clarity in the relationships between the various Boards, Committees and Council, such that the Audit Committee did not feel it necessary, or even appropriate, to alert the Management Board and Council to cash management issues, evidenced by a formal internal audit report within Finance in 2018. From feedback received during the call for evidence, it is clear that relationships between the Boards are not working as effectively as they could be, or with the desired level of transparency.

Many respondents to the call for evidence highlighted that while they did not feel able to comment on what the future governance structure should look like, they believed that roles and responsibilities should be more clearly defined and that there should be greater transparency and accountability.

Many of those responding felt that the Governing Council should be the ultimate decision-making body. However, some raised concerns that its authority had been damaged by repeated changes to its structure over the years and the fact that it is no longer chaired by the President. There was also concern that its members do not reflect the makeup of the profession in terms of geographical location and areas of surveying specialism.

Some respondents also felt that, until recently, Governing Council had not met often enough to deal with business and that this had been one reason why senior staff had seen the need to assume greater decision-making powers.

### Public Interest

The Royal Charter makes clear that RICS has a responsibility to act in the public interest and to operate in a way that creates public advantage. However, key stakeholders have commented that RICS needs to better ensure it is placing the public interest at the core of its activities.

Several respondents noted that the recent failings had damaged public confidence in the Institution and its ability to protect the public, despite assurances that RICS standards and regulation were not impacted by the Levitt Review.

A number of those providing evidence felt that RICS could provide a greater leadership role on key issues affecting the profession and society, such as developing solutions to sustainability and environmental challenges.

### Diversity and Inclusion

Many responding to the consultation – particularly larger firms – felt that too little emphasis had been placed on diversity and inclusion. Only 19% of members are female and very few come from black or minority ethnic communities, although there is not enough data to have a full understanding of the issue. Not enough effort was being made – respondents said – to increase diversity in the profession, the RICS staff team, its governance structures or working groups. Respondents were concerned that there was a real danger that RICS becomes detached from the communities it serves.

### Commercial Focus

Many respondents felt that RICS had given disproportionate attention to commercial activities at the expense of member support. Few argued that there should be no commercial activity, but most felt that the right balance had not been struck. The provision of Continuing Professional Development (CPD) was often quoted as an example of where commercial priorities came into conflict with supporting the profession.

### Member Engagement and Value

A large number of submissions, and evidence from *Defining our Future*, pointed to a decline in member engagement in recent years, which respondents felt was especially true in the UK. This, it is said, contrasted sharply with the way in which RICS had operated previously and left members feeling that they now received poor value for their subscriptions.

Respondents also complained that they could no longer access authoritative advice and professional development on relevant topical issues. Some believed money was being spent on what they described as marginal activities, whilst others were concerned that there was little transparency around how RICS spends member subscriptions, and in which geographies.

### Staff/Member Relationship

Many members that I spoke to felt that power had shifted from members to senior staff at RICS to such an extent that RICS was no longer a member-led organisation. I note from the Levitt Review that some senior staff, on the other hand, felt that the Institution's governance arrangements had become dysfunctional and that it was impossible to have decisions made in a timely fashion.

Regardless of the underlying reason, it is clear that members responding to this call for evidence feel that they had lost influence within the organisation. Some submissions from both members and staff suggested the partnership between staff and members is not working as effectively as it could. Many members said that they felt pressured in the past by the executive when seeking to reassert their influence or challenge thinking, while some staff have told me they have felt pressured by members when trying to undertake their duties.

Several respondents noted that RICS staff are not held to the same standards as RICS members - unless they are members themselves.

### Global expansion

Many members - especially in the UK - felt that the drive for global expansion had become the dominant purpose of RICS, and some felt that it had been done at the cost of poor service in the UK. Conversely, many members based outside the UK felt they got little value for their subscriptions and often referred to RICS as being too focused on the UK.

Some respondents commented that the focus on overseas growth had led to the Governing Council being dominated by international members, despite the fact that the majority of the Institution's members are based in the UK. Most people I have met feel that RICS needs to revisit the global strategy, but few disagree that the RICS should be an international body.

### Quality of service

Many respondents complained about the poor quality of service that they had received. This ranged from calls and emails not being answered to a poor digital experience. There was also a feeling that there was insufficient practical support, and it was not always clear where to direct technical or ethical queries. This mirrors information received during 'Defining our Future'.

A clear theme emerging from responses was the need to improve the clarity and consistency of communication, and to ensure that it is relevant and useful to those receiving it.

### Next generation

The future success of RICS depends upon encouraging future surveyors into the profession and valuing its newer, younger members. However, there was a unanimous feeling that younger members were no longer valued or listened to as they once were. For example, it was noted that Matrics used to have a seat on Governing Council, but this was no longer the case, which has denied younger members a voice.

Many submissions also referred to the poor management of the Assessment of Professional Competence (APC) process in recent months as further evidence that the next generation was not perceived as a priority. Many respondents argued that the assessment to become a member of RICS is in need of modernisation.

### Regulation

A number of respondents felt that setting and assuring standards was key to RICS' purpose and there was broad support for the professional standards produced by RICS. However, some felt that standards and guidance were no longer as relevant in the market as they could be or are too complicated.

A number of responses noted that it was difficult to make a complaint to RICS about a member or a firm, and when they did, they did not feel that it was always being dealt with effectively. Members and firms who had complaints against them also commented on the difficulty in getting updates in a timely manner.

Respondents from outside the UK highlighted concerns around duplication of professional obligations, stating that it was often necessary to be a member of more than one professional institution and highlighting opportunities for better partnerships with these bodies to ensure that RICS remains relevant in these countries.

### Disciplines and sectors

RICS has an exceptionally broad membership covering many different disciplines, as well as large and small firms, some urban and some rural. It is no easy task to engage and support all of these interests – particularly when they vary considerably across different geographies too. However, many members indicated that they no longer feel engaged or supported in their professional area of practice and as a result highlighted a lack of identity and community within the wider surveying profession.

Many respondents cited other professional bodies of which they were members and felt that those bodies were better placed to provide specialist advice and support in their area of practice, often operating on lower subscription fees but making members feel more valued.

## APPENDIX 2:

# Summary of Recommendations

1. RICS now agrees and seeks to amend its Charter to incorporate the following revised purpose:  
*“The Institution exists for the benefit of society to deliver positive change in the built and natural environment in the United Kingdom and around the world. It does this by advancing and facilitating access to surveying knowledge, by maintaining and promoting the usefulness of the profession and by leading, supporting and regulating a body of skilled professional surveyors and firms who demonstrate the highest ethical and technical standards”.*
2. Governing Council should consider the global strategy and a delegation framework to give appropriate freedoms, resources and responsibilities to regional and area boards, whilst maintaining globally consistent standards.
3. Commercial activity be separated from other activities at RICS. This should be led by a suitably qualified Executive with strong commercial experience, and it should report into the Commercial Committee, who should ensure these activities deliver value for members as well as value for money.
4. RICS Matrics should be re-invigorated to give younger members a stronger voice in the Institution, including by allowing an appropriately selected representative from the community of younger members to sit on Governing Council, and participation by younger members should be encouraged throughout the whole RICS governance structure.
5. A Diversity and Inclusion Panel should be established to provide advice to the RICS Board and Standards and Regulation Board.
6. RICS needs to significantly improve its technology by:
  - Setting out the RICS technology strategy as part of the overall strategy approved by Governing Council
  - Confirming and updating the RICS technology plan as part of the annual business planning process
  - Appointing a member of the Board with technology experience
  - Establishing a Technology Panel chaired by the Board’s co-opted specialist, reporting to the Board with responsibility for supporting the CIO and overseeing the delivery of the Technology Plan
7. The RICS should reaffirm its commitment to work in the public interest and for public advantage.



8. The Governing Council should produce and consult on a framework document setting out the responsibilities and governance of the Standards and Regulation Board. This framework should align where possible with the Legal Services Board's Internal Governance Rules and include:
- Governing Council delegating regulatory functions to the Standards and Regulation Board
  - The Standards and Regulation Board only focusing on regulatory operations, with no responsibility for thought leadership, public affairs, or the delivery of products
  - The Standards and Regulation Board taking responsibility for its own strategy, priorities and governance in accordance with the better regulation principles
  - The Governing Council providing the resources reasonably required for the Standards and Regulation Board to undertake its functions
  - Governing Council retaining the right to assure itself that these regulatory functions are discharged effectively, whilst preserving the independence of individual regulatory decisions
  - The Standards and Regulation Board providing Governing Council with information it needs to assess whether the regulatory functions are being performed effectively
  - The Staff servicing the Standards and Regulation Board should be managed by a leader who is accountable to the Standards and Regulation Board through the Chair and who is also a part of the RICS Executive Board, to ensure that issues relevant to the SRB are properly represented
9. To put public interest at the heart of its work, RICS should consider establishing a fund for public interest activity, which might include support for members to undertake pro bono activity and scholarships for students from communities where surveying is not well represented. This could be funded through the sanctions imposed on members and firms from regulation.
10. A Public Interest Panel should be established to advise the Governing Council.
11. RICS should develop further its thought leadership role.
12. RICS should make it clearer how clients can complain or seek redress for inadequate service.
13. The Standards and Regulation Board should consider the establishment of a Consumer Panel to report to the Board on consumer issues and the extent to which regulation is effective in the public interest.

14. RICS should commission an independent review of its effectiveness and the degree to which its work is undertaken for the public advantage every five years. This review should be published and laid before Parliament and the devolved administrations in the UK.
15. RICS builds upon the foundation of the Member Engagement, Experience and Value (MEEV) programme to ensure all members have access to a high quality offer, which should include content and events led by members in their geographic area, supported by local staff where appropriate.
16. RICS instigates a customer service improvement programme, spanning processes, systems and culture, to ensure that members receive an improved level of service.
17. The relationship between members and staff is re-defined to make clear that staff advise and support members.
18. RICS should draw up, and consult on, a renewed staff and member partnership statement which clarifies expectations of both parties. This should take place following the work to establish the Institution's new values.
19. RICS should consult widely on a proposed set of values that will be applicable to all staff and shared across the whole surveying family. This set of values should include reference to quality of service, respect and public advantage.
20. The Nominations and Remuneration Committee should oversee the Senior Vice President selection process and the Presidential Nominations Committee should be dissolved.
21. A Senior Independent Governor should be appointed to act as an intermediary between Governing Council, the Board and the Executive.
22. Governing Council should remain the body ultimately accountable for directing and overseeing RICS' strategy, but should be reformed so its membership of 28 better reflects the geographical distribution of members and the importance of professional specialisms
23. Governing Council should be Chaired by the President, who will be the highest elected officeholder and should represent the pinnacle of the profession.
24. Governing Council should meet formally four times a year, with additional meetings as required to ensure effective direction and oversight of the strategy.

25. An RICS Board should be formed to oversee day to day operations and delivery of the business plan agreed by Governing Council. The Board will have an appointed Chair, who will be an RICS Member and there will always be a majority of RICS Members on the Board.
26. An Audit, Risk, Assurance and Finance Committee should be formed from the existing Audit Committee to replace the existing Audit and Finance Committees, with enhanced responsibilities for managing risk. The current Finance Committee should be dissolved.
27. A Membership Services Committee should be formed to advise on the operationalisation of RICS strategy in the world regions and ensure a consistent and improved level of quality in member services globally.
28. A Knowledge and Practice Committee should be formed to oversee the Professional Group Panels, to lead on the advancement of knowledge and professional development and to take responsibility for policy affairs and thought leadership and ensure a consistent level of representation across RICS disciplines
29. RICS should consult on the structure of its professional disciplines to inform the development of a number of Professional Group Panels, which will lead the advancement of knowledge and professional development with their respective surveying sectors.
30. The Nominations Committee and Remuneration Committee should merge to form a new entity with responsibility for both areas. This new Committee would oversee an updated Global Appointments Model and advise on appointments to Governing Council, the Board and other governance appointments as appropriate.
31. A separate commercial arm should be established, with responsibility for delivering RICS' commercial activities.
32. A Commercial Committee should be established to have oversight of RICS' commercial activities.
33. All committee Chairs should undertake an annual evaluation to monitor the performance of their Committee.
34. All Committee Chairs should introduce an appraisal process to develop and evaluate the performance of the members of their Committee.
35. The Board and Standards and Regulation Board should commission an external evaluation of its performance every three years.

36. Governing Council should simplify the election process for governance bodies and set this out in a straightforward and transparent manner.