

RICS BUSINESS PLAN



Building towards a
new future
Business plan 2021–22

December 2021



Contents

Building towards a new future – financial year 2021–22	1
Introduction	1
The Independent Review report by Alison Levitt QC	1
The external environment	2
Building back economically	4
Chief Economist’s report for the year ahead	4
Engagement with the profession	5
Building improved experiences for the profession	6
Evolving our culture	7
Geographic priorities	8
Market plans – building the profession in our priority markets	8
Market overview	8
Maintaining professionalism in changing times	13
Summary	14
Corporate objectives 2021–22	15
Building towards a new future – financial plan	16
Introduction	16
Financial plans 2021–24	18
Building towards a new future 2021–22 – financial assumptions	19
Cash, liquidity and financing strategy	19
Projects, strategic investments and change	20
Strategic risk	21

Note: all financial figures relating to the year 2020–21 are subject to external audit

Building towards a new future – financial year 2021–22

Introduction

This Business Plan recognises the challenges faced by the Institution arising from internal issues and the external environment.

The Independent Review report by Alison Levitt QC

On 9 September 2021, Governing Council published, in full, the report of the independent review undertaken by Alison Levitt QC. This review was commissioned by Governing Council in January 2021 to examine governance issues that followed an internal audit of the Institution's treasury management function in 2018.

The report conclusions and recommendations were accepted in full by Governing Council.

It is clear that the events which led to the independent review, as set out in the **review report**, damaged trust and confidence in RICS; particularly among members.

We are committed to rebuilding that trust and confidence. We will demonstrate that commitment by:

- delivering (during the course of this Business Plan) on all of the review's 18 recommendations
- being more open and transparent with members and the public about the operation of the Institution, including about decision-making and finances
- beginning to redefine the relationship between RICS and its members through more effective engagement and collaboration and
- delivering the programme of work set out in this Plan, through collaboration with members and in the public interest.

One of the most significant of Alison Levitt QC's recommendations was that Governing Council should commission an independent review of RICS' governance, purpose and strategy. Work to commission that review commenced immediately following the publication of the report. We plan to have appointed the independent reviewer by December 2021 and expect to receive their report by June 2022. The process of the review will seek a wide range of views and we hope that many members will contribute their insight and views.

The major elements of the programme to implement the report's recommendations are:

- an independent review into RICS' purpose, governance and strategy
- embedding the **RICS Values Statement** published by Governing Council on 30 September 2021

- developing and implementing new, more effective, internal whistleblowing arrangements
- reviewing the way in which the Institution procures and manages its externally provided legal services and
- reviewing the arrangements for senior executive reward.

Governing Council has direct oversight of the programme of reform and will report regularly and publicly. All of these activities will be completed during the period of this Plan, although the implementation of any recommendations made by the review of governance will extend into the next Plan period.

In addition to the programme flowing from the Levitt review recommendations, we will also continue to progress important activities identified as a result of the significant member consultation exercise we undertook at the beginning of 2021. That exercise provided us with a wide range of member views through surveys, responses to consultation papers and consultation meetings.

The insight provided on issues connected with governance, purpose and strategy will be fed into the new independent review. As a result of member feedback on other issues, we will:

- increase levels of engagement, improve member experience (both in digital form and face-to-face), seek to improve member value and increase transparency about how money is spent on behalf of members
- seek to improve our visible leadership role, to amplify the voice of the profession in sustainability, technology and data, and diversity and inclusion.

The external environment

The second half of 2021 is set to see much of the world start implementing plans to rebuild economies and economic activity as the global pandemic begins to come under a greater level of control. We know our profession will be at the heart of these efforts globally, and our 2021–22 Business Plan is about ensuring RICS is both resilient and future-focused, and ready to support professionals to deliver confidence. We will continue to work within a framework of a 1-year plan until we are confident that our key underlying planning assumptions become more predictable.

As we hopefully begin to emerge from the worst of the COVID-19 pandemic and look ahead to a new future, never before has a profession been so needed as the world seeks to strengthen economic activity and create the foundations for a sustainable future. The underlying challenges of population growth, urban development, resilience and climate change will remain at the fore as economies return to more normal levels of activity.

This crisis has demonstrated the immense value of international collaboration in addressing global challenges.

Our profession's role in pioneering better environments today and working to build the resilient communities of tomorrow will be increasingly vital in the years to come.

RICS has been responding to the immediate financial implications of the pandemic and reshaping itself over the last year to cope with an agile shift to new ways of operating. RICS is also developing plans to better support the profession and the leadership contribution

it can make to society in a post COVID-19 world as part of our work following the major consultation with members and stakeholders undertaken in early 2021.

Immediate financial priorities

The year 2021–22 will not see a full return to the pre-COVID-19 economy or ways of working. We will still be adapting to external events and, as a result, we will remain prudent with our underlying financial assumptions. We will, however, aim over the next three financial years to:

- continue to support the profession as economies recover and seek to minimise any increases to subscription levels, which will continue to be frozen for the next year at least
- utilise any surplus in our cash generation to pay back furlough monies received via the UK government’s Coronavirus Job Retention Scheme and elsewhere, which helped support jobs and the organisation at a critical point in our history when our cash flows were impacted overnight
- reduce RICS’ need to access external financial support
- deliver improved value for members from the resources by delivering better services and increasing our own efficiency – we will also increase financial transparency so as to demonstrate value
- begin to strengthen our financial reserves, recognising that COVID-19 has exposed us to risks that were perhaps unimaginable in the past. While we may have historically been comforted that our reserves could have helped buffer the organisation against shocks, the long and sustained shutdowns resulting from a pandemic have made us rethink our reserves policy for the future and
- reduce any funding deficit in our closed Final Salary Pension Scheme.

Corporate objectives for 2021-22

Given the review of governance, purpose and strategy that will be delivered towards the end of this plan period, the structure of our corporate objectives for 2021-22 represents an evolution from those in previous years only. Future plans will be based on the outcome of decisions taken by Governing Council following the review and may look significantly different.

We intend to focus on five key pillars within our plan over the next 12 months:

1 **Trusted by our stakeholders and society**

We aim to improve stakeholder trust and confidence in RICS.

2 **RICS qualifications in demand**

Our primary goal is to ensure RICS qualifications remain relevant for the next, more diverse generations and that increased numbers of members use RICS to meet their knowledge and/or training needs.

3 **Influential thought leader**

We wish to be the profession’s leadership voice on sustainability, data and technology, and diversity and inclusion.

4 **Involved and engaged members**

We want to increase member participation in our communities and increase engagement beyond renewal of professional subscription fees.

5 Sustainable 21st century professional body

We aim to improve our financial sustainability and enhance the transparency of our governance, while improving the overall satisfaction of members and the engagement of our people.

On **page 15**, you will see how we intend to measure our progress over the year and the objectives we have set.

Building back economically

Chief Economist's report for the year ahead

Confidence in the global economic recovery has gained traction in recent months, helped by both the successful vaccine rollout in many advanced economies as well as the substantial fiscal stimulus in the US. As a result, the **IMF** and the **OECD** in their latest assessments have upgraded projections for growth not only for this year but also for 2022. The improvement in the headline numbers does, however, mask a significant divergence in the performance between the richer and poorer parts of the world, reflecting a combination of variations in the ongoing disruption from the pandemic and the extent of policy support being provided.



Significantly, the legacy of COVID-19 in terms of longer-term scarring is increasingly being viewed as relatively modest in many of the better off countries; the IMF has estimated the loss of output to be no more than 1% for advanced economies in aggregate looking forward. This stands in marked contrast to the more pronounced damage facing lower income economies, which are viewed as suffering a permanent hit to GDP of around 7%.

That said, even in the richer world marked uncertainties hang over the path of recovery. Most notably, the challenge from variant strains of the virus remains a potential threat, particularly if the vaccine is unable to provide a sufficient level of protection to prevent the reintroduction of restrictions on business activity.

Meanwhile, there are early signs of an acceleration in inflation pressures with commodity prices picking up smartly and visible signs of bottlenecks in some sectors fuelled by supply chain disruptions. Whether this trend continues to gain momentum remains to be seen. Slack is still evident in labour markets, which suggests that wage growth more broadly is unlikely to exacerbate these pressures with, critically, inflation expectations still well anchored. In this environment, it is probable central banks will be measured in how they look to scale back on the emergency measures introduced during the early phases of the pandemic.

Whether financial markets are as willing to look through temporary price increases and, in some cases, relative price adjustments, is more open to debate and has the potential to prematurely choke off some of the buoyancy of the emerging upswing.

Much of the discussion about the nature of the recovery has rightly been on ensuring that it is sustainable, and in more ways than one. Part of this is about building the infrastructure to support an inclusive recovery, in the process helping to address some of the lasting challenges of COVID-19 for the poorer parts of the world. It is also about creating the incentives to encourage investment in cleaner and digital technologies.

The construction sector is likely to have an important role to play in delivering on these ambitions, driving the new economic cycle as well as helping governments to achieve a material uplift in wellbeing alongside meeting targets for net-zero carbon emissions. Recent RICS data suggests that this process is already underway with infrastructure workloads rebounding strongly in most parts of the world and solid expectations about the outlook. But just as important will be the role of the sector in addressing the challenge around affordable housing, which in many advanced economies is an even more pertinent issue in the wake of the policy measures introduced to address the pandemic.

Alongside some of the macro risks, there are a number of increasingly familiar structural issues facing the real estate sector. **A shift from physical to digital retail was in place prior to the onset of COVID-19 but has been turbocharged by the pandemic.** Some reversal in the rise in online shopping is inevitable as economies reopen for business but the indicators gathered from RICS' Global Commercial Property Monitor are stark; demand by tenants to occupy retail space is declining, availability is rising and forward guidance on rents even for prime areas suggests there is no going back to 2019.

At one level this has the potential to be a serious threat to the built environment as it currently stands but it also provides huge opportunity for the sector to lead, reimagining space and demonstrating creativity. Meanwhile, there remains considerable uncertainty about what the outlook for the office might be in the light of, at least for a period, the forced rise in home working. A hybrid future appears inevitable but what this looks like in practice remains to be seen. It is noteworthy that recent RICS data suggests that, on average across the globe, the corporate office footprint is only likely to be scaled back by around 10% over the next two years.

Simon Rubinsohn
RICS Chief Economist

Engagement with the profession

It is clear from ongoing feedback, particularly gathered during the 2021 member consultation and survey, that members want greater opportunity to engage, and be involved, with RICS more than is currently the case. A variety of issues centring around a lack of engagement activities and opportunities clearly sit at the heart of many of the concerns shared by members, feeding into a perceived lack of value provided by RICS. Addressing this feedback is a high priority for the year ahead.

Outside of the need to review RICS governance and how members can engage with it, it is acknowledged that improvements are needed with the RICS website, email activities and telephony, and planned improvements in the digital experience are outlined below.

The support provided by RICS is valued but there are areas for improvement in the type of support being provided and the ease with which it can be accessed. Ensuring a balance between global and local activities is key, as well as driving relevance by focusing activities on specific areas of surveying practice.

We are therefore developing a series of new initiatives focused on improving engagement between RICS and members, as well as supporting members to interact and network with each other.

One of the key initiatives is focused on building an RICS portfolio of member-centric knowledge and competence CPD products and member engagement activities. These will be structured to meet specific member needs across surveying practice areas, geographies and career stage, will include both digital and face-to-face opportunities, and will deliver an appropriate balance of free and fair value products and activities.

It is also important that RICS continues to ensure that members are able to get their voices heard and contribute to prioritisation and decision-making. Greater transparency around key governance decisions and their implications is also sought. **We are therefore developing plans to enhance the opportunities for members to have their voices heard and contribute to key decisions on an ongoing basis**, with regular feedback loops in place for all member contributions showing how these contributions have driven tangible outcomes.

Building improved experiences for the profession

From an operational perspective, we will continue with our major programme of digitisation to create an effective and balanced blend of digital and more traditional methods of interaction. Our recent focus has been on establishing a new global digital enablement platform, which we must acknowledge has not been a smooth process so far. However, the essential base foundation has now been delivered and over the next 12–18 months we will build on this to **provide the profession and stakeholders with a more personal, engaging and rich digital experience**.

Digital is the primary means of engagement with the majority of our members, but we will ensure that digital channels are complemented by high quality telephony services and face-to-face activities (where appropriate and allowable under COVID-19 restrictions). Given the uncertain financial conditions we will continue operating under in the year ahead, we will balance delivering a world-class digital experience for the profession globally with remaining prudent about the pace of investment we make, adjusting as circumstances dictate and accelerating our changes where we can.

In summary, over the next year we will prioritise our focus on delivering the following.

- An online experience that is personalised and relevant for individual members, including more targeted email communication.
- Improved website search and navigation, with everything accessible in one place.

- Digital services that are easy to access and more efficient, supported by reliable, responsive telephony support.
- Greater connectivity with other members and stakeholders, including interactive communities.
- Simplified access to relevant tools to support learning and professional development.

Evolving our culture

Ethical culture and behaviour are at the core of RICS' identity and critical to its position as a unifying force, bringing members, companies, the public, industry and government stakeholders together in the public interest.

RICS' values and principles, and the application of these, have been challenged during 2021, both as a result of Alison Levitt QC's independent review report but also clearly expressed to us in the early 2021 member consultation and survey. In particular, many have expressed the view that RICS is not sufficiently transparent about its financial arrangements and decision-making processes. Governing Council published a Values Statement detailing the behaviour we expect of all those who represent RICS. The values of integrity, transparency, inclusion, collaboration, advocacy and passion align with RICS' Rules of Conduct, the outcomes of Alison Levitt QC's independent review and in consultation with colleagues across RICS.

Our 'digital first but not digital only' ambition means that post our restructure in 2020 we are also embedding a flatter, leaner and nimbler organisation, where matrix and virtual working are the norm.

Our priorities will include:

- embedding the values into the organisation through our policies and actions and the ways in which we work with members and stakeholders. Critically, we will measure their success through independent benchmarking, regular feedback and reporting against clear targets
- understanding how diverse our organisation already is and improving representation of under-represented groups, particularly at senior level
- developing and implementing a diversity, inclusion and equality strategy for the profession and RICS
- bringing alive employee trust, empowerment, and employee-owned development to enhance individual and organisational performance
- ensuring a healthy working environment where people can call out exceptional performance or behaviours through recognition of others and when there are concerns, will know that they will be listened to and acted upon
- continuing to build transparent and honest communication, feedback and two-way conversations.

Geographic priorities

In the UK, we recognise it is important to acknowledge the unique opportunities and challenges presented by devolution, ensuring we have dedicated plans in place for Scotland, Wales and Northern Ireland, as well as for major cities around the UK where local powers are also increasing.

Outside the UK, we do not plan any major shifts in terms of geographic markets – Greater China continues to be our largest strategic market and India, North America, the Middle East, Europe and Australia provide notable opportunities. Many of these markets have positive characteristics such as a major focus on attracting inward investment and significant commitments to infrastructure spending.

Nonetheless, through a future growth lens, we will continue to be focused on specific sectors and opportunities. In addition to the continuing impact of COVID-19 around the world, we are also mindful of growing political and trade tensions globally and continuing uncertainties about the full impact of Brexit. Hong Kong is our largest market outside the UK and the situation there remains particularly challenging. All these factors have led us to be very cautious with this year's growth assumptions.

Market plans – building the profession in our priority markets

Market overview

The global crisis created by COVID-19 has illustrated the need for us to remain cautious of the uncertainties we can face at any time in any of our markets, and why it is important we constantly review our market priorities. We must also recognise that markets are recovering from the pandemic at different paces. As our Chief Economist noted, predictions for differing long-term impacts on different global markets means that our planning needs a degree of flexibility to reflect this.

Striking the appropriate balance between global consistency and localisation remains a key focus for us, recognising that while localisation can clearly positively impact the effectiveness of our activities, it also adds complexity and cost. We must also address a clear demand for the needs of individual surveying activity specialisms to be more directly met, better facilitating global connections and best practice between professionals globally.

It is imperative that we continue to plan and prioritise carefully to avoid spreading ourselves too thin in these challenging times.

Market development strategy

Our market development plans and targets remain based on opportunities for the following.

- Exerting influence on behalf of the profession through the adoption of international standards by key stakeholders and the resultant growth in demand for RICS-qualified professionals to deliver them. As our markets and sectors become increasingly influenced by globalisation, our role is to ensure global consistencies and efficiencies are delivered through our standards adoptions work.
- Capitalising on growth opportunities and supporting professionalisation in relevant markets by having an existing critical mass of members of the profession and employers to meet demand, and an underlying pool of potential members to fuel future demand for growth of the profession.

We continue to deepen our level of market insights through involving a much wider group of stakeholders and our members in the process to ensure a more collaborative approach, and to drive an even greater understanding of our key markets in all supporting functions.

Our ability to track ongoing performance by market in a more reliable, timely, transparent way is now much improved as we have better technology and dedicated resources. This has greatly enhanced our decision-making ability.

Our growing digital capabilities mean we are confident that we can continue to engage effectively with the profession, candidates and other stakeholders, as well as equip the profession with the necessary skills, knowledge and tools wherever they are in the world, regardless of where our physical presence resides.

Market priorities by region

As outlined above, we continue to adapt our plans to reflect market conditions and opportunities, especially in light of the COVID-19 pandemic. A brief update on our key markets follows.

UK and Ireland

In the UK we will continue our focus on promoting the built and natural environment to tomorrow's talent and supporting the growth of the profession by acting as a champion of greater diversity and inclusion in the profession. We will continue to assess the needs of employers and their clients, and ensure the content of accredited courses are relevant. We will also continue to widen access to the profession by equipping apprentices and non-cognate talent to be effective in building careers in the sector and ensuring our professional credentials reflect market needs. In particular we will assess whether we have adequate provision to support the focus on sustainability.

We will increase our focus on positioning RICS as a recognised expert body and advocate for change by building up our policy and thought leadership voice on the key societal, environmental and economic issues of most relevance to the built and natural environment. We will increase our focus on collaborating with other professional bodies, working with member firms and client organisations and acting as the convener of common views. Our approach will reflect the devolved nature of the UK and we will ensure there is a focus on connections with and relevance to all national and regional stakeholders.

Infrastructure remains an important sector for membership growth due to the continued massive government expenditure programme. As such, we will refresh our strategies for growth of influence and membership across the built environment pathways, with a particular focus on project management and increasing gender diversity in quantity surveying and building surveying. Facility management (FM)/workplace management is also a sector priority for influence and membership growth due to the post COVID-19 review and adaptation of use for commercial property by occupiers and our member firms. This dynamic, together with the upcoming release of the International Building Operation Standard (IBOS) will present opportunities across the FM/workplace management space for growth of influence and membership.

We will continue to work with government and industry to reduce the financial and social costs of disputes, and ensure infrastructure projects are delivered on time and on budget.

Our DRS operations will draw on the expertise of the membership to help shape the future of conflict avoidance, management and resolution services across all areas of the built environment. We will equip members who wish to work as advisers, party representatives and dispute resolvers with the skills and qualifications they need.

We will increase our focus on promoting to all stakeholders the benefits of using a chartered surveyor through a series of integrated communications campaigns, with a particular focus on how these campaigns will support our subject matter expert members and attract more diverse students into the profession.

We will prioritise policy work in these areas:

- the future role of valuation
- fire safety
- professional indemnity insurance.

In Ireland, we will continue to support and develop the profession through our relationship with the Society of Chartered Surveyors Ireland (SCSI).

Americas

Our focus will be firmly placed on key metropolitan areas in the USA and Canada, with selective strategic initiatives in other markets where it supports the purpose of the profession. FM continues to be an important sector and despite the expiry of the agreement with the International Facility Management Association (IFMA), we continue to collaborate to help professionalise this growing sector.

We are progressively gaining more influence in the construction sector, particularly in Canada with key initiatives being led via Infrastructure Ontario concerning adoption of the **International Cost Management Standard (ICMS)** and associated training of relevant professionals.

Having launched a collaboration with Alternative Dispute Resolution Institute of Canada (ADRIC) we will continue to equip the profession with adjudication training to support the introduction of construction adjudication across many of the provinces as well as at the federal level.

In the US and Caribbean, we will continue to work closely with other valuation and property associations. We will also continue our work in supporting our major firms, key accounts and strategic partnerships on a range of issues including talent development programmes, standards adoption, attracting the next generation and driving diversity, equality and inclusion in the sectors.

Asia Pacific

The major challenge in the region is the lack of supply of chartered surveyors, the perceived value of RICS assurance products and services, and the awareness of both chartered surveyors and their associated value by clients and third parties including governments, insurers, lenders, universities, other associations and media.

The principal task is to build, maintain and promote the usefulness of chartered surveyors and firms regulated by RICS.

This means identifying flexible solutions to building a candidate pipeline, developing targeted and measurable responses to risk with timely assurance products and services, and using that evidence base to drive preference toward chartered surveyors and firms regulated by RICS. We see this activity as fundamental to generating an advantage for the public.

The construction, property and valuation sectors stand out across the region as requiring focus in some way. Our ongoing discussions with senior professionals within each of the markets has revealed much, including:

- a universally strong demand for qualified professionals in construction project management
- untapped demand for building surveyors to assist in remediation and refurbishment of blighted or ageing assets
- a need for targeted assurance in valuation as a means to tackle the cost and availability of professional indemnity insurance and
- an opportunity to support increasingly sophisticated portfolio owners (particularly real estate investment trusts) by linking the need to assure investors and manage risk with awareness of capability of chartered surveyors qualified in commercial real estate and valuation specialisms.

Given the challenging conditions in India over the last 3–4 years, we will continue to explore all strategic options for the future and conduct a full market review by end of the Plan period.

Middle East and Africa

Public and private sector construction spend continues at pace as markets are starting to plan for beyond the COVID-19 pandemic. Confidence in the construction and real estate sectors is growing, supported by the recent increase in oil prices. However, governments and private sector developers are focused on:

- ‘building back better’
- procuring in a cost effective and collaborative manner
- developing understanding that lifecycle costing, the need for sustainability and the wider ESG are core to success and
- driving regional and inward investment.

Regionally, governments and the finance sector are focused on professionalising the valuation sector and recognise the risks that poor valuation can create. We are leveraging *International Valuation Standards (IVS)/RICS Valuation – Global Standards*, *International Property Measurement Standards (IPMS)*, *ICMS*, *International Fire Safety Standards (IFSS)*, *Alternative Dispute Resolution (ADR)* and other thought leadership opportunities to drive our standards adoption agenda, with great success in markets like UAE, KSA and Bahrain.

The maturing real estate markets are seeing massive improvements in smart technology and better facility and asset management.

Associate Membership (AssocRICS) is particularly important in this region to help attract a young and increasingly professional influx of ‘local’ talent into the built environment sector. Saudi Arabia is now the clear powerhouse of the regional construction and real estate markets, and is a key priority in the business plan.

In Africa, we continue to drive international and professional standards adoptions in key markets, particularly South Africa, Kenya, Nigeria and Egypt, and will continue to work with government bodies in other attractive markets where professionalism is high on the agenda. AssocRICS remains a priority across the continent where we have significant numbers of young, well-educated and qualified professionals that need to be given the international recognition and credentials that will help them, their employers and markets. Collaboration with several of the very capable existing professional bodies in Africa is key and in many sectors covering construction, residential and commercial real estate, FM and also dispute resolution.

In the US and Caribbean, we will continue to work closely with other valuation and property associations. We will also continue to work to support and work with our major firms, key accounts and strategic partnerships on a range of issues including talent development programmes, standards adoption, attracting the next generation and driving diversity, equality and inclusion in the sectors.

Europe

Given the significant estimated infrastructure gap in Europe and the fact that many of the world's largest construction firms are European, our construction and infrastructure pathways need major focus and so we continue to build on the progress to date in supporting the construction sector in many markets, particularly Italy, Netherlands and Spain.

Several governments and influential bodies remain focused on improving valuation practices as well as professionalising the residential real estate sector, so we will be building on programmes rolled out in countries like Spain and Portugal to other markets where demand is high, such as Italy.

Across Europe there is a strong demand for the profession to drive even more ethical practices and put ESG front and centre of decision-making. Our Thought Leadership and Public Affairs teams continue to work with several governments and the EU commission on sustainable finance, ESG and international standards adoptions, with some leading initiatives being pursued in Germany.

Member engagement and ensuring better connectivity between local, regional and global issues is a priority. We have had minor issues over the recognition of the RICS credentials in a post-Brexit world and have been managing these on a case-by-case basis, but overall Brexit has had little impact, though we remain vigilant to risks, real or perceived.

Maintaining professionalism in changing times

The built environment is subject to dramatic change at every stage in the lifecycle. While this brings significant challenges, there is opportunity for those professionals who deliver trusted and holistic advice to market and public decision-makers.

Through our programme of standards and professional practice support, overseen by the Standards and Regulation Board, we will deliver valued leadership to the profession and its stakeholders, and ensure RICS regulated members and firms are equipped to deliver the best possible services to markets and clients.

We will:

- maintain confidence in the standards of the chartered surveying profession, and continue to gain adoption of RICS standards by end users and public authorities
- support members of the chartered surveying profession to be the best they can be in their work, through targeted, relevant professional information and guidance
- work with governments and other regulators to influence legislation and regulatory frameworks to secure good outcomes
- ensure the professional regulatory framework of RICS is coordinated with emerging, related external regulation.

Our focus for 2021–22

Major professional policy development, prioritised according to key regulatory risk and opportunity

Key priorities include:

- a review of professional indemnity insurance arrangements of the chartered surveying profession
- reviewing and implementing the findings of the review of investment valuations, due to be published in 2022
- leading the development of updated guidance to support consistent measurement of embodied carbon in construction
- ensuring RICS regulated professionals are equipped to comply and add value to clients under UK building and fire safety regulatory requirements, working closely with the Building Safety Regulator
- launching a new framework to support consistent measurement of operational building quality, known as the International Building Operational Standard (IBOS)
- supporting reform in the housing market with a robust, updated professional framework.

Planning and commencing a major overhaul of our existing standards portfolio

This work will ensure that our standards framework and the portfolio of (rules and guidance) material within it, is fit for purpose. In particular we will push forward development of global construction standards, and refreshed standards in property agency and management.

Insight-led programme

We will strengthen our use of data coupled with a refreshed, consistent approach to engagement with RICS members and relevant end users to bolster our insight-based planning. This will ensure that public and market-led insight is clearly at the heart of our planning.

Summary

This business plan is designed to ensure RICS is in a strong position to support and promote the profession and the key contribution it can make as the world reopens and opportunities unfold. It ensures RICS continues to develop, but at the same time is ready to respond to the outputs of the work flowing from the Levitt report, particularly the independent review of governance, purpose and strategy.

Importantly, it underpins RICS' ability to support the profession as it plays a leading role as the world's attention shifts to the key issue of climate change and the role that built and natural environment professionals can take in marshalling a more sustainable future for the next generations. Our work at the United Nations COP26 climate summit formed a critical part of our thought leadership contribution and influence.

Corporate objectives 2021-22

Strategic goal	Objective	How we will measure our success	2021-22 proposed target
Trusted by our stakeholders and society	1 Fully implement the recommendations of the Alison Levitt QC Independent Review report	Confirmation by the Governing Council Steering Group that all 18 recommendations have been completed	100%
	2 Improving stakeholder trust and confidence	Survey of a pre-defined group of stakeholders to measure trust and confidence score against benchmark	70%
	3 Profession and industry satisfaction with the relevance and content of our core professional standards	Survey of a pre-defined group of members, firms and industry stakeholders to measure satisfaction against benchmark	70%
	4 Positive brand sentiment	Survey of the profession, stakeholder survey and social/media coverage	<ul style="list-style-type: none"> 90% positive/neutral global media coverage 85% profession recognition of key brand messages 60% positive social media coverage
RICS qualifications in demand	5 Increased diversity among members	Measure of diversity of new trainees/apprentices against target	28%
	6 Growth in the number of trainee and apprentice enrolments	Measure of trainee and apprenticeship enrolments against target	7,500
	7 Members choose to use RICS to meet their knowledge or training needs	Measure of number of members meeting their knowledge or training needs through RICS against target	16%
Influential thought leader	8 Influencing our target group of high-level policymakers, industry and capital markets to use or promote our analysis, research, advice or opinion	Record of instances of use or promotion by defined group of organisations as against target	25
	9 Influence our target group of industry and market participants to adopt and use RICS standards to increase the use of professional surveying services in the sector	Record of adoptions/use and impact from a broad group as against target	63
	10 Member and stakeholder recognition of RICS and profession leadership voice on – (currently sustainability, data and technology, diversity and inclusion)	Survey of members and stakeholders shows strong recognition of RICS leadership on these issues	50%
Involved and engaged members	11 Build active participation of members in RICS communities	Record of numbers of active participants as against target	4%
	12 Build engagement between members and RICS	Record of numbers of members actively engaged beyond renewal of membership	36%
Sustainable 21st century professional body	13 Financial sustainability	Measure achievement against target level of surplus evidenced through audited accounts	EBITDA £7.5m+
		Cashflow from operational activities available for debt servicing	cash £6.4m+
	14 Member advocacy of the profession and for RICS	Survey of the profession, stakeholder survey and social/media coverage	40%
	15 Strong renewal of membership subscriptions	Measure of annual renewals against target	92%
	16 Improve member satisfaction across a range of RICS activities	Evidence through annual member survey of improvement in net promoter score	50%
	17 Engaged and empowered employees	Evidence through annual staff survey	66%
18 Transparency of decision-making and governance	Transparency measure in the survey of the profession	Expressed positive sentiment 50%	

Key performance indicators	Target
Qualified professional growth	>4,200
Meet bank covenants	EBITDA of £4.5m each quarter (12-month rolling average) DSC ratio of 2.0 each quarter (12-month rolling average)

Building towards a new future – financial plan

Introduction

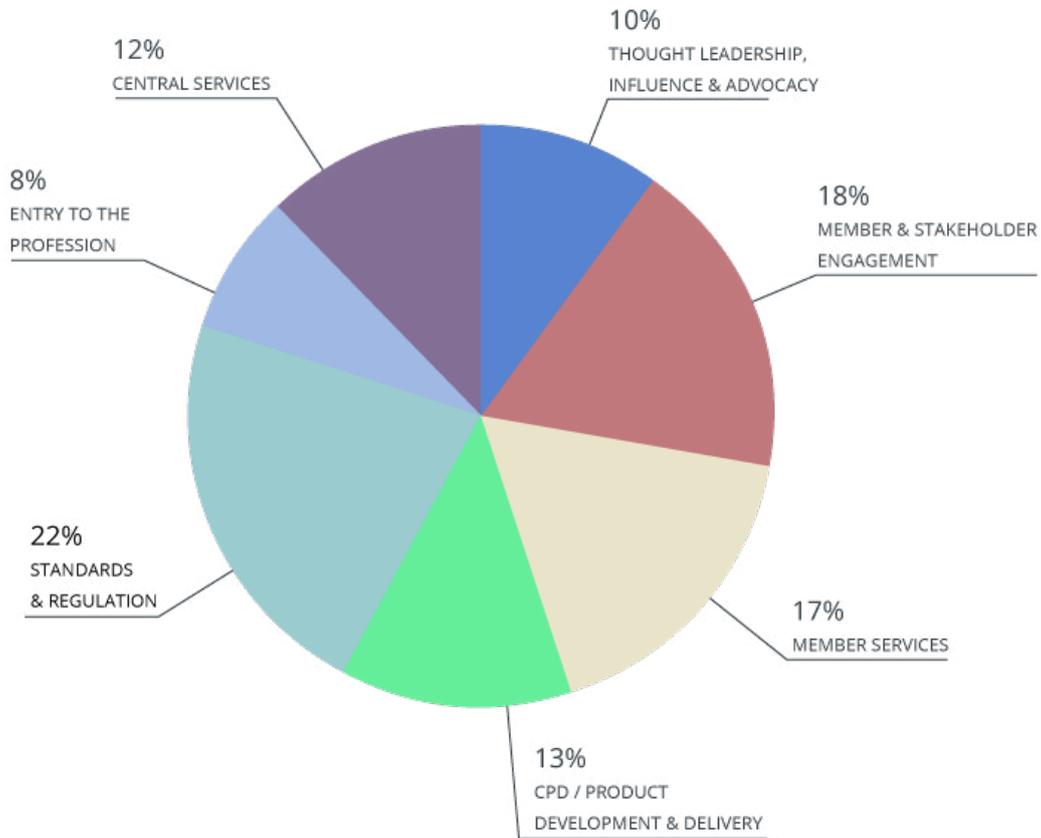
Our previous business plan, COVID-19 recovery plan 2020–21, was an emergency plan to address the downside risk and uncertainty that was introduced by the global pandemic. A need to re-align the organisation's cost base against the headwinds of uncertain, but declining, revenues. In 2018–19, pre-COVID impact, RICS was an £86m turnover organisation heading towards £90m. In this upcoming financial year, our plan is based on revenues of circa £77m. Over the last year, we have taken necessary action to ensure RICS can remain financially sustainable and able to deliver on its goals, while continuing to protect its reserves even in a reduced revenue environment.

In addition, we secured the external availability of funds via a bank revolving credit facility (RCF) to cover our cash flow needs during these unprecedented and uncertain times. We replaced our historic unsecured overdraft, which was used to bridge the seasonal gap between when we receive cash and when we spend it, with a secure three-year RCF.

Twelve months on, we have updated our business plan for the next three years with our financial plan reframed around four ambitions:

- remove our seasonal need for any borrowing facility by the end of 2023–24
- create headroom to repay furlough monies
- ensure that contributions to the closed defined benefit pension fund are appropriate and in line with professional advice
- gradually build up the level of organisational reserves and financial resilience for the future.

The below pie chart shows where every pound of income will be spend in the next financial year.



Note: Central services cover human resources, finance, technology, procurement, property management, legal and governance, insurances, and compliance for all legal entities.

Financial plans 2021-24

Income statement

£m	2021-22	2022-23	2023-24
Subscription income	49.7	49.7	49.7
Other membership income	4.5	4.5	4.5
Commercial income	18.9	19.7	20.5
Other income	3.5	3.5	3.5
Revenue	76.6	77.4	78.2
Cost of sales	(3.0)	(3.0)	(3.0)
Gross margin	73.6	74.4	75.2
<i>GM %</i>	<i>96.1%</i>	<i>96.1%</i>	<i>96.2%</i>
<i>Commercial GM %</i>	<i>84.1%</i>	<i>84.8%</i>	<i>85.4%</i>
Staff costs	(41.0)	(41.8)	(42.6)
Other operating costs	(19.0)	(19.0)	(19.0)
Operating costs	(60.0)	(60.8)	(61.6)
Net contribution	13.6	13.6	13.6
Projects (including strategic investments and SBE)	(2.1)	(1.4)	(1.4)
Depreciation and amortisation	(4.0)	(4.0)	(4.0)
Bank charges	(0.1)	(0.1)	(0.1)
Bonus provision	(1.0)	(1.0)	(1.0)
Net investments	0.5	0.5	0.5
Interest and forex	(0.2)	(0.2)	(0.2)
Other	0.1	(0.1)	(0.1)
Tax	(0.3)	(0.3)	(0.3)
One-off costs	(3.0)	0.0	0.0
Total financial position	3.6	7.1	7.1
EBITDA	7.5	11.1	11.1

Projects

£m	2021-22	2022-23	2023-24
Projects	(1.9)	(1.4)	(1.4)
Business transformation	(0.0)	0.0	0.0
SBE	(0.2)	0.0	0.0

Building towards a new future 2021–22 – financial assumptions

The assumptions that support the plan are:

Revenue

- We are assuming subscription income will remain relatively stable over the next three years, and for 2022 have assumed a further freeze on rates globally. We have allowed for a modest deterioration in overall renewal rates of circa 2% from the previous year.
- Commercial income is expected to increase only marginally as the economy recovers, particularly in our bespoke training offer.
- Other income is expected to remain flat, mirroring our assumptions around a stable annual growth in the profession.

Costs

- Our costs will remain controlled throughout the plan period; however, we expect costs to normalise in year one as restrictions are lifted around travel, face-to-face events and office working, adding around £2m to our true operating cost position. Staff costs will increase by inflation over the period, but we expect other operating cost increases to be offset through planned operational efficiencies as we digitalise our operations even further.
- Strategic investments on key projects including delivering digital improvements will continue. See below for further detail.

Cash and banking covenants

- The plan assumes that we will adhere to the principles of our reserves policy. It also assumes that, for the next two years, we will continue to utilise the RCF and operate within the banking covenants agreed. In the final year of plan, it is assumed that we can reduce the need for external finance.

Cash, liquidity and financing strategy

For more than five years, our financing strategy has been to generate an operating surplus that in turn has been invested in key strategic initiatives. These strategic investments have been made with no utilisation of our liquid investment assets (reserves). This strategy is set out within our reserves policy, which looks to fund any short-term cash funding through seasonal bank overdrafts – an arrangement we have had in place since the 1990s.

COVID-19 brought unprecedented uncertainty around the global economy with the potential not only to adversely impact our revenues but that of the banks from which we borrow. To mitigate this global economic risk, and to ensure that we had secure funding in place to meet our short-term cash needs, we replaced the unsecured bank overdraft arrangement with a secure three-year revolving credit facility. The facility started last year, and we have assumed it will remain in place for the next two years.

As part of the arrangement, we had to agree to banking covenants and provide security as a trade-off for guaranteed financial certainty. It also required enhanced financial reporting to the bank.

As we come to the end of year one of the arrangement, we have met the targets set by the bank and, provided we do not experience further seismic shocks, expect to continue meeting these for the remaining two years.

By putting this revolving credit facility in place and taking the actions to optimise our operational activities in 2020–21, we have ensured that we maintain our liquid investment assets (reserves) for future use in advancing longer-term strategy or as a second line of defence if the external environment worsens.

Given the change in our financing strategy, our reserves policy will be reviewed towards the end of the financial year to ensure that it is still relevant for the future financing needs of the organisation and the nature of the new, more digital RICS.

Projects, strategic investments and change

Investments 2021–22

The change portfolio continues with the major theme of investing in our digital capability through our Digital Presence Programme (DPP) and in our underlying operations via the Microsoft D365 platform programme.

The total planned investment for 2021–22 financial year is £3.6m, a 34% reduction on 2020–21. Of this spend, £1.7m is capital expenditure and the rest is revenue spend. The investment is split between member-facing initiatives (61% or £2.2m of total budget), operational efficiencies (33% or £1.2m) and contingency for unplanned events (6% or £0.2m).

Digital benefits

Included in the income statement are digital benefits that are forecast to be realised in line with business plan target for the current financial year. These are set to increase in 2021–22 by £1.1m as our digital footprint expands.

£m	2019–20	2020–21	2021–22	2022–23	2023–24
Infrastructure cost savings	0.4	0.6	1.0	1.0	1.0
Operational efficiencies	0.0	0.3	0.5	0.5	0.5
Digital revenue growth	0.3	0.5	1.0	1.0	1.0
Total	0.7	1.4	2.5	2.5	2.5

We remain confident in our ability to deliver on our digital benefits resulting from our investments in new platforms and enabling infrastructure. These will enable us to achieve efficiency savings and operational improvements, as well as provide an uplift in revenues resulting from a much-improved digital experience and proposition.

Strategic risk

As a global organisation, it is important that we identify, assess and appropriately mitigate the risks we face to ensure that we achieve our strategic aims and objectives.

The COVID-19 pandemic has required us to review our strategic risks in light of the impact on RICS. Below we set out our strategic risks ranked by potential impact in pursuing our purpose, vision and corporate objectives. Mitigating action is taken to manage the risks to an appropriate level and mitigating action for the five top risks is set out below.

We are placing increased emphasis on managing the five strategic risks given the environment we find ourselves in.

Strategic risk	Strategic impacts
<p>Loss of trust and confidence in RICS The last year has seen a significant fall in the trust and confidence members place in RICS as a direct result of the issues identified in the Independent Review undertaken by Alison Levitt QC.</p>	<ul style="list-style-type: none"> • Negative impact on the reputation of RICS and the profession • Loss of influence
<p>Financial bandwidth A financially sustainable organisation is required to support the investment needed to meet the current and future demands of the profession.</p>	<ul style="list-style-type: none"> • Unable to support the delivery of strategy
<p>Loss of relevance of RICS and its qualifications for the profession To enable RICS to fulfil its public interest brief, we must remain relevant to the profession, the public and other stakeholders in markets in which we operate.</p>	<ul style="list-style-type: none"> • Unable to achieve strategic objectives • Loss of influence in some jurisdictions
<p>Internal behaviours and culture not in line with external expectations The risk stems from staff and members not trusting that genuine cultural change is being enacted within RICS and that the new Values Statement is not being reflected in actions.</p>	<ul style="list-style-type: none"> • Loss of confidence in RICS and its ability to regulate the profession • Reputational damage
<p>Setting standards and enforcing them To meet the demands of the profession and other key stakeholders, including governments and the public, we must ensure that we continue to set and enforce appropriate standards in line with the expectations we have fostered.</p>	<ul style="list-style-type: none"> • Loss of confidence and trust in RICS and its ability to regulate the profession • Our standards not adopted by markets

Mitigating action

1 Loss of trust and confidence in RICS

Given the findings of the independent review conducted by Alison Levitt QC, this is currently our main area of risk. In many ways this is not a risk that can be mitigated; it is a risk that has crystallised, and addressing the root causes of the issues identified by the review is a significant priority for us.

The Institution has new leadership to deliver the very significant changes in culture and ways of working required.

Governing Council will oversee the delivery of all of the recommendations made by Alison Levitt QC, as well as additional steps to improve engagement with, and the involvement of, members.

2 Insufficient financial bandwidth

This remains a big risk. While we have taken significant action over the last 12 months to mitigate against the impacts of COVID-19, we still face a volatile and less predictable climate ahead and this requires continued levels of prudence. The key mitigation to this risk remains our continued ability to access external bank funding for the next two years with increased headroom to manage any escalation of uncertainty without having to deplete our own internal reserves.

3 Loss of relevance of RICS and its qualifications for the profession

This risk could further impact on the financial bandwidth risk. We constantly monitor market change to keep our professional competencies relevant for the future. However, we recognise seismic change is taking place in both our industry and the wider built and natural environment, and over the next year we will conduct a detailed Education and Qualifications Review that seeks to ensure that what we offer for the future remains relevant in the face of change.

4 Internal behaviours and culture not in line with external expectations

In September 2021, the Governing Council published its Values Statement setting out the values expected of the Institution in response to the independent review conducted by Alison Levitt QC.

The statement, which commits RICS to far-reaching cultural change, is a key element of Governing Council's reform agenda, alongside the commissioning of an independent review into governance, the introduction of a new whistleblowing structure and a shake-up of executive remuneration.

5 Setting standards and enforcing them

The risk around setting standards and enforcing them has increased, reflecting a higher level of risk being carried due to our inability to conduct some regulatory activities as a result of the pandemic and social distancing requirements. We are mitigating the reduced complaints investigations activity through careful case management and improved expectation management. We will continue to evolve our regulatory function to be able to successfully operate in a restricted access environment to avoid public criticism of any failure to undertake appropriate disciplinary work. Our Standards and Regulatory Board is also overseeing a further review of our actions stemming from the 2019 report 'Professionalism in the Public Interest' to ensure that as we build back better, we are responding to all the changes that we have seen.

The following strategic risks continue to receive regular scrutiny:

Strategic risk	Strategic impacts
<p>Increase in effective competition/disruptive technology in the market The world in which we operate is changing, fast. Changes to technology, competition and working practices all have the potential to disrupt established ways of working.</p>	<ul style="list-style-type: none"> • Loss of market share • Loss of influence
<p>Self or member interest versus public interest To ensure high standards of professionalism and ethics are, and are seen to be, maintained, it is vital that RICS continues to act, first and foremost, in the public interest.</p>	<ul style="list-style-type: none"> • Public interest not served • Reputational damage • Loss of stakeholder confidence
<p>Ineffective leadership Good leadership, in all its governance forms, is needed to help drive organisational performance and support organisational direction and decisions.</p>	<ul style="list-style-type: none"> • Failure to achieve performance and support organisational direction and decisions • Failure to hit performance goals • Loss of confidence in RICS' governance • Inability to restore trust and confidence levels in RICS post Independent Review

Operational risks

The key operational risks receiving greater management attention during 2021–22 include:

- digital development, global deployment and maximising digital efficiencies and cyber protection
- RICS staff engagement, well-being and retention, which have all been impacted by a prolonged period of lockdown working and the reputational challenges to RICS during the first half of 2021.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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