



By email: rcplibraryletter@gmail.com

26 October 2020

Dear all

Thank you for your letter dated 20 October. I have asked Dame Carol, who forwarded it to me, to circulate to you all as many of you have opted out of emails from the RCP or are not members.

Whilst I know you have written to both David Croisdale-Appleby as Board of Trustees (BOT) chair and me as President and chair of Council, as this is a matter primarily for the membership and fellowship I wanted to reply to you on behalf of us both given the unique relationship between the PRCP and the membership.

I wanted to be sure that all the information I give is as accurate as possible and given that much of the RCP work is currently focussed on the supporting the NHS in its COVID-19 response and many of the officers, myself included, have been busy in our clinical jobs this has led to a slight delay in this response for which I apologise. The delay has, though, allowed myself and other officers to meet with the LAMS advisory committee to talk through the matter and share our concerns in an open and constructive way. I am grateful for their wise counsel.

I fully understand your concerns and hope that the answers to your questions show that the current situation has been reached after due process, careful consideration and that (contrary to press reports) no firm decisions have yet been made. I am sorry if you feel that the communication has not been sufficient to keep you all informed, but there has been communication. I will assume that you have all seen my bulletins over the past 6 weeks on this issue and that all fellows have seen my AGM speech and the Treasurer's presentation. There is always a balance to be had between due diligence in exploring options and keeping all informed of the situation at an appropriate time.

The Times articles on Saturday 17 October and Friday 23 October were incorrect on a number of points and whilst I have detailed my concerns in my latest bulletin, I will reiterate some of them in my answers to your questions.

I think it is important, though, to reiterate at the outset that **we have not agreed to sell any particular book** and are still going through the due diligence processes. Amongst all the options we are considering in order to recover from the direct financial problem caused by the loss of income due to the pandemic, we are exploring the option of a sale but which items would be considered has not been decided. We felt that we should have a good idea of the books on which we should consult the membership and fellowship. We have not reached that level of specificity, but we will soon be surveying the membership about the general principles and the choices available, so the timing of your

letter and the actions of others mean that we can only answer the principles of the potential sale rather than give more specific detail.

To take your questions in order:

1. The RCP very much remains a going concern and was signed off as such on 24 June 2020 by our auditors and BOT. The finances, as explained in detail by the Treasurer at the AGM, are in a difficult position but this does not affect our status as a going concern. As at the end of 2019 we had £13.7m in our general reserves which was net of a £4.2m defined benefit pension scheme (DBPS) deficit. This is within the 3-6 month operating costs amount as advised by the Charity Commission.
2. The root causes of the current financial situation are as follows:
 - a. The RCP strategy 2015-20 initiated under Sir Richard and Dame Jane was an investment strategy with substantial expansion in our regional work, the future hospital programme, support of the National Guideline Centre, and our educational offerings among many other initiatives. The £8.8m operating deficit over the years 2016 to 2019 was planned and offset by investment gains of £8.4m. The general reserves at year-end 2019 compared with 2014 were £3.2m lower, but this is almost entirely due to actuarial losses and cash injections to repair the DBPS deficit inherited from previous decisions.
 - b. The building of The Spine by Liverpool City Council as a new member offering in the North and as a permanent home for many of our RCP staff now based there has been carefully planned and budgeted for. While the building has cost £33m this has been borne by the Council, not by the college. Our costs are related to the fit-out and rental and amount to £14m over 3 years. This is covered with fundraising (£3m), release in investments (£4.25m) and a loan with Santander (£6.75m). The BOT considered selling of assets to help with these costs but once the loan was agreed this was not taken further.
 - c. The COVID-19 pandemic is the critical and obvious cause of our current situation. We will have lost £14m (31%) of our income for this year and predict a loss of £9m for next year as the effects of the pandemic continue. This is lost income from use of our Regent's Park building, conferences, exam income, educational course income, investment dividends and increasing pension liabilities. The liabilities of the DBPS are an enduring problem with £3.8m extra deficit repair needed over the past 5 years and another £1m of additional support required for 2021. These liabilities are unavoidable and as stated, result from decisions taken many years ago.
 - d. Membership fees only account for 19% of our income (around £8m pa). We are thus susceptible to changes in the majority of our income which comes from other sources.
3. Considerable work has gone into a new paradigm of education and events. We created a new platform 'RCP Player' in April which has been a great success. It has been used by over 150,000 people and achieved £38k in additional income. This will be developed further over the next 6 months. The Acute and General Medicine Conference (our most in demand event) has 1000 delegates using this platform.

Our regional events, NHS trust visits and almost all meetings are currently held virtually. However, importantly, the income we received from sponsorship for regional events has been lost and we have had to pay an unavoidable cancellation fee to the Birmingham venue we had booked for our annual conference in January, when we took the difficult decision to make it virtual.

4. Enormous efforts have gone into looking at alternative financial means of obviating the need for a realisation of some assets. It is important to state that this should not be seen as a simple choice between one option or another (e.g. assets versus jobs). There are risks to all the options, most of which we understand, and we are taking advice to ensure that we have as well informed a picture as possible. It seems likely a range of measures will be needed. The actions taken so far include:

- a. We have undergone significant restructuring which will reduce our 2021 workforce by 28 WTE staff and are making savings on annual running costs of more than £4.5m. We are looking at further savings but this is likely to lead to further redundancies and may impact our ability to provide our core functions. It should be highlighted that since 2018 when I became PRCP we will have reduced staff numbers by 80 WTE by 2021 – a significant workforce downsizing of 20%, addressing previous exponential growth. This means we are far more sustainable with regard to pay costs.
- b. We have explored further loans, but loans to charities are difficult to obtain in normal times and we already have the loan with Santander.
- c. We have explored increasing membership subscriptions but feedback from the membership is against this, particularly for younger trainees, many of whom have greater debts and living costs than in previous generations.
- d. We have been asked about and considered the viability of The Spine. However, as I made clear at the AGM, withdrawing from this project would cost us £22m due to breaking contractual commitments and securing alternative accommodation for our staff, as well as permanently damaging our reputation as a college that wants to root itself in the parts of the country where health inequalities and health needs are greatest, to be seen as less ‘London-centric’, to champion diversity and be seen as a modern institution.
- e. We are looking at realisation of estate as another alternative. This may be less palatable than other options.

5. The due process of putting ourselves into a position to be able to move ahead with the sale of assets, should it be decided that this is an option to be followed, is still underway. The BOT has informally considered the sale of assets as a potential option for several years but asked the RCP leadership to explore the option of a sale of non-medical assets in mid-2019, along with exploring all other options. We approached several book experts and auction houses to get an idea of the value of our books and understand the risks. The risk of a temporary loss of museum accreditation status was made clear early on and was felt by our advisors to be preventable if we decided to go ahead with the sale. As we obtained a loan as laid out above, these plans were put on hold (I was one of the

trustees who felt a loan was a much preferred plan) and no further investigation was made at that point.

Unfortunately, the situation changed in March 2020 when it became clear the massive impact COVID-19 would have on our income. The BOT asked us to once again look at all options including the sale of non-medical assets. Since then we have been working with the auction house Bonhams and our staff to look at all our books. This is to ensure we understand their provenance, value and what would have the least impact on our collection whilst allowing the RCP to avoid significant redundancies. The BOT was clear as were Bonhams that we would need to engage with the Arts Council and that any disposal of a donated item would be consistent for the terms of donation. For clarity this issue was laid out in papers to the BOT on 24 June 2020. We will need to follow an ethical approach to de-accession if we go down this route and will work with all the relevant bodies to do so, including the Arts Council and the Charity Commission.

At this current time we do not have a list of books we feel least uncomfortable offering for sale, nor have we signed any contract with a seller. The rumours that we know what we will sell and this is a 'done deal' are incorrect.

6. Were we to pursue a sale of assets we would hope to raise around £6m. Much of this would be reinvested in the library and museum service for the long-term as the service is at risk from our current financial predictions. It would also help prevent the need for further redundancies and ensure we can continue to be the leading medical royal college. However, if and when we can find other ways to close the financial gap we face, or other options, the scale of any sale would be appropriately reduced. This clear position, again, has not been made clear in press reports and other external papers in circulation amongst some of you.

7. The BOT has a structure that includes many elected by the fellowship (4 of the senior officers, 2 trustee councillors) and the Finance and Risk Committee also includes those who represent the fellows. Council is, of course, the elected representative body of the membership and fellowship. It has debated our finances over the past 2 years since I became chair, and in great detail over the past 6 months. The BOT has the ultimate responsibility for decisions relating to the finances of the RCP but works with the Council to achieve this as laid out in our Bye-Laws. The role of the BOT is set in charity law but our governance structure allows both BOT and Council to work effectively together. It was agreed at our last Council meeting that the BOT should be supported in its progress towards finding the best solution to remedy our financial situation, including a potential sale.

Given all the above information, whilst it may have been better in retrospect to ask the whole membership for their views earlier, it may not have been needed before COVID-19 and we are not yet in an agreed position on this (which would be the point at which we would engage with the relevant arts bodies). We anticipate going out to the whole membership in 2-4 weeks time.

Regarding your questions about the books specifically:

1. This is answered above.
2. This is answered above.

3. As I stated at the AGM we have sought advice as to the current margins on estimates in the current times. The latest auction of such books yielded 10% above the upper estimates. It appears that such items may be seen as a safer investment than cash or stocks. This is no reason to sell but it should reassure those worried that now is not a propitious time to consider a sale. We have expertise in our LAMS advisory committee in this regard and will liaise with those individuals to understand the market as well as we can.
4. We are still working with our library and museum team to understand how deaccession can best be done to minimise the risk to our museum status. The advisory board have been very helpful in defining the challenges we face and we will work closely with them moving forward.
5. Each item is being looked at as described above.
6. The definition of 'non-medical' is one of individual perspective. We will work with Council as the elected body of the fellowship in the final decision of what might be deemed 'non-medical'. I accept I have my own view but these views will not define the decision and once again the LAMS advisory committee have given helpful context.

I hope these answers are helpful. I would like to make the following additional points if I may.

Firstly, as mentioned earlier we will be asking the whole membership for their views and use the above answers as a template for information provided to understand the main question here – should the RCP sell some of its assets less directly related to its core purpose in order to prevent loss of staff, and risk its ability to deliver its charitable mission?

Secondly, I have consulted widely through my bulletin, committees in the RCP and when meeting members and fellows around the country. As things stand (and a formal survey will give a much more objective answer) many did not know we had these assets, are sad that we need to consider such an action but would prefer that to removing jobs from many in a very difficult alternative employment environment. As I have said above, though, it is not a binary decision that needs to be made.

Thirdly, I have asked Dame Carol to help choose four of you to represent the views of all the signatories in discussions with the BOT. It would be good if those four were from a diverse background that best represents the RCP. At the LAMS advisory committee the Harveian Librarian offered to present the committee's views to the BOT so it would make sense for her to be one of those four.

Fourthly, fundraising from fellows and members is an option, although it is unclear how much could be raised. In a personal capacity I am willing to donate £2000 over 3 years and wonder if each of you, having shown your passion and concern for the RCP through your letter, would join me. I have asked Dame Carol, as she has co-ordinated you as a group and for the reasons I explained at the beginning of the letter, to collect together pledges so we can see what is possible. I would stress this is to gauge how much we might raise with a fund-raising effort rather than asking for money now. Please could you contact Dame Carol through the group email you have used - rcplibraryletter@gmail.com.

Lastly, the Times has stated that we should 'calm down' and look for a far-sighted solution. I hope that the above information reassures you that we are endeavouring to remain calm and look at all solutions. I am as passionate about the RCP as anyone, always aim to have the RCP at the heart of all that I do as PRCP and believe it is imperative that as we resolve this situation we do so to leave the whole of the RCP in a stronger position for the long-term. I believe in the principles under which

Thomas Linacre established the college and they are as relevant today as they were then. However, I believe strongly (and have been consistent in this throughout my time with the RCP) that the college is not its buildings or its treasures, but its people. That is the fellowship, the membership, and the staff. I will strive to do all I can to ensure I represent all of those people in this issue as with all the issues that face the RCP.

Yours truly,

A handwritten signature in black ink, appearing to read 'Andrew', with a horizontal line underneath.

Professor Andrew Goddard MD, PRCP
President
Royal College of Physicians