

PO-CH/NL/0421

PART A

Part. A.

**CONFIDENTIAL**

(Circulate under cover and notify REGISTRY of movement)

Begins : 10/1/89.  
Ends : 11/5/89.

**THIS FOLDER HAS BEEN REGISTERED ON THE REGISTRY SYSTEM**

PO CH | NL | 0421  
PT.A.

Chancellor's (Lawson) Papers:

~~Disaster Funds~~

Government Contributions to National Disaster Funds.

PO CH | NL | 0421  
PT.A.

DD's : 25 Year

*[Signature]*

24/1/96



FROM: A C S ALLAN

DATE: 10 January 1989

BF 31/1  
14/2

MR A R WILLIAMS

cc PS/Chief Secretary  
Mr Mortimer  
Mr Call

BF Alex  
9/2

DISASTER FUNDS

BF Alex  
16/2

Over Christmas, it was put to the Chancellor that many disaster funds ended up with money in them after they had paid out all that was needed to the beneficiaries; why not then syphon off any surpluses into a national disaster fund which could contribute to new disaster funds and reduce the demands on the taxpayer? The Chancellor is not sure whether there is anything in this, but would be grateful for advice.

21/2

Alex Mr Dawson (GEP) has now taken this on. Mr Anson wants to see the advice before it comes up to the Ct. Mr Dawson intends to get something to Mr Anson today. So we should see something in the next couple of days. 10/13/2

ACSA

A C S ALLAN

Alex Alan Williams hopes to get a note up in mid-week

Tony ←  
Still no sign

Alex 21/2

DIS  
6/2

P. 2



CF-OS  
PS reply + draft -  
copy PSISTHO

*Phy*

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

19 January 1989

SECRETARY OF STATE'S OFFICE

*Dear David*

20 JAN 89

I enclose a copy of a letter which the Prime Minister has received from the Rt. Hon. Nick Buchanan-Smith MP.

I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Thursday, 2 February.

<sup>PETER WALLACE</sup>  
Please could you co-ordinate your reply with ~~Miss Moira Wallace~~ (HM Treasury), to whom I am copying this letter.

CHIEF SECRETARY	
REC.	27 JAN 1989
ACTION	Mr Richardson
COPIES TO	<u>CX</u> Mr Anson, Mr Phillips, Mrs Lomax, Mr AM White, Mr Pegler, Mr Call.

*L*  
*Andy*

P. A. BEARPARK

14/2

David Crawley Esq  
Scottish Office

1.27.1989 11:05

FROM OLD ST ANDREWS H

The Rt Hon Alick Buchanan-Smith

RA



cc M L B

HOUSE OF COMMONS  
LONDON SW1A 0AA

17th January 1989

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1

Dear Prime Minister,

The recent Lockerbie and M1 plane crash disasters have raised again many questions about disaster funds. Having many constituents who were affected by the Chinook helicopter crash off the Shetlands and by the Piper Alpha tragedy, I am only too conscious of the practical problems of disaster funds and of the questions raised by them. This does, of course, raise the general question of the appropriateness of special disaster funds. It has been argued to me by many people and increasingly in recent weeks that the tragedy for an individual or for a family is no less in relation to a road accident for example, or a fire in the home or an accident at work affecting an individual than those affected by these major incidents. There is genuine feeling of unfairness that just because someone is affected by a major accident, then special help and assistance is available to them if they survive or to their families if they do not.

I am only too well aware myself of the problems in resolving such questions. I personally have very considerable reservations about the idea of a continuing national disaster fund. I believe that this could cut across and indeed pre-empt the natural voluntary generosity of individuals when a disaster occurs. I do not myself feel that this is an answer to the general question.

However, I do think that the general question of disaster funds and their appropriateness does need to be addressed by Government and the strength of individual feelings on this recognised. I certainly think it is important for Government to explain its policy and to indicate that it has considered the broad questions.

This leads/



-2-

This leads me on to my second point which is really the more relevant one and what prompted me to write at the present time.

So long as we have disaster funds specific to single incidents and particularly so long as Government makes contributions such funds from taxpayers' money, it is vital that the Government acts even-handedly between different disasters. I have been particularly concerned that in relation to the Chinook disaster, no contribution was made from public funds, whereas in relation to Piper Alpha a contribution has been made. Personally, I believe that the Piper Alpha tragedy was on a very much greater scale but when we turn to the Lockerbie disaster and the M1 disaster, then I believe the Chinook incident is much more comparable. You can imagine that I do not find it easy to explain to families affected by the Chinook disaster why the Government made contribution to one and not to another.

This is not the first time that I have raised this issue and I have corresponded previously with Malcolm Rifkind. It is a matter which worries me deeply and I feel it only right to share these worries with yourself as it is an issue which affects Government policy generally. I also write with very considerable feeling knowing personally individuals and families involved in both the Chinook and Piper Alpha tragedies.

I am copying this letter to Malcolm Rifkind.

Yours  
Avin

---

Covering CONFIDENTIAL

*(Handwritten circle containing 'pwp')*

FROM: P E DENISON

DATE: 2 February 1989

1. MR RICHARDSON *mer 2*

2. CHIEF SECRETARY

cc Chancellor  
Mr Anson  
Mr Phillips  
Mr Monck  
Mrs Lomax  
Miss Peirson  
Mr A M White  
Mr Revolta  
Mr M L Williams  
Mr Mortimer  
Mr Bent

*Ch/ I asked CST's office to delay replying so that you could comment. Hayden Phillips has redrafted suggested letter from PS/CST to PS/PM. Are you content? @15 OK*

*with 2 small changes*

*PS. AA/ How you you got an answer to the questions of some of 2 weeks ago*

**DISASTER FUNDS - PRIME MINISTER'S CORRESPONDENCE**

Mr Alick Buchanan-Smith wrote to the Prime Minister on 17 January about the recent disasters in Scotland and about the general policy on disaster funds and the inequities that they can create. A copy of his letter is at Annex A.

2. No 10 asked the Scottish Office to draft the reply, coordinating with us. Accordingly the Scottish Office has sent us the attached draft (at Annex B) dealing with the points in the letter. We agree with the draft, subject to one possible amendment in its penultimate paragraph, as marked. If you are content we will tell the Scottish Office and they will submit the draft formally to No 10. It would be helpful to enable them to do this before the weekend.

3. Mr Buchanan-Smith's letter also offers an opportunity - if you wished to exercise it - to register concern at the departures, in recent cases, from the underlying policy. The relevant guidance was circulated by the Civil Contingencies Unit in 1985. I attach a copy\* at Annex C. The final section (paragraphs 8 and 9) makes it clear that the Government would not normally expect to contribute to disaster funds. The problem here is not the existing policy, but the fact that there have of late been more exceptions to it than observances - even where legal liability has been clear from the outset:

\*not to all

Zeebrugge, March 1987  
Kings Cross, November 1987  
Piper Alpha, July 1988  
Clapham Junction, December 1988  
Lockerbie, December 1988  
M1 plane crash, January 1989

4. The total expenditure involved here is not large. But the more often contributions are made the more they are expected. We therefore see two main problems with the current trend:

- a. If Government donations are taken for granted the point of making them loses its force. And since "disasters" are difficult to define, subsequent failures to contribute could, as Mr Buchanan-Smith says, cause disproportionate embarrassment.
- b. Frequent donations encourage the expectation that the Government will always bail out "disaster" victims. This is not only at odds with endeavours to eradicate the dependency culture. If the expectation extended to something like Barlow Clowes, the public expenditure cost would be substantial.

#### Conclusion

5. This submission:
- a. seeks your immediate agreement to the Scottish Office draft reply, and
  - b. invites you to consider whether a Private Secretary letter, on the lines the attached draft, be sent to No 10 to arrive with the Scottish Office draft.



P E DENISON



Bearparkdocsgm

DRAFT LETTER TO

P A Bearpark Esq  
10 Downing Street  
LONDON  
SW1 OAA

~~FROM PS/CST~~

Redrafted

by H.P.

(see attached) cc

David Crawley Esq  
Scottish Office

**DISASTER FUNDS**

We have seen and are content with the draft reply prepared by the Scottish Office to the letter of 17 January from the Rt Hon Alick Buchanan-Smith MP about disaster funds [David Crawley's letter of xxx February refers].

The Chief Secretary has asked me to add that personally he has a great deal of sympathy with Mr Buchanan-Smith's concerns. The correspondence demonstrates how invidious it can be to contribute to some disaster funds but not to others, and not to people who suffer similar loss or injury in other circumstances. This was one of the considerations underlying the guidance circulated by the Civil Contingencies Unit in 1985 (<sup>extract</sup> ~~copy~~ enclosed) that while there are certain costs that might rightly fall to the Government, the Government would not normally expect to make contributions to disaster funds.

The Chief Secretary has noted that of late there have been a number of exceptions to this policy. In each case, the cost involved has been small in global public expenditure terms. But it is only if contributions are truly exceptional that they will have any real impact. He is also concerned that if excessive expectation is created of Government contributions to "disasters" - even where legal liability is relatively clear - it could lead to much greater pressure for compensation in other areas such as investment failures. In those sorts of case, the public expenditure cost could be very significant indeed.

I am copying this letter to David Crawley in the Scottish Office.

C EVANS

**RESTRICTED**

- b. whether an operations/information room needs to be opened in departmental headquarters;
- c. whether a positive offer of Central Government assistance (eg manpower, equipment or supplies) should be made - without awaiting a request from the local authority concerned (see paragraph 2) and, if so, how the offer could best be made without offending local susceptibilities;
- d. whether, in addition, financial assistance from Central Government should be offered, including a donation to any disaster relief fund that might be established;
- e. public presentation of Central Government activity - which will need to be carefully coordinated with authorities at the scene.

CONTRIBUTIONS TO DISASTER FUNDS

8. Governments have generally refrained from contributing to disaster funds eg. no public contribution was made following the Ibrox football disaster, the Aberfan disaster, the loss of the Penlee lifeboat, the explosion at the Abbeystead pumping station or the Manchester Airport disaster. Governments have been concerned to avoid creating precedents for such contributions and there are, of course, difficulties in contributing to some disaster funds but not others. Nevertheless, Government have occasionally made contributions; for example recently following the Bradford and Brussels football disasters.

9. It is thus not possible to give any precise guidance on when a contribution might be appropriate or how much it should be. However, if, exceptionally, a contribution is considered, it should be justified on its merits, in relation to cost and the Government's priorities and made in a way that so far as possible avoids creating further financial obligations for the Government, or pressure for contributions to other causes. Specific Treasury approval should be sought before any contribution is made. As already indicated (paragraph 5) the cost of any contribution would fall, as part of the cost of dealing with a disaster, to be met by the lead department.

**RESTRICTED**

P. 2



CF-CS Annex A

PS reply + draft -  
copy PSISHHO

10 DOWNING STREET  
LONDON SW1A 2AA

M. Davidson  
71

From the Private Secretary

19 January 1989

SECRETARY OF STATE'S OFFICE

Dear David

20 JAN 89

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I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Thursday, 2 February.

PETER WAINLESS  
Please could you co-ordinate your reply with ~~Miss Moira Wallace~~ (HM Treasury), to whom I am copying this letter.

95/3

CHIEF SECRETARY	
REC.	27 JAN 1989
TO	Mr Richardson
	Mr Anson, Mr Phillips,
	Mrs Lomax, Mr AM White,
	Mr Peeler, Mr Call.

Z ~

Andy

P. A. BEARPARK

David Crawley Esq  
Scottish Office

1.27.1989 11:05

FROM OLD ST ANDREWS H

The Rt Hon Alick BUCHANAN

RA



cc M L B

HOUSE OF COMMONS  
LONDON SW1A 0AA

17th January 1989

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1*Dear Prime Minister,*

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I am only too well aware myself of the problems in resolving such questions. I personally have very considerable reservations about the idea of a continuing national disaster fund. I believe that this could cut across and indeed pre-empt the natural voluntary generosity of individuals when a disaster occurs. I do not myself feel that this is an answer to the general question.

However, I do think that the general question of disaster funds and their appropriateness does need to be addressed by Government and the strength of individual feelings on this recognised. I certainly think it is important for Government to explain its policy and to indicate that it has considered the broad questions.

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This is not the first time that I have raised this issue and I have corresponded previously with Malcolm Rifkind. It is a matter which worries me deeply and I feel it only right to share these worries with yourself as it is an issue which affects Government policy generally. I also write with very considerable feeling knowing personally individuals and families involved in both the Chinook and Piper Alpha tragedies.

I am copying this letter to Malcolm Rifkind.

Yours ever,  
Avin

---

ANNEX B**DRAFT REPLY FOR PS/SECRETARY OF STATE**

P A Bearpark  
Private Secretary  
10 Downing Street

Thank you for your letter of 19 January requesting a draft reply for the Prime Minister to send to Alick Buchanan-Smith in response to his letter of 17 January about disaster funds. The attached draft reply has been agreed with Treasury.

Mr Buchanan-Smith has written to Scottish Office Ministers on a number of occasions following the Sumburgh Chinook helicopter crash (November 1986), Zeebrugge and Piper Alpha, questioning Government policy on contributing to local disaster appeals. He has been advised that it is Government policy not to contribute to appeals of this kind other than in the most exceptional cases.

The point at which a disaster becomes an exceptional major disaster justifying a Government contribution is, of course, difficult to define. It has to be judged at the time and in all the circumstances of each case; the number of fatalities and the degree of public concern are among the factors which are considered.

Mr Buchanan-Smith's concern stems from the fact that in the case of the Chinook helicopter crash, no contribution was made from Government funds to the appeal which was set up by the Lord Provost of Aberdeen. The merits of contributing were considered carefully at the time and the decision not to contribute was taken on the grounds that the dependents of those who died in the crash were covered by the social security system and individual insurance arrangements. Since that time, disasters have (unfortunately) occurred in greater number and there have therefore been more cases where a Government contribution was made to a local appeal. This is not a reason to reconsider the Chinook case; the decision can only be made in the circumstances of the time.

EAW00214.029

As recently as September 1988, Mr Buchanan-Smith asked to discuss the question of disaster funds further with Malcolm Rifkind and he was advised that Malcolm Rifkind would be happy to do so. To date, Mr Buchanan-Smith has not made contact with me to make the necessary arrangements.

D CRAWLEY

**DRAFT REPLY FOR THE PRIME MINISTER**

The Rt Hon Alick Buchanan-Smith MP  
House of Commons  
LONDON  
SW1A 0AA

February 1989

Thank you for your letter of 17 January about Government contributions to local disaster appeals.

Let me say first of all that I entirely agree with what you say about a national disaster fund. There is no question of such a fund being set up by Government. Similarly, I appreciate the difficulties which can arise over disbursements from local appeals. I am heartened, for example in the Lockerbie case, that local trustees of the disaster fund have taken great care to obtain advice from those involved in, eg, the Bradford and Piper Alpha disasters to try to avoid the problems that may arise.

As you say, you have corresponded with Malcolm Rifkind previously on Government policy on contributing to local disaster appeals. Our policy is not to contribute to such appeals other than in the most exceptional cases. A decision to contribute is taken in all the circumstances of a disaster, of which the scale of death or injury is only one consideration.

In the Lockerbie case - to which you refer - I think for Government not to have contributed to the disaster appeal would have been to fail to demonstrate its sympathy, not just for those bereaved by the disaster, but also for the whole community on whose lives the crash made such a terrible impact.

I sympathise deeply with all those who suffered loss in the Chinook disaster and appreciate the difficulties of families over why a Government contribution is made to some disasters and not to others. But, since contributions are only made exceptionally, there will be cases - and I am

EAW00314.029



sure the Chinook disaster was one - which fall just short, in the judgement and circumstances of the time, of being given a contribution. While I regret that a line has to be drawn somewhere and that this can cause pain, I ~~must say that it would be wrong of us to~~ <sup>do not think that we can simply</sup> avoid the possibility of this by never making any contributions to any disaster appeals.

I understand that, following correspondence last autumn, you expressed a wish to discuss the issue of disaster funds with Malcolm Rifkind. I trust that this present reply will resolve your concerns, but I know that Malcolm stands ready to discuss the matter further with you if you wish.

CONFIDENTIAL

FROM: H PHILLIPS

DATE: 3 February 1989

CHIEF SECRETARY

cc **Chancellor**  
Mr Anson  
Mr Monck  
Mrs Lomax  
Miss Peirson  
Mr A White  
Mr Richardson  
Mr Revolta  
Mr M L Williams  
Mr Mortimer  
Mr Bent  
Mr Denison

**DISASTER FUNDS - PRIME MINISTER'S CORRESPONDENCE**

You have Mr Denison's note of 2 February which invites you to consider whether you should register concern at recent Government contributions to disaster funds. We should obviously draw your attention to the fact that the 1985 guidance indicates that such contributions should be exceptional but if you do write I suggest you will want to do so in a way which recognises the exceptional nature of the recent run of tragedies.

2. I therefore attach a revised draft Private Secretary letter for you to consider.

HP.

HAYDEN PHILLIPS

CONFIDENTIAL

DRAFT LETTER TO

P A Bearpark Esq  
10 Downing Street  
LONDON  
SW1 OAA

cc David Crawley Esq  
Scottish Office

DISASTER FUNDS

We have seen and are content with the draft reply prepared by the Scottish Office to the letter of 17 January from the Rt Hon Alick Buchanan-Smith MP about disaster funds (David Crawley's letter of xxx February refers).

The Chief Secretary has asked me to add that ~~personally~~ he has a great deal of sympathy with Mr Buchanan-Smith's concerns. It can obviously appear invidious to contribute to some disaster funds but not to others - and not to people who suffer similar loss or injury in other circumstances. He has noted that this concern underlay the guidance circulated by the Civil Contingencies Unit in 1985 (extract enclosed) that while there are certain costs that might rightly fall to the Government, the Government would only make contributions to disaster funds exceptionally.

The Chief Secretary recognises that it is very ~~delicate~~ <sup>difficult</sup> to lay down much tighter guidance in this delicate area, but in view of the number of serious disasters which have occurred over the last two years, and recently occurred so close together, there is a risk that the public perception will be that the Government should normally rather than exceptionally contribute to any such funds. If this expectation spilt over into Government contributions to disasters generally - even where legal liability was relatively

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clear - it could lead to much greater pressure for compensation in other areas such as investment failures, where the public expenditure cost could be very significant indeed. It will therefore be important to make sure we keep clearly in mind the need to distinguish between the sort of physical disasters with which the 1985 guidance is concerned and towards which exceptional Government contributions might be made and other possible claims.

I am copying this letter to David Crawley in the Scottish Office.

- b. whether an operations/information room needs to be opened in departmental headquarters;
- c. whether a positive offer of Central Government assistance (eg manpower, equipment or supplies) should be made - without awaiting a request from the local authority concerned (see paragraph 2) and, if so, how the offer could best be made without offending local susceptibilities;
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CF-CS HANEX A

PS reply + draft -  
copy PS/STHO



10 DOWNING STREET  
LONDON SW1A 2AA

M. Dunning

PI

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19 January 1989

SECRETARY OF STATES OFFICE

20 JAN 89

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Z ~

Andy

P. A. BEARPARK

David Crawley Esq  
Scottish Office

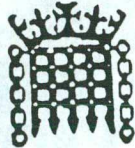
P. 2

1.27.1989 11:05

FROM OLD ST ANDREWS H

The Rt Hon ALICK BULLOCK MP

RA



cc MLB

HOUSE OF COMMONS  
LONDON SW1A 0AA

17th January 1989

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
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D CRAWLEY

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House of Commons  
LONDON  
SW1A 0AA

February 1989

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10 DOWNING STREET  
LONDON SW1A 2AA

*Please attach  
these papers to  
my quote on  
disaster funds, on BF*

THE PRIME MINISTER

13 February 1989

CH/EXCHEQU	
REC.	14 FEB 1989
AL ON	CST
PAES	

*✓14/2*

*Dear Alice,*

Thank you for your letter of 17 January about Government contributions to local disaster appeals.

Let me say first of all that I entirely agree with what you say about a national disaster fund. There is no question of such a fund being set up by Government. Similarly, I appreciate the difficulties which can arise over disbursements from local appeals. I am heartened, for example in the Lockerbie case, that local trustees of the disaster fund have taken great care to obtain advice from those involved in, e.g., the Bradford and Piper Alpha disasters to try to avoid the problems that may arise.

As you say, you have corresponded with Malcolm Rifkind previously on Government policy on contributing to local disaster appeals. Our policy is not to contribute to such appeals other than in the most exceptional cases. A decision to contribute is taken in all the circumstances of a disaster, of which the scale of death or injury is only one consideration.

In the Lockerbie case - to which you refer - I think for Government not to have contributed to the disaster appeal would have been to fail to demonstrate its sympathy, not just for those bereaved by the disaster, but also for the whole

10, DOWNING STREET,  
WHITEHALL S. W. 1

*With the Private Secretary's  
Compliments*

community on whose lives the crash made such a terrible impact.

I sympathise deeply with all those who suffered loss in the Chinook disaster and appreciate the difficulties of families over why a Government contribution is made to some disasters and not to others. But, since contributions are only made exceptionally, there will be cases - and I am sure the Chinook disaster was one - which fall just short, in the judgment and circumstances of the time, of being given a contribution. While I regret that a line has to be drawn somewhere and that this can cause pain, I do not think that we can simply avoid the possibility of this by never making any contributions to any disaster appeals.

I understand that, following correspondence last autumn, you expressed a wish to discuss the issue of disaster funds with Malcolm Rifkind. I trust that this present reply will resolve your concerns, but I know that Malcolm stands ready to discuss the matter further with you if you wish.

Yours ever  
Margaret

---

The Right Honourable Alick Buchanan-Smith, M.P.

DisFund

FROM: M G RICHARDSON  
DATE: 20 February 1989

*Thanks. This smaller  
idea: no N&P wd emphasize  
of a creature of gov't. But I have no  
I very much agree with the  
recommendation*

1. MR ANSON

with the recommendation

cc Mr Phillips  
Mr Monck  
Mr Mountfield  
Mr Peretz  
Mrs Case  
Mrs Lomax  
Mr Mortimer  
Mr Revolta  
Mr A R Williams  
Mr Denison  
Mr Call

copies attached for that we should not

Chief Secretary  
Sir P Middleton

embark on this. For the

2. CHANCELLOR

reasons indicated below, it  
would be immensely difficult  
to control. The present  
system, although messy, is better.

*Ch  
Tsy doesn't think  
need of gas tax-driven  
proposal.*

*A 29/2*

**DISASTER FUNDS**

Mr Allan's minute of 10 January asked for advice on the possibility of setting up a national disaster fund; one attraction might be that this could syphon off any surpluses arising from funds created for specific disasters, thus reducing demands on the taxpayer.

2. I am sorry that this advice has been delayed: we have been trying without much success to discover the extent of surpluses on existing disaster funds. Our conclusions confirm what I think were your own initial reservations about this idea: that there would be major disadvantages in a government initiative in this area on both political and public expenditure grounds.

A National Disaster Fund

3. Where Government payments have been made in respect of recent disasters, they have been made as contributions to ad hoc disaster funds. Typically, a fund is set up by a local authority or charity, and the Government makes a donation in the same way as private individuals. Such donations can occasionally lead to the sorts of awkwardness that were the subject of Mr Buchannan-Smith's letter to the Prime Minister - when the Government donates to one disaster but not to another. But the great advantage of existing practice is that the Government's responsibilities effectively end with the donation. Disbursement and distribution of the monies collected is the responsibility of the funds' trustees.



4. One problem however with the present arrangements is that ad hoc funds can be wasteful, especially if they attract contributions in excess of reasonable requirements and end up with surpluses. The attraction of a National Disaster Fund is that it could deal with that problem by retaining surpluses for application to any subsequent disaster. Its trust deeds or rules would have to be drawn widely enough to encompass the necessary range of possibilities (as was done for the South Atlantic Fund, which was established by MOD partly to pre-empt ad hoc Falklands funds, with very wide powers to enable contributions to go to other military causes if necessary). The NDF might operate as a sort of holding company: promoting a series of specific appeals, so as not to lose the direct link with actual disasters, and then pooling the funds collected.

5. But if the Government were to take any part in establishing such a Fund, responsibility for its disbursements (and lack of them) would presumably fall - and would certainly be seen to fall - on the Government. Anomalies and inconsistencies would be bound to occur as a result of the very difficult judgements that would have to be made about relative deserts. The Government would thus be exposed to criticism for alleged unfairness and inequity - for example, in deciding whether or not something was a "disaster"; for deciding where the line should be drawn as to who was or was not a "disaster victim"; and for inconsistencies between the settlements awarded to different individuals in the same or different disasters. It would be relatively easy for the opposition to mount such attacks; and very difficult for the Government to defend National Disaster Fund decisions without appearing mean.

6. The fact is that the administration of disaster funds is not a task well suited to central government. The need is to cater for individual and local needs. This is best effected not by Whitehall bureaucrats but at the local level - for example by an ad hoc body set up by a local authority or by a local charity. Anything administered centrally would soon run into criticism for insensitivity to or ignorance of individuals' circumstances and local conditions. It might well blunt people's charitable instincts, reducing donations. If local or specific funds still popped up, the national fund would find itself duplicating and/or competing.

7. Given the existing structure of local charities and disaster funds, the best way for a national fund to be established would be, so to speak, for the market to decide. There is nothing to stop charities creating a national fund now if they wished, but there is no sign of any desire to do so. In the absence of such movement, it is questionable whether the Government should impose its own structure on this area for the future.

8. To go further, and seek to apply surpluses on existing funds to create a new national fund, would be an even more difficult proposition. It does not seem likely that those responsible for existing disaster funds would willingly surrender their assets, which they might not see as "surpluses". Even if the managers of existing disaster funds were willing to cooperate, there might be serious legal obstacles. Some of the existing trusts are charities, others are not. In all cases their trust deeds will require them to use their funds only for the purposes for which they were created. They may provide that surplus monies may be used for some wider charitable purpose after all the original purposes (whether charitable or not) of the fund have been exhausted, but the wider purposes will often be of a local rather than national character and it may be a long time after the disaster before the original purposes are exhausted. If the trustees wanted to change these provisions to enable surplus monies to be paid to a national disaster fund they would have to apply to the court (or the Charity Commission if the fund were a charity). There is no guarantee that such an application would succeed: it would depend on the facts of each case. The court has only limited powers to vary the terms of non-charitable trusts and broadly speaking can only exercise them where this would benefit the existing beneficiaries. Those beneficiaries who could be ascertained and were of full legal capacity might have to consent personally. The court and the Charity Commission have wider powers in relation to charitable trusts, but here again it is likely that where a trust provided for any surplus to be used to benefit a particular locality or class of people, there would be no power to substitute a general power to benefit the victims of a "national" disaster occurring in some other locality or affecting a different class of people. It would be necessary to give considerable further thought to these problems and the Attorney General, who has special responsibility for charities, would need to be involved.

## Public Expenditure Implications

9. Even if existing surpluses could be secured, there is a clear risk that a National Disaster Fund would create additional pressures on public expenditure. The Treasury might have had misgivings about the number of contributions to disasters over the last couple of years, and is right to be concerned about where this trend will lead. But the overall public expenditure cost has been relatively small:

	<u>£ thousand</u>
Zeebrugge (March 1987)	1,000
Kings Cross (November 1987)	250
Piper Alpha (July 1988)	1,000
Clapham Junction (December 1988)	250
Lockerbie (December 1988)	150
M1 plane crash (January 1989)	250
<b>Total</b>	<b>2,900</b>

10. It is only over the last two years that contributions have come to be made in such a routine way, perhaps reflecting the close succession of major disasters. Before then the policy not to contribute had held up very well. There were no government contributions in respect of the following:

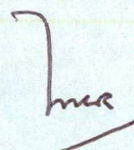
- Aberfan
- Ibrox football ground
- Penlee lifeboat
- Abbeystead pumping station
- Manchester airport fire
- Chinook helicopter crash
- Hungerford shootings
- Enniskillen bombing

We would hope to get back to a situation in which donations are truly exceptional, as envisaged in the present policy. That could be put at risk if a National Disaster Fund existed as a focus for claims (of varying merit) for donations. Demands on behalf of the victims of the incidents listed above, at least, would probably have been irresistible; and a whole host of less significant claims (eg perhaps for bad traffic accidents) would have followed as well. Institutionalising disaster funds would lead to pressure on the Government to make greater provision for them; and it would in practice be impossible to put an effective cap on disaster fund expenditure - no affordability arguments could survive a tide of emotion.

11. Public expenditure costs would also be incurred in respect of the quango (or whatever) that administered the NDF. The more fair and consistent such administration tried to be, the more expensive it would become.

### Conclusion

12. For the most part, disaster funds are best regarded as an opportunity for individuals to express their sympathy and concern for the victims of national tragedies. The Government should not try to interfere with that, although it may decide from time to time to make its own contribution for disasters of exceptional prominence. If the Government tried to do more, we would foresee severe political and public expenditure disadvantages - for small, if any, gains. If a groundswell for merger or nationalisation emerged from existing charities and disaster funds, we would clearly need to re-examine the issue carefully - for example to see how the Government might play a facilitating role. But meanwhile, in the absence of such market pressure, we recommend that the idea of a national disaster fund should not be pursued further.



M G RICHARDSON

CONFIDENTIAL



FROM: J M G TAYLOR  
DATE: 22 February 1989

A handwritten signature in dark ink, appearing to be 'JMG'.

MR RICHARDSON

cc PS/Chief Secretary  
Sir P Middleton  
Mr Anson  
Mr Phillips  
Mr Monck  
Mr Mountfield  
Mr Peretz  
Mrs Case  
Mrs Lomax  
Mr Mortimer  
Mr Revolta  
Mr Williams  
Mr Denison  
Mr Call

DISASTER FUNDS

The Chancellor was grateful for your note of 20 February.

2. He has commented that he would not envisage the NDF as a creature of Government. But he has no wish to pursue this any further.

A handwritten signature in dark ink, appearing to be 'JMG'.

J M G TAYLOR

CONFIDENTIAL

FROM: S N WOOD (LG2)  
DATE: 19 April 1989  
x4729

CHIEF SECRETARY

cc **Chancellor**  
Financial Secretary  
Paymaster General  
Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Phillips  
Mrs Case  
Mr Edwards  
Mrs Lomax  
Mr Mortimer  
Mr Richardson  
Mr Cotmore  
Mrs Chaplin  
Mr Call  
Mr Tyrie

*All stat accoms - cont  
Not including cards for the road  
Market entry  
Revised minutes*

**HILLSBOROUGH DISASTER: FOLLOW-UP ACTION**

I understand that the Environment Secretary and the Home Secretary will be reporting orally to Cabinet on the implications of the crowd deaths at the FA Cup tie on Saturday between Liverpool and Nottingham Forest, at Sheffield Wednesday's Hillsborough Ground.

2. The Government has announced an urgent public enquiry under Mr Justice Taylor into what happened. DOE are considering how to take forward the legislative opportunity that the Football Spectators Bill gives them. I understand that they may be proposing to take power to require certain football grounds to introduce all seat accommodation. They are awaiting the House authorities' final view on whether this would be within the scope of the Bill. Ideally they would amend the Bill before it left the Lords, which would require quite urgent action in order not to prejudice the timetable for the Bill on its return to the Commons. Mr Ridley is to see the football authorities next week.

3. There are two potential items of public expenditure. The first, about which I understand the Prime Minister spoke to you at the weekend, is her announcement of £0.5 million compensation for victims' families. There is no need for you to raise this at

CONFIDENTIAL

Cabinet. I suggest you leave it to officials to settle which Department should account for it. I have raised this with DOE, and have indicated our view that DOE should account for the money. Any question of a Reserve claim should be left until later in the year, when we can better judge the requirement.

4. The second issue, to which I gather from Mr Phillips you yourself had given some thought, is whether the Government should offer any help with making stadiums all-seat. I attach a press cutting from today's "Independent", which gives some helpful figures. The order of magnitude of expenditure involved in making the First Division, and perhaps the biggest five of the Second Division, clubs all-seat would be £10-£15 million. There are three potential sources of funds:-

(i) the clubs could pay for it themselves (only the half dozen biggest clubs would be able to find this money readily);

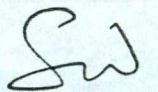
(ii) the Football Trust, and the Football Grounds Improvement Trust, receive more than £10 million a year from the pools companies. They would be able, if they gave it sufficient priority, to finance a phased programme of introduction of seats; and

(iii) the Government might offer some assistance.

5. It is possible that Mr Ridley will bring up at Cabinet the possibility that the Government might help with these costs, although he is most unlikely to offer any offsetting savings from the rest of his programmes (sport of course is a relatively small DOE programme, with the Sports Council grant-in-aid amounting to only £40 million a year in total). It is difficult to avoid the

conclusion that if Mr Ridley were to be persuaded to offer assistance, say on the basis of £1 for every £1 put in by the Football Trust, the money would have to be found from the Reserve.

I assume you would prefer to leave it to him to advise his colleagues, following his talks with the football authorities, whether Government assistance would be needed to ensure its objectives were achieved in this area: funding can be considered then.



S N WOOD



# Three-year plan for an all-seater future

By PATRICK BARCLAY, Football Correspondent

THE FOOTBALL TRUST said yesterday that money was available to clubs who wanted to replace standing areas of their grounds with seats after the Hillsborough tragedy, but gave a warning that the long-term costs would have to be borne by spectators.

Richard Faulkner, the Trust's deputy chairman, said conversion "need not be crippling" to clubs. The Trust, and the complementary Football Grounds Improvement Trust, receive more than £10m a year from the pools companies, and if they were obliged to concentrate their resources on seating, as in the case of the precautions after Bradford, a gradual programme could transform League grounds over two or three years.

"The main problem the clubs would face," he added, "is not the capital costs of seats, but that of coming to terms with smaller crowds who will be asked to pay more for their tickets."

In broad terms, a stadium loses 45 per cent of its capacity when

seating is installed. A standing area for 10,000 people accommodates 5,500 seats. So, to produce the same revenue, a club must almost double their prices. The cost of seating such an area, assuming it does not require to be simultaneously covered, would be about £200,000, in which case Faulkner's proposed time-scale of up to three years for the 91 League grounds seems realistic.

In the First Division alone, the cost would be about £8.5m, based on the Trust's guideline of £35 a seat. The 20 clubs have a total standing capacity of 442,000, which would convert to 243,000 seats. The League's spokesman, Andy Williamson, pointing out that most First Division grounds were below capacity almost every week, said: "In the light of Hillsborough, who could argue against replacing terracing with seats?"

But he added: "We need to consider the issue of all-seater stadi-

ums very carefully because we must strike a balance between what the supporter wants and the paramount consideration of safety."

The football authorities and the trusts seem to favour a gradual process. But, without a fresh injection of funds, even that would mean shelving or scaling down many of the other contributions the trusts make towards comfort and safety at grounds, currently involving police provision, transport, closed-circuit television (a vital weapon against hooliganism) and so on. If the Government are determined to maintain these developments while accelerating the spread of seating, they may have to consider relieving the pools companies' burden of betting duty, which would release more money for the trusts.

After the 95 deaths following the crush at Hillsborough's Leppings Lane terracing on Saturday, the FA chief executive,

Graham Kelly, called for an end to the "ritual of standing to watch a match", and Liverpool have already announced that they plan to seat the Kop at Anfield. "A whole culture of *en masse* support is coming to an end," said Faulkner, "but it has taken a terrible disaster to bring this about."

## TOTAL RECEIVED IN GRANTS

	Safety (FGIT)	Improvement (FT)
Arsenal .....	£474,000	£174,000
Aston Villa ....	£410,000	£26,000
Charlton .....	£319,000	None
Coventry .....	£358,000	None
Derby .....	£366,000	£39,000
Everton .....	£322,000	£14,000
Liverpool .....	£525,000	None
Luton .....	£377,000	£228,000
Man Utd .....	£293,000	£258,000
Middlesbro' ..	£476,000	£200,000
Millwall .....	£279,000	None
Newcastle .....	£456,000	£52,000
Norwich .....	£301,000	£207,000
Nottm Forest ..	£327,000	None
QPR .....	£425,000	£200,000
Sheff Wed .....	£422,000	£475,000
Southampton ..	£480,000	None
Spurs .....	£262,000	£25,000
West Ham .....	£287,000	£6,000
Wimbledon .....	£329,000	£7,000

## Criticism softened by Georges

JACQUES GEORGES, the French president of UEFA, European football's governing body, acknowledged yesterday that he may have over-reacted in describing Liverpool fans involved in the Hillsborough disaster as "beasts".

In a letter to the FA, Georges wrote that "perhaps my words were too harsh" in a French TV interview he gave on Monday. He had said people in the Sheffield stadium "looked like beasts who had just been released, with their eyes popping out of their heads".

Earlier, the Home Secretary, Douglas Hurd, had joined others in condemning the UEFA chief's remarks, saying that they "showed he knew nothing of the event he was commenting on. He got it completely wrong."

# League deny pressure

THE LEAGUE yesterday defended itself against implications that pressure had been put on clubs to play in the immediate aftermath of the Sheffield tragedy, writes Patrick Barclay.

There were suggestions that Arsenal, who postponed last night's scheduled meeting with Wimbledon at Highbury, and Queen's Park Rangers, who subsequently deferred the visit of Manchester United tonight, had been threatened with disciplinary measures. But League spokesman Andy Williamson said: "We didn't want to be drawn into an unseemly dispute — it's one thing we are desperately trying to avoid."

He explained that the League had formulated a policy on Sunday. "We felt that, needless to say, the Merseyside clubs should be given leave to postpone matches indefinitely. But we felt that, to

give that special emphasis, the rest of football should continue. We canvassed the views of clubs due to play this week, and many expressed a wish to go ahead, so that their supporters could have an early opportunity to offer condolences in the form of a minute's silence before the kick-off."

Williamson said he had initially had personal reservations, but they were dispelled when he attended the annual dinner, that night, of the Professional Footballers' Association, a dignified occasion at which respects were paid and £12,000 raised.

The first non-Merseyside club to request a postponement were Arsenal, whose manager George Graham asked: "How can we play a football match when supporters are fighting for their lives?" It was inconceivable that "we could consider trying to steal some kind

of march over Liverpool". QPR then followed, and League president Jack Dunnett has said he was surprised by the decisions.

But Williamson stressed: "Any suggestion of fines or points being deducted is untimely. We have not even thought about such considerations at a time when there are infinitely more important issues to go into."

Liverpool, due to play West Ham at home tonight and Arsenal, also at Anfield, on Sunday, will not take the field again until a fortnight tonight, when their match against Everton will be televised live; chief executive Peter Robinson pointed out last night that this would reduce demand for tickets. Everton may play at Tottenham on Saturday, but the other Merseyside club, Tranmere, have decided to put off the visit of Grimsby.



H M CUSTOMS & EXCISE  
VAT ADMINISTRATION DIRECTORATE  
NEW KING'S BEAM HOUSE  
22 UPPER GROUND  
LONDON SE1 9JP  
01-620 1313

**FROM:** P G WILMOTT  
**DATE:** 27 April 1989

Economic Secretary

**VAT: HILLSBOROUGH DISASTER APPEAL**

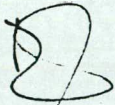
1. This note is for information only.
2. Following discussion with a firm of accountants, Grant Thornton, acting on behalf of the Hillsborough Disaster Appeal Fund we have exceptionally agreed not to collect VAT on the gate receipts of a football match in aid of the Fund. The game between Celtic and Liverpool will be held on Sunday 30 April and the gate receipts - expected to amount to some £400,000, with potential VAT of £60,000 - will be donated entirely to the Fund. We have also told the firm that if the TV and radio companies make donations direct to the trustees of the Appeal Fund these will be outside the scope of the tax.

---

cc	PS/Chancellor	CPS
	PS/Chief Secretary	Mr Jefferson Smith
	PS/Financial Secretary	Ms Barrett
	PS/Paymaster General	Mr Blomfield
	Mr Gilhooly	Mr G G Hammond
	Mr Michie	Mr Stephenson
	Mr Call	Mr Monk

3. Although we accept that Celtic Football Club are acting as agents for the Appeal Fund, this is a discretionary trust without charitable status and accordingly fails to qualify for the exemption introduced in the recent Budget for one-off charity fund-raising events. And because the tickets effectively make a fixed and inescapable charge for entry (ie. there is no voluntary donation) VAT is properly due. Our staff have been in contact with the organisers of the match since the beginning of the week but it is clear that some confusion existed about the precise status of the trust and since we understand that the Revenue have exercised their discretion to treat it as a charity we consider it would be inappropriate and attract adverse criticism to insist on collecting the VAT due.

4. A similar claim for waiver on the receipts of a match held at Bradford last week is being considered but the VAT involved here is only about £3,000. We have taken steps to remind the organisers of our legal requirements in this area.



P G WILMOTT



FROM: S M A JAMES  
DATE: 28 April 1989

MR WILMOTT - C&E

cc: PS/Chancellor -12/2  
Mr Gilhooly  
Mr Michie  
Mr Call

*Oh, see also IR  
note, behind.*

PS/C&E  
Mr Jefferson-Smith - C&E  
Ms Barrett - C&E

*JF  
28/4*

**VAT : HILLSBOROUGH DISASTER APPEAL**

The Economic Secretary was grateful for your minute of 27 April. He is pleased to note that Customs have exceptionally agreed not to collect VAT on the gate receipts of a football match in aid of the Hillsborough Disaster Appeal Fund.

*1. She is grateful  
just as I am  
at general points  
of the minute  
it is understood  
that all Nat.  
appeals & all Nat.  
cases in practice  
apply to  
the State of  
the  
matters  
exceptions.*

S M A JAMES  
PRIVATE SECRETARY



FROM: J M G TAYLOR  
DATE: 2 MAY 1989

6/9/5

PS/ECONOMIC SECRETARY

cc Sir P Middleton  
Mr Scholar  
Mr Culpin  
Mr Gilhooly  
Mr Michie  
Mr Call

Mr Unwin - C&E  
Mr Jefferson-Smith - C&E  
Mr Wilmott - C&E  
Ms Barrett - C&E

**VAT: DISASTER APPEALS**

The Chancellor has seen the recent minutes on the VAT treatment of the Hillsborough disaster appeal.

2. The Chancellor has noted that Customs have agreed not to collect VAT on the gate receipts of the Celtic-Liverpool football match. He has noted, however, that the Appeal Fund is a discretionary trust without charitable status, and hence VAT is in fact properly due and must be waived. He would be grateful if the Economic Secretary could take a look at the general position in relation to disaster appeals. He thinks it unsatisfactory to have a law which cannot in practice be applied, and to have to make a series of ad hoc 'exceptions'.

A handwritten signature, likely of J M G Taylor, consisting of stylized initials.

J M G TAYLOR

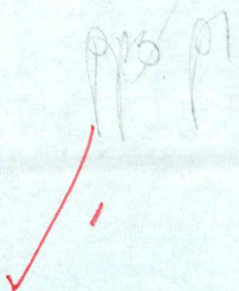
CONFIDENTIAL

FROM: ROBERT CULPIN (FP)  
DATE: 3 May 1989  
EXT : 4419



ECONOMIC SECRETARY

cc Chancellor  
Financial Secretary  
Sir P Middleton  
Mr Scholar  
Mr Gilhooly  
Mr Michie  
Mr Call



Mr Unwin )  
Mr Jefferson-Smith ) C&E  
Mr Wilmott )  
Ms Barrett )

Mr Bush - IR

**DISASTER APPEALS**

Mr Taylor's note of 2 May.

2. We considered extending charitable status to disaster appeals as a Budget lollipop in 1988. The main question then was whether they should be given an income tax break on the interest they earn on their funds. I attach the FP note as Annex A. Ministers decided against a concession because it would be difficult to ring-fence, there was no great pressure, and disaster appeals benefited from the reduction in the "additional rate" on trusts in the 1988 Budget.

3. The Chancellor then asked the Financial Secretary to consider exempting disaster funds from the additional rate on trusts (Mr Allan of 16 February 1988). The Financial Secretary advised against: see Annex B.

4. The new development, since we last considered disaster appeals, is of course the introduction of VAT relief for charities' fund raising events. This must have put more strain on the distinction between those appeals which set up charitable trusts and those which do not.

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5. If you are now led to think of extending the new VAT relief to all disaster appeals, somehow defined, you will want to consider whether any such concession could be confined to VAT or would also have to apply to the Revenue taxes.

6. Fortunately, the question whether the new VAT relief ought in principle to extend to events like the Celtic-Liverpool football match is unlikely to be raised in the debates on the Finance Bill, because the new VAT concession is in regulations, not the Bill.



ROBERT CULPIN

Annex A

Extend Tax reliefs available to "charitable" trusts to disaster funds

From time to time the question of treating disaster funds as charitable trusts for tax purposes has been raised. A major tax break available to a charitable trust is that interest accruing on the fund is not subject to income tax. The major difference between a charitable and discretionary trust is that the former may pay out money only "sufficient" to meet an individual's needs, whereas the latter can pay a sum of any size. Disaster funds can be set up as charitable trusts, but the trustees may choose not to do so, so as to avoid being totally constrained by the "sufficiency" test. Bringing all disaster funds within the rules for charitable trusts could have public appeal in the wake of the recent Kings Cross and Zeebrugge disasters. But there is not much current pressure for a concession in this area, and not much evidence that the present rules cause problems in practice. The Revenue's impression is that those who have put the idea forward are more concerned about clarification of the tax treatment than about securing particular tax concessions. The arguments against giving any concessions are that, it would be necessary to define "disaster" (for example does it include only major public disasters, or any form of accidents disability or illness which is a disaster for those immediately concerned)? There might have to be some discretion for Ministers or the Revenue; but that would give rise to awkward and politically sensitive decisions about individual cases and about the criteria to be applied. It would be difficult to draw the line at disaster funds, and there could be calls for extension to other "good causes", a topical one being the British Olympic Fund. All this raises serious problems of a definitional and technical nature which could involve a great deal of work and it is most unlikely that these could be resolved in time for this year's Budget.



Disaster Funds

My own strong inclination would be to do nothing. I believe that the present position is defensible and has not been adequately put across in the media. Although tax is deducted from trust income it can be reclaimed by non-taxpayers, and basic rate taxpayers too can claim back any over-paid tax. If trust income recipients are taxpayers then I think they should pay tax at the appropriate rate whether the money has ultimately come from a public donation or from some other source. I do not think that critics appreciate that the Revenue is not simply pocketing the money!

Moreover, it is clear to me that it will be very difficult indeed (if not impossible) to define what we mean by a 'disaster fund' in a way that will not actually generate more criticisms for unfairness than we currently get for miserliness. At my meeting this morning a few obvious rough edges were identified:

- (i) Why should it be a 'disaster' if a train-load of people get killed but not a disaster if one person is killed in a train-crash? Should there be a limit on the number of deaths such that if fewer than this number die, there is no 'disaster'? If so, what should this number be and how could it be defended?
- (ii) Are we concerned only with natural disasters or do we also exempt funds set up to help the victims of some company's negligence? Should Zeebrugge be exempt because a large number of people died or taxable because P&O will pay out compensation? Of course, to the extent that companies are forced by the courts to put money into trusts to help victims, then tax exemption may reduce the amount these companies are asked to pay up;
- (iii) Are we just as concerned about disability or physical deformity as with death? What about 'shock'?
- (iv) What about the members of a Working Mens Club who start a local campaign to raise money for a kidney machine for a friend's child?

No doubt we can all think of many more situations and no doubt, also, we would all prefer not to have to decide what is and what is not deserving of tax relief.

# CONFIDENTIAL

I firmly believe that if you want to pursue this a full legislative solution is too difficult. The only practical route would seem to be to give someone the discretion to decide on an ad hoc basis whether or not Fund X is a disaster fund. The legislation would then be fairly simple: tax exemption would be given to whatever funds the 'chosen person' defined as disaster funds.

The obvious person on whom to bestow this power would be the Home Secretary although I cannot believe that he would welcome this discretion. It might be possible to give him some guidance in the legislation - but that takes us right back to the problems I have already mentioned of **trying** to set down even in general terms what we mean by a disaster fund. If you were attracted by this 'administrative' solution I think you will need to speak to Douglas Hurd.

I would just make two further points on all of this:

- (i) The underlying cause of our problems is that the (case law) definition of 'charitable purposes' is too narrow so that giving money to help the victims of a disaster will not in general be regarded as charitable giving. Thus, people set up discretionary trusts not charitable trusts so that they are able to channel money to the victims of disasters without having to concern themselves about whether the payments are for strictly charitable purposes. The tax treatment follows automatically;
- (ii) At first sight, the difficulties in finding an answer to the disaster trust issue seem to swing the balance in favour of abolishing the additional rate. In my view, however, this would not buy off the Daily Mirror and the Sun since trusts would still pay basic rate tax. If you decide not to pursue the special treatment route for disaster funds, our best defence will be to emphasise the refunds not to claim credit for reducing the rate on trusts.

*pp 37 (on 37. 1/10/89)*



FROM: ECONOMIC SECRETARY  
DATE: 9 May 1989

CHANCELLOR

cc: Financial Secretary  
Sir P Middleton  
Mr Scholar  
Mr Culpin  
Mr Gilhooly  
Mr Michie  
Mr Call

*Ch*  
*Content to proceed as proposed?*  
*OK* *20* *9/15*

PS/C&E  
Mr Jefferson-Smith - C&E  
Mr Wilmott - C&E  
Ms Barrett - C&E  
Mr Stevenson - C&E

PS/IR  
Mr Bush - IR  
Mr Corlett - IR  
Mr Golding - IR

**DISASTER APPEALS**

I have considered the question of taxation on disaster appeals and have concluded that the law governing the taxation of such appeals should not be changed. There are already ways in which organisers should be able to structure their appeals to avoid the need to pay much or even any tax. The problem is that these are technical matters which are not readily understood by appeal organisers or fund raisers. Although the Revenue and Customs do all they can to contact the main trustees straightaway and offer help, neither they nor accountants advising are able to assist if money-raising schemes are set up before they are consulted. Customs and Revenue will therefore prepare a pack explaining the tax implications, to be made available to trustees and professional advisers both generally and, in particular, when a disaster occurs.

**Income Tax**

2. Disaster funds are generally not charities but 'discretionary trusts'. This is because, while charities are largely tax exempt, the trustees must spend only on charitable objects, which limits their scope. So organisers of appeals normally prefer to set up a discretionary trust which allows

trustees complete freedom to pay sums to whoever they wish. Any donations made to discretionary trusts are tax free; but income received (such as interest) is taxable.

3. I have reviewed the possibility of exempting discretionary trust disaster appeals which you and Norman Lamont considered last year. I see no reason to differ from the conclusions reached then that it would be very difficult to designate which appeals would qualify. Extending the meaning of 'charity' in order to allow payments to be made by charitable trusts totally without regard to need would raise very difficult and wide-ranging issues of charity law.

#### VAT

4. Similar problems arise with VAT. It would be extremely difficult to widen the scope of relief which is currently limited to charities and to distinguish between deserving and less deserving appeals. We might also run into opposition from Brussels over EC law if we extend reliefs further than the charitable fund-raising events we relieved in the Budget.

5. If the organisers of appeals structure fund-raising events carefully they can avoid paying VAT. For example, if there is no fixed charge for entry to an event but the organisers ask for donations from those who attend, this income is not VATable.

#### Conclusion

6. I believe therefore that we do not need to change the law on the taxation of charities and discretionary trusts, but that we should make known more widely and effectively the best ways for appeals to organise fund-raising events. There is a strong case for getting some input from accountants (such as Grant Thornton) who have experience in these matters, and officials will do that in

the course of preparing advisory material - which I have asked to be ready as soon as possible.

A handwritten signature in black ink, consisting of several loops and a long tail stroke extending to the right.

**PETER LILLEY**



FROM: J M G TAYLOR

DATE: 11 May 1989

*Phf*

PS/ECONOMIC SECRETARY

cc PS/Financial Secretary  
Sir P Middleton  
Mr Scholar  
Mr Culpin  
Mr Gilhooly  
Mr Michie  
Mr Call

PS/C&E  
Mr Jefferson Smith - C&E  
Mr Wilmott - C&E  
Mr Barrett - C&E  
Mr Stevenson - C&E

PS/IR  
Mr Bush - IR  
Mr Corlett - IR  
Mr Golding - IR

**DISASTER APPEALS**

The Chancellor was grateful for the Economic Secretary's note of 9 May.

2. He is content with the Economic Secretary's conclusion that the law governing the taxation of disaster appeals should not be changed. He is also content for Customs and Revenue to prepare an explanatory pack.

*JMG*

J M G TAYLOR