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Confidential Filing

Koyal Society for the Prevention of
Accidents

HOME AFFAIRS

MAY 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
24.5.89							
5.6.89							
9/6/89							
21.6.89							
25.6.89							
28.6.89							
14.7.89							
12/7/89							
PREM 19/2725							

CONFIDENTIAL

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HCCG

18/7

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

17th July 1989

Dear Paul,

ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

I write to record my general agreement with your and colleagues' approach to RoSPA's financial difficulties as set out in recent correspondence.

I note from your private secretary's letter of 28 June that the situation has now been changed by the injection of a £450,000 surplus from the pension fund. In effect, RoSPA has been able to meet the immediate requirements of option 3 of the Cooper and Lybrand report, and is able to continue trading on a solvent basis.

In the circumstances, I agree that grant-in-aid finance should continue to be provided in respect of current work, on the basis that you are satisfied that the improvements made so far have put RoSPA back on a sound footing. It is important, however, that Departments should not be held to be acting in the role of shadow directors under the Insolvency Act 1985. I also agree that the separate funding of Coopers and Lybrand's five year plan for RoSPA should continue, on the understanding that the sums concerned are found from within Departments' existing provisions.

I am copying this letter to the Prime Minister, Douglas Hurd, Malcolm Rifkind, Peter Walker, Tom King, Norman Fowler, David Young, Patrick Mayhew and Sir Robin Butler.

Yours Ever, John

JOHN MAJOR

HOME AFFAIRS : ROSPA May 89

18 JUL 1989

SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switsfwrdd)
01-270 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)

From The Secretary of State for Wales

CT/1093/89

14 July 1989

Der Katherine,

ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

Thank you for the copy of your letter of 28 June to Ben Slocock informing Departments of the latest situation with regard to the Society's financial difficulties.

We are pleased to learn that the Society is again solvent, at least in the short term, and are happy to resume grant payments provided that, as you say, they remain solvent and properly managed and continue to discharge their road safety role satisfactorily. However we will have to consider the amount of grant on offer for the remainder of the 5 year agreement in Wales because we understand that economy measures have resulted in staff reductions at the Society's Cardiff office. We have asked for details and hope to agree a revised grant as soon as possible. Currently the grant on offer from us for this year (1989/90) is £66,000.

I am copying this letter to Paul Gray, Alex Allan, Colin Walters, Neil Thornton, Stephen Leach, David Crawley, Clive Norris, Michael Saunders and to Trevor Woolley.

Yn eiddo,
Stephen Williams

S R WILLIAMS

Katherine Orrell
Private Secretary to the
Secretary of State for Transport
2 Marsham Street
LONDON SW1P 3EB

Home Affairs: LOPA
May 88

17 JUL 1989



msb
File 19/1
29 June 1989
CEPH
QUEEN ANNE'S GATE LONDON SW1H 9AT

Dear Paul,

ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

I am sorry that I have not replied sooner to your letter of 24 May, although as you know officials of our two Departments have been in touch.

We have only a very limited direct interest in the range of RoSPA's activities. For many years we have made a small grant to RoSPA as a contribution towards their work in reducing drowning accidents. This year the money available is £30,000, from which we shall need to find our contribution towards the Coopers and Lybrand report. It will be clear to you and other recipients of the report that this aspect of the Society's work, which forms part of its Home Safety Division, and the size of our grant, have only limited relevance to RoSPA's overall financial position. Nevertheless it would clearly be improper for us to continue to pay grant to an organisation which is insolvent and officials here have already agreed to take the lead from your Department in deciding whether the overall position justifies continued payment of grant.

We are not represented on RoSPA's management and finance committee. About a year ago we reviewed the position and decided that the nature of our relationship with the Society no longer justified direct involvement in its management. However, we are fully aware of the value and prestige of RoSPA and support the idea that so far as is practicable and reasonable we should try to help them to continue, albeit in a leaner and more efficient form.

If substantial funds are necessary as a buffer and to restructure RoSPA, I agree that in the first instance it is sensible that the Society should look to the private sector or other non-Government benefactors for this help. Many of them are directly or indirectly beneficiaries of RoSPA's work.

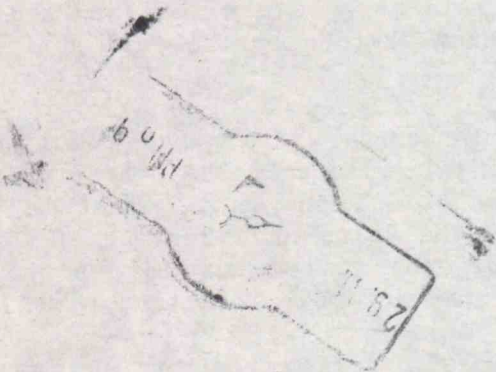
I do not think that we should close our eyes altogether to the idea of additional short term support from central Government, though I would not propose that this be suggested to RoSPA at this time. I have in mind that about two years ago we faced a very similar position with the National Marriage Guidance Council (now called RELATE) which is funded by my Department. In that case consultants recommended major restructuring and the Council looked to us for the short term additional funding which was needed to bring the restructuring about. We resisted their request initially. RELATE nonetheless went ahead and got into financial difficulties; we then had to inject some resources, to be spread over a three year period, specifically to get them out of their immediate troubles. They have made good progress since then. I mention this only because it may be referred to as a precedent.

HOME AFFAIRS: Russia May 83

2.

Officials of our two Departments have also discussed the relationship between RoSPA, this Department and Buckingham Palace. For the record, we made clear that we do not think it necessary, and indeed in most cases it is not practicable, for the Home Office to act, as a matter of routine, as an intermediary to the Palace when organisations which have Royal patronage become involved in financial difficulty, or perhaps activities of an undesirable nature. In the first instance we think it is the responsibility of the organisations concerned to the Palace if there is a danger of embarrassment, but where a sponsoring Department sees the need to take this course, it can do so direct without reference to the Home Office. We are, of course, always prepared to advise about contacts.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales, Northern Ireland, Trade & Industry and Employment, the Attorney General and Sir Robin Butler.



Yours,
Dy W.



THE DEPARTMENT
OF TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

Ben Slocock Esq
Private Secretary to the
Secretary of State for Trade & Industry
Department of Trade & Industry
1-19 Victoria Street
LONDON
SW1H 0ET

My Ref:

Your Ref:



Prie Anisk
Rfc6
20/6

28 JUN 1989

Dear Ben

THE ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

You may know from Press Reports that the Society appears to have scraped through its immediate financial crisis with the promise of an injection of £450,000 cash from the surplus in its Pension Fund. The formal agreement for the transfer is to be signed on 29 June and the Society were advised that the subsequent processes for realising the investments and clearing lines with Inland Revenue should be complete in 4-6 weeks. Legal opinions had been obtained from the Pension Fund advisers and RoSPA's own legal advisers that this is legally and prudentially proper.

The Society also adopted a cost-cutting plan on the scale indicated by Coopers & Lybrand, and set up three sub-committees respectively to oversee its implementation, to prepare recommendations for the October meeting of the Society about restructuring the Society on to a more manageable basis, and to raise funds to provide a sounder long-term financial foundation.

The question was raised as to whether following the developments Government grants would continue to be payable. The substantial sum now formally offered to the Society obviously changes the situation significantly. The Department of Transport representative therefore said that, provided the Society was solvent and would remain so, that it was being properly managed, and that it continued satisfactorily to discharge its road safety role, there was no reason for this Department not to continue to pay its grants for the current financial year. Under our 5-year agreement with the Society, a review of grants thereafter is in any event to take place in the coming months. However, grants from other Departments would need to be discussed with those Departments.

Officials here will be in touch with their opposite numbers to discuss the arrangements and conditions for resuming the payment of the normal grants to the Society. We regard it as particularly important that the separate funding of Coopers & Lybrand should also continue, so as to ensure completion of their work on a medium-term plan to put the work of the Society on to a generally sounder basis.

I am sending copies of this letter to Paul Gray (No 10) and to Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Wales, Northern Ireland and Scotland, the Employment Secretary and the Attorney General, and to Trevor Woolley.

Yours

Katherine

KATHERINE ORRELL
Private Secretary





Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 5803
Telex 915564 Fax 01-273 5821

Secretary of State

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1

NBM

*Rec'd
29/6*

June 25

Dear Paul,

ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

I have now seen your letter of 24 May to Douglas Hurd, and your minute of 2 June to the Prime Minister about ROSPA's financial crisis, as well as David Young's letter of 19 June.

My Department is not one of those which has grant-aided ROSPA and so has not been involved in the discussion about ROSPA's finances. Nevertheless because of my responsibilities for health and safety, the Employment Department Group through the Health and Safety Commission and Executive does have a significant interest in ROSPA because of its occupational health and safety activities.

I am sure you were right to turn down Lord Keith's suggestion that the Government should guarantee ROSPA, but equally I agree that if it went under there would be a considerable public fuss. While ROSPA's contribution to occupational health and safety has often been pedestrian, nevertheless they carry out year by year a lot of groundwork and gain respect for it. It would be particularly unfortunate if, because of ROSPA's failure to come to grips with what was needed in the changed situation on the road safety side, the entire organisation folded up when generally the occupational safety and training sections have paid their way. I trust therefore that in the consideration of possible solutions attention will



Employment Department · Training Agency
Health and Safety Executive · ACAS

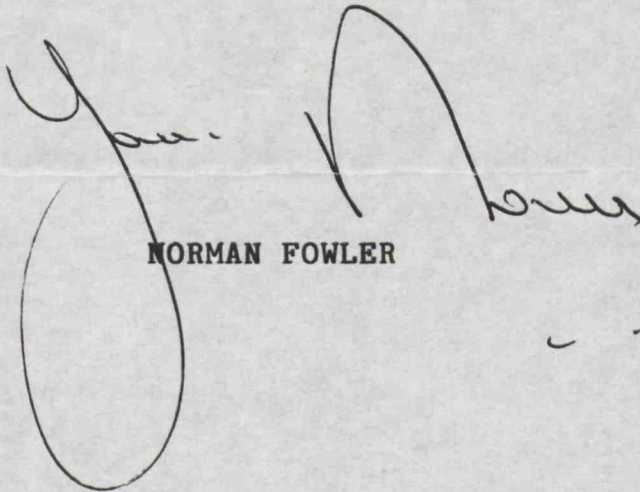


Secretary of State
for Employment

be paid to that aspect. Naturally this leads me to say that if a guarantee is not forthcoming from the private sector, an administrator should be appointed who would be able to ensure that this side of ROSPA's activities could continue.

Nevertheless I also have sympathy with David Young's view that ROSPA should be a more effective force for health and safety as an entity, and because of the significant interest of my Department in ROSPA's activities would wish to be kept informed of any rescue operation.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of States for Scotland, Wales, and Northern Ireland, the Secretary of State for Trade and Industry, the Attorney General and Sir Robin Butler.



NORMAN FOWLER



Home Affairs
Rosa May B

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THE DEPARTMENT
OF TRANSPORT



FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

My Ref:

Your Ref:

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and
Industry

1 - 19 Victoria Street
LONDON
SW1

John David

NBPm

*Rec 6
2/6*

21 JUN 1989

THE ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

rod hie
Thank you for your letter of 19 June about the future of RoSPA. I understand our officials have since been in touch to consider the line the Government's representative should take at the crucial meeting of the Society's Management and Financial Committee this Thursday.

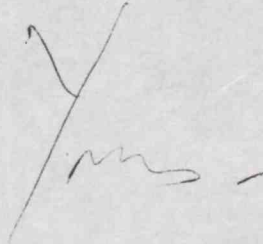
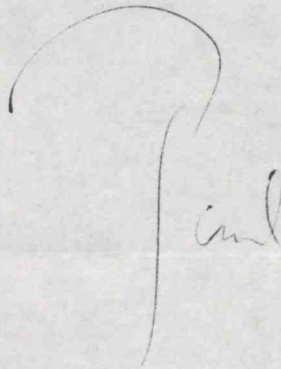
I agree with you that the right option still appears to be for the Society to have an Administrator appointed by the Court (Option 2 from the Coopers and Lybrand Report). That would give the best chance of the Society being rescued and restructured. Government Departments could discuss with the Administrator the future position regarding grant in aid.

I propose instructing our representative on the Management and Finance Committee to take this line unless, by then, a substantial and formal offer of support has been forthcoming from the private sector. I understand that the Association of British Insurers are considering whether they may be able to help, in particular, on the road safety side, but that the terms of their possible offer may create further financial problems for RoSPA's other areas of activity, and may therefore not be acceptable for the Society. If a formal offer from the ABI is put forward, we shall need to consider urgently the extent to which Departments with an interest in RoSPA can or should continue to provide grant in order to give the Society the best chance of restructuring those areas in which it would expect to remain active.

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I am sending copies of this letter to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and Northern Ireland, the Secretary of State for Employment, the Attorney General, and to Sir Robin Butler.

A handwritten signature in dark ink, appearing to be 'Y. ms.' with a horizontal line extending to the right.A large, stylized handwritten signature in dark ink, starting with a large 'P' and ending with a cursive 'Paul'.

PAUL CHANNON

CONFIDENTIAL

HOME AFFAIRS, RSOP MEM PG



dti

the department for Enterprise

cc/pu

MBM

ALC 6

19/6

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Rt Hon Paul Channon MP
Secretary of State for
Transport

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422

Our ref PS4CGJ

Your ref

Date 19 June 1989

Paul

ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

Thank you for sending me copies of your letter of 24 May to Douglas Hurd and your minute of 2 June to the Prime Minister. Officials of our two departments have been in touch over this problem, since the DTI also makes a grant in aid to RoSPA to support its work in home and leisure safety.

For a number of reasons, I agree with you that Option 2 - application to the Courts for an Administration Order - is the least damaging of the three options suggested by Coopers and Lybrand. I also support your view, now approved by the Prime Minister, that Government should refuse Lord Keith's request for £500,000 to enable the Society to be restructured under Option 3.

In deciding on the best course of action for Government in the slightly longer term we shall have to consider whether RoSPA should be rescued, how much public money should be spent on the operation and what shape or form we should seek to establish for a restructured RoSPA, in order to ensure that it is best able to carry out the functions which we believe to be in the public interest. I should like to express some preliminary views on these topics.

I think that RoSPA should be rescued and restructured, if this can be done at reasonable cost, rather than permitted to go under. In my view it would be undesirable to split RoSPA up into separate entities dealing with transport, work-place and home and leisure safety, since there are benefits from the Society's history, size and comprehensive range of operations. The rescue operation should be a joint effort by Government

the
Enterprise
initiative



the department for Enterprise

and the private sector. Any injection of Government money should be a once-off operation and should be enough, taken together with a comparable private sector injection, (if that can be arranged) to establish a satisfactory base for RoSPA to continue trading operations. These would then be supported by various Government Departments only to the extent that this represents good value for money. On the home and leisure side, my intention would have been to continue to support RoSPA to about the same extent as we have been doing over the past three or four years and to continue to work closely with the organisation.

It is of course clear that no time should be lost in implementing the package of cuts in expenditure recommended by Coopers and Lybrand.

I am sending copies of this letter to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and Northern Ireland, the Secretary of State for Employment, the Attorney General and to Sir Robin Butler.

A handwritten signature in dark ink, appearing to read 'J. H. H. and', is written over the typed text.



CONFIDENTIAL



File to

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 June, 1989.

Dear Katherine,

ROYAL SOCIETY FOR PREVENTION OF ACCIDENTS

Thank you for your letter of 8 June.
It was helpful to have the latest information,
and I note that you will be keeping me
in touch with developments.

I am sending copies of this letter
to Colin Walters (Home Office), Alex Allan
(HM Treasury), David Crawley (Scottish
Office), Stephen Williams (Welsh Office),
Stephen Leach (Northern Ireland Office),
Neil Thornton (Department of Trade and
Industry), Michael Saunders (Law Officers'
Department), and Trevor Woolley (Cabinet
Office).

*Yours,
Paul*

Paul Gray

Ms. Katherine Orrell,
Department of Transport.

CONFIDENTIAL

to

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THE DEPARTMENT
OF TRANSPORT



FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

My Ref:

Your Ref:

Dear Paul

-8 JUN 1989

ROYAL SOCIETY FOR PREVENTION OF ACCIDENTS

Thank you for your letter of 5 June.

Since the weekend, Lord Keith has telephoned my Secretary of State. He is making strenuous efforts with the banks and insurance companies, seeking sufficient guarantees for the next 12 months to win RoSPA the breathing space necessary to get its house in order.

The Secretary of State pointed out that some reasonably firm proposals would need to be on the table by the time RoSPA's Executive Committee meets on the 23rd, if they were to have any choice other than to go for immediate bankruptcy proceedings.

Lord Keith will telephone again towards the end of next week to report progress, and I will keep you in touch.

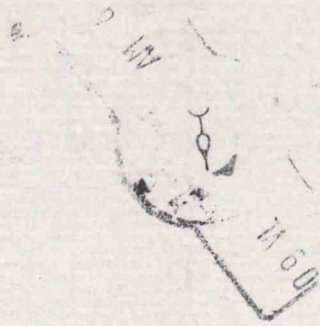
I am copying this letter to Colin Walters (Home Office), Alex Allan (HM Treasury), David Crawley (Scottish Office), Stephen Williams (Welsh Office), Stephen Leach (Northern Ireland Office), Neil Thornton (Department of Trade and Industry), Michael Saunders (Law Officers' Department) and Trevor Woolley (Cabinet Office).

Yours
Katherine

KATHERINE ORRELL
Private Secretary

CONFIDENTIAL

Home Affairs
Rovers May 89



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bc PU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 June 1989

Dear Katherine,

ROYAL SOCIETY FOR PREVENTION OF ACCIDENTS

The Prime Minister was grateful for your Secretary of State's minute of 2 June; she has also now seen his earlier letter of 24 May to the Home Secretary.

The Prime Minister is content with the proposed course of action.

I am copying this letter to Colin Walters (Home Office), Alex Allan (H.M. Treasury), David Crawley (Scottish Office), Stephen Williams (Welsh Office), Stephen Leach (Northern Ireland Office), Neil Thornton (Department of Trade and Industry), Michael Saunders (Law Officers' Department) and Trevor Woolley (Cabinet Office).

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FREEDOM OF INFORMATION
ACT 2000

Yours,
Paul

(PAUL GRAY)

Ms. Katherine Orrell,
Department of Transport.

CONFIDENTIAL

dg

THE SUNDAY EXPRESS June 4 1989

NEWS

Queen's safety experts face a go-broke crisis

by
JOHN VINCENT

ROSPA

THE biggest safety organisation in Europe is facing possible bankruptcy.

The Royal Society for the Prevention of Accidents, which has the Queen as its patron, has been warned by financial experts that it needs a cash lifeline of £400,000 and drastic reorganisation if it is to stay in business.

RoSPA gives safety advice on activities ranging from work to water sports. It is known to three million schoolchildren through the Tufty Club.

Its management committee, preparing for a damage-control meeting, has been told bluntly: "Act now or you'll go under."

Problems

Insiders believe the rescue package could include a cap-in-hand plea to Transport Secretary Paul Channon, redundancy for 40 of RoSPA's 200 staff, cutbacks in the newspapers and magazines it publishes and the scrapping of another department.

RoSPA president Lord Brougham and Vaux would only say: "Nobody will make any comment on this."

A spokeswoman at the Society's head office in Birmingham admitted: "We have some problems at the moment but they are being sorted out."

A confidential report by management consultants

Coopers and Lybrand — seen exclusively by the Sunday Express — says the organisation is in a "current crisis" and is financially insolvent.

It adds that RoSPA managers, due to tackle the crisis at a meeting in three weeks, face three stark choices. They can:

- Put the Society into voluntary liquidation
- Hand over its running to a specially-appointed legal administrator, or
- Get £400,000 from fresh backers and make spending cuts.

If the Society, which is both a charity and a business, were to fold Government and business would lose a vital source of information, advice and statistics.

RoSPA runs training courses for drivers and motor-cyclists and has a cycling proficiency scheme for children.

Promote

The Society also works to promote safety in the home, reduce accidents at work, on farms and on inland and coastal waterways.

RoSPA's incoming president Lord Keith of Castleacre, who is due to take over in October, met Mr Channon last Friday.

A spokesman for the Transport Department, which gives RoSPA £432,000 a year for its road safety work, refused to comment on what was said.

He added that the Govern-

ment, which had been aware of RoSPA's money problems, had commissioned the report from Coopers and Lybrand on which the Society was now acting.

The report says the Society's budget for this year is set to land it with a deficit of £395,000.

It goes on to add: "On the basis of the figures RoSPA is insolvent. Remedial action must be taken by the directors, otherwise they could be liable for wrongful trading."

Promise

"The room for manoeuvre is very limited. A 'non-insolvency' option is possible with the savings package, but only if funds or guarantees can be found to cushion the cash flow and pay for restructuring costs."

The "essential" promise of fresh money should provide a safety net of £400,000 and cover reorganisation estimated to cost £250,000, the report goes on.

Coopers and Lybrand associate director Kelvin Hard declined to comment.

"I think questions on RoSPA's own business ought to be addressed to them and answered by them," he said.

"We work on the basis that our work for clients is confidential."

Prime Minister

CONFIDENTIAL

This will clearly cause
embarrassment. But it
is difficult to see that
any other approach is
Prime Minister



Wait. Contact for Mr. Channon
to confirm that the Government
cannot help?

ccp
cc Press
Yes - I note we
continue to pay
our normal freight
attached.

ROYAL SOCIETY FOR PREVENTION OF ACCIDENTS

This was not
received
and we
only became
aware of it
today.
Plec
2/6

1. I sent you last week a copy of my letter of 24 May to
Douglas Hurd about RoSPA's financial crisis. The news is now
likely to become public this weekend.

2. Lord Keith and RoSPA's Treasurer and Chairman of their
Management and Finance Committee came to see me today. They
want the Society to avoid the bankruptcy courts, and to find
some way of continuing in normal business. RoSPA has adopted
the cuts package recommended by Coopers to turn round their
financial position. But a copy of the Coopers' Report on
RoSPA's position and the options for the future has got into the
hands of the Sunday Express who intend to run a story on Sunday.
RoSPA fear this will precipitate creditors' demands that they
will not be able to meet.

I hope the
Queen has been
informed
Please
check
with
Home
Office

3. Lord Keith's proposal was that the Government should
immediately guarantee £500,000 to stave off bankruptcy. I said
that, sympathetic though we are to RoSPA's aims, this was likely
to be impossible. Lord Keith said he hoped we would at least
consider the possibility over the weekend and I undertook to do
so (though I will be at the EC Transport Council meeting in
Luxembourg on Monday and Tuesday).

4. There is no doubt that there will be a big fuss when the
news breaks. Given recent public safety disasters (Hills-
borough, King's Cross and of course the continuing toll on the
roads) it may be argued that the Government cannot possibly let
founder a Royal Society responsible for promoting safety
measures. However, I cannot see how we could properly put up
the guarantees - in effect the money - that RoSPA are asking.
If they cannot get private guarantors, then the only option for

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them appears to be the one I identified in my letter to Douglas Hurd - putting the Society into the hands of an Administrator under the Insolvency Act.

5. Press Inquiries have already begun. We are taking the enclosed line and advising other Press Officers to do likewise.

6. When Lord Keith contacts me again - probably on Tuesday evening - I shall have to state our definitive position on his request for £500,000. Subject to the views of colleagues I feel I must say that regretfully the Government cannot help RoSPA with such a sum simply to cover its debts. It would be difficult to justify treating the RoSPA case differently from other equally worthy causes.

7. I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and Northern Ireland, the Secretary of State for Trade and Industry, the Attorney General and Sir Robin Butler.

P.C.

PAUL CHANNON

2 June 1989

CONFIDENTIAL

LINE TO TAKE

1. RoSPA is a private sector body and charity. Its financial viability is its own responsibility not the tax-payers.
2. The Government values the work it does on accident prevention and hopes this will continue. Specific activities it carries out at the behest of Government Departments on occupational, leisure, home and road safety have been funded for a number of years with grants currently totalling some £800,000 annually.
3. The Government has been aware of RoSPA's financial difficulties for some time. We value RoSPA's work. We commissioned Coopers & Lybrand to prepare a Business Plan. The Society is acting on Coopers' advice. We hope that RoSPA will be able to find a way through their difficulties that enables the Society to continue its safety activities on a well-managed basis.

Defensive Points Only

1. It is for RoSPA to say exactly what grants it gets. The Department of Transport is paying £432,000 this year for road safety publicity literature and training work.
2. If asked whether it is the reduction in Department of Transport grant that has precipitated RoSPA's difficulties, the answer is:-
 - i. we are in Year 3 of a 5-year grant agreement with RoSPA. This has existed since 1987. There are no surprises in the position for which RoSPA has not had ample time to plan;
 - ii. the grant is tapering over these years reflecting the wind-down of the Department's requirements from RoSPA for which it has been paying grant (some of the activities can and are being carried out by other bodies that have come on the scene);

iii. last year's RoSPA budget set in March took that level of grant fully into account. Sadly the loss over the year appears to have been far greater than that budgetted for. The reasons for that lie with RoSPA.

3. Who will do the work in future if RoSPA founders? In the unfortunate event of that happening, we will consider that urgently. The Government's commitment to road safety remains one of its high priorities.

4. Are you holding up the current grants/why have you released them now?

When the Society's difficulties became known to us, we agreed to pay the Society a special grant to enable them to employ Cooper & Lybrand to look at their finances, and prepare a Business Plan.

The Government delayed paying grants for the first quarter until it had seen Coopers' first report.

Coopers made that interim report to the Society on 30th May.

It proposes a Plan for bringing the Society's financial position into balance.

RoSPA has proceeded to take the necessary action.

We have therefore released this quarter's grant.





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EE

01 226 1000

My ref

Your re

The Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

Douglas Hurd

24 MAY 1989

ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

We face an awkward problem over the future of the Royal Society for the Prevention of Accidents (RoSPA). The Society, of which the Queen is Patron, has since the turn of the year been seeking to stave off insolvency. My Department, together with other Departments who give grant in aid to RoSPA, agreed in March to fund Coopers and Lybrand to draw up a viable medium term business plan. But the Society's Management Team has failed to keep tight enough control of the day to day business, and if they are not insolvent already, they are likely to be in the very near future. This means that any steps to remedy the position will have to be very radical and extremely urgent. We need collectively to consider the implications if an organisation of this standing were to fail, and also to consider how far we are prepared to go to prevent that happening. In particular we will need to ensure that if, for reasons of propriety, we find we can no longer pay the various Government grants, this does not lead to accusations that Government is responsible for finally making RoSPA's position impossible.

Coopers and Lybrand suggest that there are really only three options open to RoSPA. If latest figures show the Society to be insolvent, the Management and Finance Committee will of course have to call in the receivers. That would mean the end of the Society. I am advised that there can be no question of our paying Government grants once we know the body to be insolvent.

The second option is for the Committee to go to the Courts and seek an Administration Order, to allow them to take advantage of the special position that would place them in, and thus to restructure the Society. The third option is to find a financial backer who will provide either money or guarantees to the bank while restructuring of the Society takes place.

The Society's Management and Finance Committee meets on 30 May to consider these options. We expect that they will prefer option three, because it is less public, maintains continuity, and avoids giving the impression of total collapse.

While option three clearly has a number of advantages, including the important one that it would avoid much of the adverse publicity of options one or two, it presents a number of other problems. The Society is likely to approach the Government to see if additional funding or guarantees might be available. And because of the Society's complicated constitution, the task of restructuring it from within, without the benefit of the powers available to a Court appointed Administrator, would be immense. Option two, on the other hand, would certainly lead to considerable publicity, but would be more likely, in my view, to lead to a reasonably fast and efficient restructuring and salvaging of the Society.

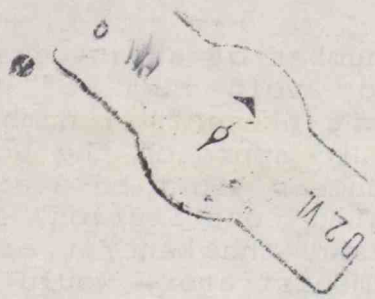
I see little prospect of the Society being able to make a go of option three. Finding a backer to the extent necessary will take too long, and in any case seems most unlikely to succeed. I therefore consider that the only realistic option is for RoSPA to ask the Court to appoint an Administrator, with the objective of restructuring the Society. The aim would be to allow a viable range of activities to be resumed as soon as practicable.

We shall need to consider what our public line should be once RoSPA's predicament becomes known. I suggest we make clear that we have always supported RoSPA extensively, value its work, and wish to see the Society continue, albeit in more efficient shape. We took steps earlier this year to help them develop the business, but events have overtaken them. We would welcome the appointment of an Administrator as the most efficient way of fairly quickly achieving a restructuring of the Society which will allow us to continue our support, and them to resume their main functions.

Because of the number of Departments with a direct interest in the Society, it is important that we should agree about handling the problem, and should speak with one voice. You may wish to consider whether at this stage you would want to warn the Palace, given that the Queen is RoSPA's patron. I fear we cannot rely on the Society doing so in its present condition. Unless colleagues disagree, I propose to instruct our representatives to take this line, and to endorse option two at the meeting of the Management and Finance Committee next Tuesday (30 May).

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Wales and Northern Ireland, the Secretary of State for Trade and Industry, the Attorney General and to Sir Robin Butler.

PAUL CHANNON





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01 276 3000

My ref

Your ref

Prime Minister²

The Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

24 MAY 1989

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PAUL CHANNON

Grey Scale #13



A

1

2

3

4

5

6

M

8

9

10

11

12

13

14

15

B

17

18

19



Inches

1

2

3

1

2

3

4

5

6

7

8

Centimetres

Colour Chart #13

Blue

Cyan

Green

Yellow

