

Confidential Filing

The sale of the old St George's Hospital site

NATIONAL HEALTH

January 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
22.1.82							
27.2.84							
10.4.84							
24.4.84							
9.5.84							
15.5.84							
16.5.84							
17.5.84							
23.5.84							
2.10.84							
26.10.84							
21.1.85							
1.4.85							
5.3.86							
18.3.86							
10.4.86							
23.4.86							

PREM 19/1862

cc/bhp

PRIME MINISTER

**ST. GEORGE'S HOSPITAL:
SALE OF HYDE PARK CORNER SITE**

Mr. Parkinson has mentioned to Mr. Idris Pearce of Richard Ellis, the chartered surveyors who advised DHSS in this sale that you were somewhat concerned about the arrangements finally agreed. Mr. Pearce telephoned me today to say that he is coming to the meeting of the Sainsbury Group on 30 April and would be very glad to give you some extra briefing on why the terms agreed were defensible and right. I thanked him for his offer which I would draw to your attention. I do not think that he will raise the matter with you and you of course need not raise it with him.

N. h. W.

ms

Nigel Wicks
23 April 1986

Handwritten scribble

CF

Proposed

*Sale of St Georges
Hospital site.*

NIGEL

Mr Idris Pearce of Richard Ellis

W.

(Chartered Surveyors) would be grateful
if you would telephone him about a
recent discussion you had with Cecil
Parkinson about St George's.

Preferably this morning, as Mr Pearce
will be out this afternoon.

01 629 6290

Anna



Prime Minister (2)

MBA 11/4

PRIME MINISTER

ms
1. M... - 15 see.
2. CF 15 pa.
CEB

ST GEORGE'S HOSPITAL: SALE OF HYDE PARK CORNER SITE

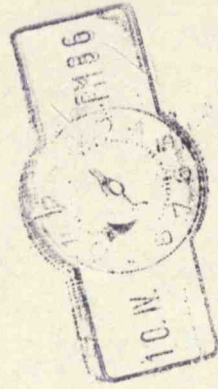
As reported in my Private Secretary's letter of 14 March, we offered the Grosvenor Estate the opportunity of signing a 'two payment' agreement for the purchase of our freehold interest in the St George's Hospital site. In accordance with the advice of the Attorney General we gave Grosvenor fourteen days to sign this agreement and made clear that if they declined to do so we would regard ourselves as free to treat with other parties.

In the event, Grosvenor decided that they did not wish to pursue the 'two payment' agreement because in their view it involved them taking an unacceptable financial risk. They made instead a final payment offer of £8 million. This contrasted with the single payment offer of £10.75 million which we had already received from HPC Trustees Ltd. On the advice of Richard Ellis, who are acting for us, and the Chief Valuers Office we have accepted this and the sale is due to be completed tomorrow. I propose to make a short press announcement of the sale then.

Ref.

N F

W. April 1986



CONDUNGTOR

III

27



10 DOWNING STREET

From the Principal Private Secretary

18 March 1986


ST. GEORGE'S HOSPITAL

The Prime Minister has seen and noted without comment your letter of 14 March in which you report on your Secretary of State's plans for carrying forward the disposal of the Government's interest in the St. George's Hospital site.

I am sending a copy of this to Henry Steel (Attorney General's Office).

(N.L. Wicks)

Tony Laurance, Esq.,
Department of Health and Social Security.



PRIME MINISTER

ST. GEORGE'S HOSPITAL

The background to the DHSS letter below is that the Grosvenor Estate recently gave DHSS seven days' notice to complete the transaction. DHSS have, in response, given the Estate 14 days to accept the original "two payment" agreement which has been under negotiation for the last 15 months. If they do not settle within that period, the Department will feel free to conclude a deal with another purchaser.

This looks to be a reasonable way forward. The Estate is being given the opportunity to purchase the site so this could avoid the accusations of bad faith which you feared.

N.L.W.

N. L. WICKS

mb

17 March 1986

L04ACN

CEBS



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Nigel Wicks Esq
Principal Private Secretary
10 Downing Street

14 March 1986

Prime Minister

Dear Nigel,

ST GEORGE'S HOSPITAL

Attached
As you know, my Secretary of State sought the Law Officer's advice on the line of action proposed in his minute to the Prime Minister of 3 March. The Attorney General has advised that, while he agrees with the view of our legal advisers that we are not yet contractually bound to sell to Grosvenor, if we sold to another party there is the risk that Grosvenor might sue us, and the possibility that they might succeed.

In view of the Attorney's advice, my Secretary of State considers that we have no realistic option other than to offer Grosvenor the chance to complete the "two payment" agreement that has been under negotiation over the last fifteen months. Negotiations on that agreement are now complete and Grosvenor have been invited to sign it. Our professional advisers estimate that it would yield about £9.5 million net at current prices, over three years. Grosvenor recently made an alternative offer of a single payment of £8 million, but that is plainly less attractive and we have declined it.

We do not know whether Grosvenor will now sign the "two payment" agreement. We have, however, made it clear that if they decline to exchange contracts we will regard ourselves as free to treat with other parties. In that eventuality Grosvenor could have no possible complaint and we would be safe from any allegation of having acted in bad faith. We have consulted the Attorney who has confirmed that this is a prudent and respectable line of action for us to pursue.

If Grosvenor decline to go ahead with the "two payment" agreement, we will try to conclude a deal with the prospective purchaser who has already offered to buy our interest for a single payment of £10.75 million. Although we cannot be sure that that offer will still be open in two to three weeks time, there are indications that

E.R.

171 it will be. If not, we will seek to generate other offers for the early outright purchase of our interest. We cannot allow this site to remain derelict for much longer.

I am copying this letter to Henry Steel (Attorney General's office).

Yours sincerely

A. Laurance

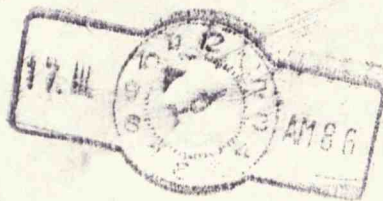
Private Secretary

NATIONAL HEALTH

ST GEORGE'S HOSPITAL

1/82

COMMUNICATIONS



MS2BP2
file
6



10 DOWNING STREET

From the Principal Private Secretary

5 March 1986

ST GEORGE'S HOSPITAL: SALE OF HYDE PARK CORNER

Your Secretary of State sent the Prime Minister a minute on 3 March about his proposals for carrying forward negotiations regarding the disposal of the Crown's interest in this site.

The Prime Minister believes that to have negotiated with the Grosvenor Estate all this time and then to go for an alternative offer would be regarded as really bad faith, especially remembering the history of refusing the District Valuer's valuation.

I should be grateful if, before any action is taken, your Secretary of State could provide the Prime Minister with further assurance that the course proposed in his minute is the right one.

N.L. Wicks

Tony Laurance Esq
Department of Health and Social Security



1. Mr. Hicks N.G.W. 4.3

2. Prime Minister

PRIME MINISTER

To replicate all that has been done so far, an offer would be really better - especially remembering the difficulty of valuing the site

ST GEORGE'S HOSPITAL: SALE OF HYDE PARK CORNER SITE

You will remember that we have been in negotiation with the Grosvenor Estate about their proposed purchase of the Crown's interest in the site. The negotiations have been complex and protracted. Regrettably, it has been our impression that Grosvenor have been deliberately dragging their feet. Richard Ellis, who are acting for us, advise that Grosvenor were in a position to conclude the agreement "many, many months ago". The negotiations are, however, now nearly complete and provide for an immediate payment of £6.1 million, together with a second payment in about three years, which Richard Ellis believe should be £4 - 5 million. The complexity of the agreement will impose expenses on both sides, and we judge that it would turn out to be worth about £9.5 million to us at current prices, over three years.

Grosvenor have now, recently, made an alternative offer - a single payment of £7.75 million immediately, plus a contribution (possibly £100,000) towards our professional expenses. This offer, not so far confirmed in writing, would be worth about £7.75 million to us.

While we have been negotiating with Grosvenor, we have received numerous unsolicited expressions of interest in our land from new prospective purchasers. One of these has now matured into what we believe is a genuine offer of an immediate once and for all payment of £10.75 million. After allowing for our professional fees and other minor expenses that would be worth about £10.6 million, and is clearly better than either of Grosvenor's offers.

This places us in a difficulty. On the one hand, there has long been a strong presumption that we would sell to Grosvenor. On the other hand, we have a duty to the public purse and cannot ignore the offer producing a net £10.6 million.

E.R.

We need to clarify with Grosvenor the precise status of both their offers. I have, therefore, asked officials to write to them inviting their best and final offer and telling them that there have recently been unsolicited offers from various prospective purchasers. We should aim to secure an offer reasonably comparable to a net take of £10.6 million and if that is forthcoming to press for an agreement immediately.



} March 1986

N F

NAT HEALTH: St George's Hospital, Jun 1982



RECEIVED

THE GROSVENOR ESTATE

TRUSTEES
THE DUKE OF WESTMINSTER
SIR RICHARD BAKER WILBRAHAM, Bt.
H.A.C. EDWARDS
J.N.C. JAMES
M.D.T. LOUP
J.R. SCLATER

THE GROSVENOR OFFICE,
53 DAVIES STREET,
LONDON, W1Y 1FH.

SECRETARY: J. E. HOK

TELEPHONE
01-408 0988
TELEGRAMS
GROUSE LONDON WI
TELEX 27401



*NBDM
3/4*

The Rt. Hon. Kenneth Clarke, QC, MP,
Minister for Health,
Department of Health and Social Security,
Alexander Fleming House,
Elephant & Castle,
London, SE1 6BY.

1st April, 1985

My Sec Minute

ST. GEORGE'S HOSPITAL

Thank you for your letter dated 21st March 1985. I share your concern but, equally, I am certain there is no lack of endeavour on our part to resolve a complex series of arrangements.

The difficulties giving rise to the present position appear to stem not so much from the terms of the agreement we reached last October, but rather from the undertakings, commitments and approvals additional thereto required in the documentation by the Department. In the context of a fundable and commercially acceptable document, many seem unduly oppressive bearing in mind the short-term nature of the Department's interest. Inevitably a number of these requirements involve fundamental amendments to our existing agreement with the LIB and thus take time to resolve. However, following further meetings last week, I am hopeful that significant progress can be made very shortly.

Today, I have seen a copy of Messrs. Boodle Hatfield and Company's letter to Messrs. Linklaters and Paines dated 1st April in which the unresolved and outstanding points of principle are clearly identified. Messrs. Boodle Hatfield & Company will be seeking early meetings to settle these matters.

Whilst I understand only too well your feelings of frustration at the apparent delay, a number of interlocking agreements are involved which can only be dealt with on a step-by-step basis. I can assure you, however, that we are anxious to settle these matters as soon as possible in order that we can move into the development phase.

Yours Sincerely

J.N.C. James

J.N.C. James

Nat Leath St. Georges Hospital
Jan. 82



APR 3 1985

To Mark Addison Esq
1010 Downing Street



With the Compliments of
the Private Secretary to
the Minister of State (Health)

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House

Elephant and Castle

London, S.E.1.

Copy of reply as requested
24.85 ✓ [Signature]



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 ALEXANDER FLEMING HOUSE
 ELEPHANT AND CASTLE LONDON SE1 6BY
 TELEPHONE 01-407 5522 EXT

From the Minister for Health

Mark Addison Esq
 The Private Secretary
 10 Downing Street
 LONDON
 SW1

BF // NBPm
 await response.

21 March 1985

Dear Mr Addison,

ST GEORGE'S HOSPITAL

In view of the Prime Minister's previous interest in the sale of this property, you may wish to be aware of the attached letter sent today to Grosvenor Estates.

yours sincerely

Anne Cowell

MISS A COWELL
 Assistant Private
 Secretary

ENC

**DEPARTMENT OF HEALTH AND SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Minister for Health

J N C James Esq
The Grosvenor Estate
The Grosvenor Office
53 Davies Street
LONDON
W1Y 1FH

21 March 1985

Dear Mr James,

ST GEORGE'S HOSPITAL

You will recall our luncheon meeting in October, when we were able to agree upon the terms of a formula which would operate to establish finally the price for the Department's freehold property at St George's Hospital. The detailed terms of our agreement were clearly set down in my letter to you dated 16 October 1984.

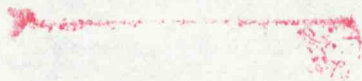
You may therefore understand my considerable surprise when I learned that nearly five months after our meeting, matters have still to be resolved. A contract accurately reflecting our agreement was issued to your lawyers in early January and I understand that although meetings have taken place, there seems little resolve on the part of the estate or its advisers to bring matters to a conclusion.

It would be disappointing indeed if you and I had to once again be in personal contact concerning this now much protracted situation and in all the circumstances, may I request that you take whatever steps are necessary to ensure an exchange of contracts without further unnecessary delay.

Best wishes,

KENNETH CLARKE

St George's
Hospital



11
10
9
8
7
6
5
4
3
2
1

22
MAY 1905

00
Prime Minister

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

I am pleased to be able to report that, despite their recent announcement of withdrawal from negotiations, we have now reached agreement with the Grosvenor Estate over the sale of St George's Hospital, Hyde Park Corner. They will be paying us a downpayment of £6.1 million in the near future with a formula being used to determine the size of any further payment once the development has been completed. This formula, which depends on the eventual cost of the development and the rental achieved by it, is of the form we have been urging on Grosvenor for some time. We will be announcing the settlement tomorrow in a low-key manner and in terms agreed with Grosvenor.

CONFIDENTIAL

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by a smaller 'M' and a period. Below the signature is a horizontal line.

22 October 1984

DHSS AGREES SALE OF ST GEORGE'S HOSPITAL TO GROSVENOR ESTATE

The DHSS has agreed terms with the Grosvenor Estate for the sale of its freehold interest in the now disused St George's Hospital, Hyde Park Corner.

This will involve the sale of approximately an acre of land including Nos 1-9 Knightsbridge and about 50 per cent of the buildings fronting Hyde Park Corner for an initial payment of £6.1 million, to be followed by a further payment linked to the rental achieved upon completion of the proposed 135,000 sq ft redevelopment scheme.

The Grosvenor Estate already own the remaining freehold interest in the site.

Richard Ellis represented the DHSS and Gerald Eve represented Grosvenor Estates the successful completion of which frees one of London's most prestigious commercial property locations for a redevelopment scheme which will retain some of the important architectural features of the existing building, whilst providing a new lease of life for the site as a whole.



10 DOWNING STREET

THE PRIME MINISTER

2 October 1984

Y
Tom Grace

Thank you for your letter of 14 September. I am indeed sorry that you have decided to break off negotiations with the Department of Health and Social Security concerning the sale of the site of the former St. George's Hospital. I understand that the negotiations which had resumed when I wrote to you on 16 May had come very close to reaching agreement. Certainly a formula under which an extra payment would only be payable by the Estate if the Department's calculations turn out to be correct had seemed the most promising way of reconciling the differences between the Estate and the Department about the valuation of the site.

Norman Fowler has told me that he is very ready to have negotiations resume on the basis of the formula which was under discussion and I very much hope that this will happen. It would be unfortunate if, given the efforts which have already taken place, the two parts of the site had to be developed separately. I am glad to hear, therefore, that a meeting is now to take place between Kenneth Clarke and Mr. James.

Kind regards,

Yours sincerely

Raymond Storer

His Grace The Duke of Westminster, D.L.

Mr Butler to NSU

3



[Handwritten initials]

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

*Prime Minister
Reply to the Duke
of Westminster attached
for your signature if
you agree.*

David Barclay Esq
Private Secretary
10 Downing Street

28 September 1984

FERS

1.10.

Dear David

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

Thank you for your letter of 20 September. I enclose, as requested, a note setting out the history of negotiations between the Department and the Grosvenor Estate, particularly during the last few months. I also enclose a copy of the letter which the Minister for Health wrote to Grosvenor after they had told us that they were breaking off negotiations. As you will see from the letter, Grosvenor's decision came as a considerable surprise to Ministers as we had seemed to be nearer to a successful conclusion of the negotiations than ever before.

Grosvenor have attempted to present the breakdown as being the result of intransigence on the part of the Department. They have implied that their withdrawal from negotiations was because ^{we} were were demanding a price of £10 million, compared with their offer of £6 million, and that we had rejected reference to the Land Tribunal. In fact, the negotiations have been proceeding on a quite different basis for nearly a year. Since we could not agree on a once-for-all payment, we have been pursuing a profit-sharing formula under which Grosvenor would make an initial payment of £6.1 million and would only make a further payment if the profitability of the development turned out to be nearer to our assessment than to theirs. The additional payment was to be assessed on the basis of the rental value actually achieved and the conversion cost actually incurred.

At the beginning of this month, we appeared to have reached agreement on the principles of the formula but Grosvenor's agents wished to modify some of the figures to be used in it. In particular, they wished to increase the base rental figure above which additional payments would be required from £2.4 million to £2.85 million. Ministers considered this matter on 14 September and decided that it would be right to make some concession on the rental value even though

E. R.

the figures of £2.4 million was Grosvenor's own estimate. Our agents, Richard Ellis, were then authorised to continue negotiations on this basis. The next we heard was Grosvenor's decision to break off negotiations.

The summary breaking off of negotiations by Grosvenor at this stage and their presentation of the background seems quite out of proportion to the difference between the two sides. I am glad to be able to report that, following the robust line taken by Ministers here in response to Grosvenor's announcement, Mr James of the Estate has written suggesting a Ministerial meeting and Mr Clarke has agreed to this. It will provide us with a useful opportunity to make sure that Grosvenor understand our proposal - their public statements and recent letters suggest that they may not - and to get negotiations going again.

I attach a draft reply for the Prime Minister to send to the Duke of Westminster.

Yours
Steve

S A Godber
Private Secretary

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

The Estate's original offer, made in March 1983, was for £6 million with the Estate also meeting all planning costs so far expended (£0.2 million). Richard Ellis, who in April 1983 were asked to provide a second opinion, valued the Department's share of the site at £9.8 million. This was not acceptable to the Estate and on 30 November 1983 the Estate formally broke off negotiations. At this stage the Estate suggested that the matter should be referred to the Lands Tribunal for arbitration. The Department rejected this as not being appropriate since we were not obliged to sell to the Estate.

Despite breaking off negotiations the Estate wrote to the Department on 14 December 1983 suggesting a meeting, which took place on 16 December. At this meeting we suggested, since it was obvious that agreement was not going to be reached on the capital value of our part of the site, the idea of a "some now, some later" formula which would provide an initial lump sum and a further payment, based on the profitability of the development, once the site had been developed.

On 25 January 1984 the Estate put forward such a formula. On 6 February we rejected the Estate's formula (Richard Ellis' view was that it was designed to give us an initial payment of £5.5 million and nothing more) and put forward some tentative thoughts on a differently based formula. On 8 February we met with the Estate and on 15 February we wrote outlining our objections in full.

On 17 February the Estate invited us to put forward our ideas on a formula. This we did and on 7 March a meeting between the Department, Richard Ellis, the Estate and Gerald Eve was held in an attempt to reconcile the differences. This failed.

On 14 March the Estate informed the Secretary of State that they had decided to withdraw from the negotiations.

On 25 April Richard Ellis submitted a revised formula designed to meet the Estate's objections to the previous formula.

On 3 May Gerald Eve gave initial comments on the new formula and during May there were various discussions between the parties which culminated in a letter from Richard Ellis dated 19 June outlining our response to Gerald Eve's initial (and by now other) comments on the formula.

During June and July there was a flurry of related activity - viz PQs and letters to Ministers - and a number of meetings between Richard Ellis and Gerald Eve.

On 24 July Gerald Eve wrote to Richard Ellis continuing the argument and on 1 August Richard Ellis replied. On 8 August Gerald Eve wrote again continuing the argument but hinting of concessions. Following this letter Richard Ellis and Gerald Eve met for some "off the record" talks.

On 7 September Gerald Eve wrote conceding:

- 1) the amount of the lump sum payment to be £6.1 million;
- 2) any movement as a result of the later payment to be in an upward direction only;
- 3) the Department's involvement in monitoring the development.

But their letter proposed alterations in the figures provided by themselves used in the formula.

On 13 September Richard Ellis replied with arguments about the figures. The same day Gerald Eve replied to the effect that their offer, made on 7 September, was final.

The position was considered again by Ministers on 13 and 14 September and following the meeting of 14 September Richard Ellis spoke to Gerald Eve on the telephone offering a concession on the one remaining point at issue. On 17 September the Location of Industry Bureau (the potential occupiers of the site) told us that Grosvenor Estate would break off negotiations; and on 19 September the Estate informed us of their decision.

DRAFT REPLY TO THE DUKE OF WESTMINSTER

Thank you for your letter of 14 September. I am indeed sorry that you have decided to break off negotiations with the ^{Department of Health and Social Security} DHSS concerning the sale of the site of the former St George's Hospital.

I understand that the negotiations which had resumed when I wrote to you on 16 May had come very close to reaching agreement.

Certainly a ~~profit sharing~~ ^{under which extra payments would only payable by the Estate if the} formula had seemed the most promising

way of reconciling the differences between the Estate and the DHSS

^{Department} about the valuation of the site.

^{Department's calculations}
turn out to be correct

Norman Fowler has told me that he is very ready to have negotiations resume on the basis of the formula which was under discussion and I very much hope that this will happen. It would be unfortunate if, given the efforts which have already taken place, the two parts of the site had to be developed separately. I am glad to hear, therefore, that a meeting is now to take place between Kenneth Clarke and Mr James.



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister for Health

Donald de Parc Braham Esq
Director
Location of Industry Bureau
34 Great Smith Street
LONDON
SW1P 3BU

21.9.84

Dear Mr de Parc Braham,

Thank you for your letter of 17 September about St George's Hospital, Hyde Park Corner.

I am sorry that I did not reply immediately but it was not until yesterday that I was formally told of the Estate's decision to break off the negotiations. My reaction to their letter was one of surprise and disappointment since my understanding of the situation was that there was only one point of difference between the Estate and ourselves on the formula proposed by Richard Ellis. As recently as last Friday I authorised our agents to continue negotiations and to adopt a flexible attitude to the one remaining point of difference, provided that some flexibility was also shown by the Estate. To be so near a settlement and then to find negotiations abruptly broken off is most frustrating. For our part we are prepared to continue negotiations and I have today written to the Estate in the hope that they will reconsider their attitude. I fully appreciate the difficult position in which you find yourself and I understand how frustrating the lack of progress must be for you but I do not think that much would be achieved by our meeting at this stage. If the Estate are not prepared to resume negotiations my officials, in conjunction with our agents, will need to consider urgently, the future of the Wilkins Building and of our part of the site generally. I would be happy to meet you then to discuss our mutual interests and the best way forward.

KENNETH CLARKE

NAT HEALTH: St Georges Hospital
Jan '82



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 Alexander Fleming House, Elephant & Castle, London SE1 6BY
 Telephone 01-407 5522

From the Minister for Health

J N C James Esq
 The Grosvenor Estate
 The Grosvenor Office
 53 Davies Street
 LONDON
 W1Y 1FH

cc Mr Godber
 Ms McKessack
 Mr Joyce
 Mr Doran
 Mr Bolton
 Mr Gavlick
 Mr Lillywhite
 Mr Wood

21.9.84

Dear Mr James,

Thank you for your letter of 19 September to the Secretary of State about the site of the former St George's Hospital at Hyde Park Corner. Norman Fowler has asked me to reply on his behalf.

I am afraid that my reaction to your letter is one of surprise and disappointment that you have chosen to withdraw from the current negotiations. I have kept in close touch with the negotiations and I understand that the position had been reached where, on the formula proposed by our agents, there was only one point of difference between us - viz the estimated rental value which we wished to retain at your original figure of £2.4 million as opposed to your current proposal of £2.85 million. As recently as last Friday I discussed this with our agents and authorised them to continue negotiations on this aspect and to take a flexible line - providing that our flexibility was reciprocated. For the Estate to break off negotiations at this point seems to me to be premature and yet another example of the Estate's unwillingness to negotiate in a sensible way.

I cannot therefore accept your contention that we have not been serious in our attempts to reach agreement or that the proposals put forward by our agents have been unrealistic. I would point out that on the present formula no additional payment will become due to the Department if the Estate's calculations of the potential profitability of the site are, in the event, correct. An additional payment will only become due if the Richard Ellis' calculations are correct and since you hotly dispute their calculations I fail to see why, if you have confidence in your figures, you are so reluctant to put the matter to the test. I must also point out that the Department has never broken off negotiations. We are still prepared to negotiate and still of the opinion that a negotiated settlement can be achieved. The blame for the present breakdown clearly rests with the Estate and we have made this clear in our response to your press release.

I hope that you will reconsider your decision and resume negotiations but, in the meantime, I have noted your statement that you intend to go ahead and develop your part of the site independently.

My officials, in conjunction with our agents, will therefore have no option but to consider the future of our part of the site and of the Wilkins Building and will be in touch with the Estate about this in due course.

J. N. C. James

KENNETH CLARKE

Duke of WESTMINSTER

25/9



VSC.

10 DOWNING STREET

From the Private Secretary

20 September 1984

I enclose a copy of a letter to the Prime Minister from the Duke of Westminster about St. George's Hospital.

I should be grateful if you could provide as soon as possible a background note on the course of the negotiations between the Grosvenor Estate and your Department since this matter last came to the Prime Minister's attention, together with a draft reply for the Prime Minister's signature.

(David Barclay)

S.A. Godber, Esq.,
Department of Health and Social Security.

SR

Acad 2079

THE GROSVENOR ESTATE

TRUSTEES

THE DUKE OF WESTMINSTER
SIR RICHARD BAKER WILBRAHAM, Bt
P.H.D. CRICHTON
H.A.C. EDWARDS
J.N.C. JAMES
M.D.T. LOUP
J.R. SCLATER

THE GROSVENOR OFFICE,

53 DAVIES STREET,
LONDON, W1Y 1FH.

SECRETARY: J. E. HOK

TELEPHONE
01-408 0988

TELEGRAMS
GROUSE LONDON W1

TELEX 27401

1) Mr Butler
2) Prime Minister
I will ask DHSS for a report
and a draft reply.

The Rt. Hon. Mrs. Margaret Thatcher, MP,
10 Downing Street,
London, S.W.1.

mt

Dictated: 14th September, 1984 ^{DMB} 19/9

My Dear Prime Minister,

RE: ST. GEORGE'S HOSPITAL

I write to you concerning the above as you were kind enough to show an interest in this important project when I called upon you some time ago.

It is with a great sense of sadness that I have to inform you that we have decided to break off all negotiations with the DHSS concerning the purchase of their freehold interest. We have tried hard to come to terms within the context of an economically viable scheme but, frankly, the intransigence and lack of realism shown by the Department and their advisers over many months leaves us with no alternative. Against the background of our detailed negotiation and agreement with the District Valuer, acting on behalf of the Department, coupled with the valuation advice we have received from three firms of chartered surveyors, we find the 'second opinion' from Richard Ellis to be out of touch with reality. Equally, we were disappointed at the Department's summary rejection of our suggestion that in an endeavour to reach a settlement fair to both parties, the matter should be referred to the Lands Tribunal.

We, for our part, over two years have lived up to our obligations and it is sad to see an exciting and original scheme die because of the attitude of the Department and their advisers.

As I leave on Exercise Lionheart in the morning, I am asking Jimmy James to sign this letter on my behalf.

Yours sincerely,

Westminster
pp [Signature]

THE DUKE OF WESTMINSTER

I have spoken to DHSS, who are shattered. They thought that they were just about to reach a deal with Grosvenor.

The account I have been given suggests that DHSS had put a reasonable proposition to Grosvenor

F.R.B. 19.9.

NAT HEALTH

8r genys

Jane

15 LEX STAGI
GRAND LONDON W1
TELEGRAMS
15 LEX STAGI

THE GROSVENOR ESTATE

THE GROSVENOR OFFICE
23 DAVIES STREET
LONDON, W1Y 1FH
SECRETARY, L. HOB

TRUSTEES
THE DUKE OF WESTMINSTER
27, BEDFORD SQUARE, W.1
P. H. B. BENTON
H. C. BENTON
J. M. JAMES
R. O. L. JONES
J. R. SCOTTER

15 LEX STAGI
GRAND LONDON W1
TELEGRAMS
15 LEX STAGI

15 LEX STAGI

COMMISSIONER



I have spoken to DMS
who are pleased. They thought
that they were just about to
make a deal with Grosvenor.
The account I have been
given suggests that DMS had put a
tentative proposition to Grosvenor

15 LEX STAGI

THE GROSVENOR ESTATE

THE 4TH DUKE OF WESTMINSTER'S SETTLEMENT

pa
Dubs
29/5

TRUSTEES

THE DUKE OF WESTMINSTER
SIR RICHARD BAKER WILBRAHAM, Bt.
P. H. D. CRICHTON
J. N. C. JAMES
M. D. T. LOUP
J. R. SCLATER

EATON ESTATE

AGENT R. M. C. JONES. F. R. I. C. S.

EATON ESTATE OFFICE,
ECCLESTON,
CHESTER. CH4 9ET.

TELEPHONE: CHESTER (0244) 673555

WVI/VJB
23rd May 1984

1) Mr Butler
2) Prime Minister (4)

see pps
mb

Dear Prime Minister.

Thank you very much indeed for your letter dated 16th May 1984, concerning St. George's. I quite understand that you cannot intervene in the negotiations between ourselves and the DHSS, but now that we appear to be gradually drawing together I feel a conclusion to this all too lengthy dialogue is on the horizon. Myself and my colleagues are very grateful to you for your understanding and interest in this matter. Incidentally we had no pre-warning of the questions put down in the House last Thursday from Messrs. Cox and Dubs.

attached -

Finally, on NSPCC matters, I would like to reiterate my very grateful thanks to you for your endeavours on our behalf. Firstly for the Government grant that you announced at the AGM and secondly for your Dinner which we are holding shortly, from which we anticipate to make £750,000 - £1m. It goes without saying that it is only with these shots in the arm that our task will become possible and all of us on the Industrial Committee are grateful for your unprecedented support, which we sincerely feel it to be.

With my renewed thanks and best wishes.

yours sincerely
Margaret Thatcher

The Rt Hon Margaret Thatcher PC MP
The Prime Minister
10 Downing Street
LONDON.

NATIONAL HEALTH : St Georges Hospital
Jan 82



- 12/1/82

HANSARD EXTRACT Thursday 17 May
Written Answers : Col. 250.

St. George's Hospital Hyde Park Corner

Mr. Tom Cox asked the Secretary of State for Social Services what is the present position as to the sale of St. George's hospital, Hyde park corner; and if he will make a statement.

Mr. Kenneth Clarke: I refer the hon. Member to my reply to my hon. Friend the Member for Mid-Staffordshire (Mr. Heddle) on 15 February at column 231.

Negotiations are continuing, and I will make a statement when agreement is reached.

Mr. Dubs asked the Secretary of State for Social Services how long St. George's hospital at Hyde park corner has been closed; what plans he has to dispose of the building; and what is his estimate of its likely value.

Mr. Kenneth Clarke: The premises at Hyde park corner closed in 1980 when the hospital moved to Tooting. In 1982, approximately half of the site was sold to the Grosvenor estate for £23,700 under its right of pre-emption. We are at present negotiating for a possible disposal of the remainder of the site to the Grosvenor estate which holds a planning consent for the development of the whole site. The value of the site is the main subject of the negotiations and our aim is to reach agreement on its full market value.

File

059

17 May 1984

ST. GEORGE'S HOSPITAL, HYDE PARK CORNER

The Prime Minister was grateful for your Secretary of State's minute of 16 May on this subject which she has seen and noted. I am enclosing a copy of the letter which she has written to the Duke of Westminster, on the lines agreed.

E. E. R. BUTLER

Steve Godber, Esq.,
Department of Health and Social Security.

EG



1) Mrs Butler

2) Prime Minister - for information

Sir K. Stowe told me that he had supported the Ministers' decision but I am surprised

to see x/.

FERB
16.5

Handwritten initials

Prime Minister

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

When we met last week, I undertook to look again at the circumstances and precedents for our seeking a second opinion after the District Valuer had recommended acceptance of the offer of £6 million for St George's Hospital from Grosvenor Estates.

I can confirm that we know of no precedent for adopting this procedure and I think it unlikely that we would do so again for the reasons I shall outline below.

Nonetheless, I believe the decision was justified. On receipt of the District Valuer's recommendation, my officials examined the proposal and concluded that, while the figure of £6 million might have been the best which the District Valuer could persuade Grosvenor Estates to offer, it did not, on the face of it, represent the full market value of the site. This assessment - while not being one on which we would have been justified in resting finally - was sufficiently well founded to lead the Accounting Officer to conclude that "Ministers would be most unwise to rush to complete a sale for £6 million without seeking further professional advice (ie over and above that of the District Valuer)".

X

In the light of this advice it was decided that a second opinion should be obtained from Richard Ellis and Partners. This second opinion was provided within a month and gave us sufficient grounds to believe that the original assessment made by the Department was correct. At this point, it seems to me that we would have behaved quite improperly had we not proceeded to reopen negotiations.



As to whether this is a procedure we would want to follow in the future, I think it is necessary to recognise that we have now changed practice in this area. I think it most unlikely that, if we were in the same situation again, we would ask the District Valuer to act for us. It is practically certain now that we would involve a private agent from the start, particularly in such a special case as this. This is consistent with our objective of encouraging the National Health Service to be more active and more imaginative in realising its surplus assets following the Report of the Ceri Davies Inquiry into under-used and surplus property in the NHS. I have now set up a National Property Advisory Group with members drawn both from the private and public sectors, to advise us on issues such as this.

As I told you when we met, we have had a more positive response from Grosvenor to our latest offer to them. I am now rather more hopeful that this will enable us to reach a satisfactory conclusion to the negotiations before too long.

16 May 1984

NF

National Health Ins. Co.



St Georges Hospital

10 MAY 1994



COMMISSIONER

10



10 DOWNING STREET

THE PRIME MINISTER

16 May 1984

Y
Tom Grace.

Mr. John James wrote to me on 14 March about the negotiations for the sale of the site on St. George's Hospital, enclosing a copy of his letter of the same date to the Secretary of State for Social Services. You had told me previously of your concern about the procedures followed by the Department of Health and Social Security in this case.

I have discussed this matter with Norman Fowler. He and I regret that this matter has been so long delayed.

Norman Fowler acknowledges that the procedure of seeking a second professional opinion from the private sector after a negotiation had been conducted through the District Valuer was an unusual one, and indeed that the DHSS have not followed that course before. I can therefore understand your feelings that the Grosvenor Estate have been treated exceptionally.

Norman Fowler has assured me that this two-stage procedure is not one which the DHSS would normally expect to

/follow

da

follow in future, but his judgement is that this sale is exceptional, both in terms of the importance of the site and of the unusual arrangements governing it. He therefore took the view that the public interest required him to obtain a second opinion.

You will recognise, I know, that I cannot intervene in the negotiation between the DHSS and the Grosvenor Estate. I understand, however, that a basis may now have been found for the resumption of negotiations, and I hope that this will now lead to a settlement which is acceptable and fair to both sides.

Y
ours sincerely

Nagant Dhalter

MR BUTLER

P.L. file

15 May 1984

ST GEORGE'S HOSPITAL

I have read the selected papers that were shown to me on this subject.

They do not give sufficient information to be able to value the project and to adjudicate between Richard Ellis and the District Valuer.

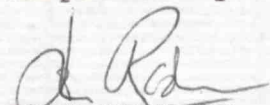
According to the information in these documents, there is only one possible prospective buyer, the Grosvenor Estate. Any sale to a third party would require the consent of the Grosvenor Estate and entail valuing their option.

The public interest would be best served by rapid progress in the negotiations for sale, with some mutual protection of the two parties' interests. The suggested formula of a down payment of £6 million - the District Valuer's valuation - combined with some agreement over the sharing of any additional gain in the light of the results of the development, would seem a just way forward.

The DHSS would then be able to say, in response to questions, that:

1. They had achieved the District Valuer's valuation, which was the normal valuation they sought to achieve in sales of public assets.
2. In the light of commercial advice that a higher value was achievable, they had protected the Government's position by negotiating a satisfactory option for a share of success in the development.
3. Given the nature of the option which the Grosvenor Estate have, and their role in the development, it was not possible to put the building out to tender for other purchasers without the agreement of the Grosvenor Estate; and this agreement would have required a similar type of negotiation to that undertaken.

I would want to see documentation relating to the Richard Ellis and District Valuer's valuations, and the legal advice, and to discuss the matter widely with all those who have been handling the negotiations before confirming the robustness of this approach for any future Parliamentary Questions. I am, however, satisfied that the general principles enunciated above are sensible and that the best way forward on the evidence of the papers I have seen lies with a successful, more speedy and tough negotiation completed by the DHSS with the Grosvenor Estate.


JOHN REDWOOD

LASABB

ce JR



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 ext 6981

From the Permanent Secretary

Sir Kenneth Stowe KCB CVO

F E R Butler Esq
Principal Private Secretary
10 Downing Street
London SW1

15 May, 1984

See Robin.

*Pl. type
It is attached
for the PM's signature*

ST GEORGE'S HOSPITAL

Thank you for your letter of 9 May. We have amended your draft slightly and I attach a copy of the revised version. We are now, we trust, very close to agreement with Grosvenor and a letter such as this should help.

I have not yet been able to agree this draft letter with my Secretary of State but in view of the urgency I am sending it to you direct. If my Secretary of State has any comments we will phone them through.

Yours sincerely

K.S.

ENC

E. R.

DRAFT LETTER FROM THE PRIME MINISTER
TO THE DUKE OF WESTMINSTER

Mr. John James wrote to me on 14 March about the negotiations for the sale of the site of St. George's Hospital, enclosing a copy of his letter of the same date to the Secretary of State for Social Services. You had told me previously of your concern about the procedures followed by the Department of Health and Social Security in this case.

I have discussed this matter with Norman Fowler. He and I share your regret that this matter has been so long delayed. He acknowledges that the procedure of seeking a second professional opinion from the private sector after a negotiation had been conducted through the District Valuer was an unusual one, and indeed that the DHSS have not followed this course before. I can therefore understand your feelings that the Grosvenor Estate have been treated exceptionally. Norman Fowler has assured me that this two-stage procedure is not one which the DHSS would normally expect to follow in future, but his judgement is that this sale is exceptional, both in terms of the importance of the site and of the unusual arrangements governing it. He therefore took the view that the public interest required him to obtain a second opinion.

You will recognise, I know, that I cannot intervene in the negotiation between the DHSS and the Grosvenor Estate. I understand however, that a basis may now have been found for the resumption of negotiations, and I hope that this will now lead to a settlement which is acceptable and fair to both sides.

Nat. Health;
St. George's Hospital
1/82

14 MAY 1984



SUBJECT

cc Master



10 DOWNING STREET

From the Private Secretary

9 May 1984

Dear Steve,

ST. GEORGE'S HOSPITAL, HYDE PARK CORNER

Your Secretary of State discussed with the Prime Minister earlier today the history and current state of negotiations with the Grosvenor Estate about the sale of his Department's section of the St. George's Hospital site at Hyde Park Corner. (My letter to Ellen Roberts of 24 April and earlier correspondence refer).

The Prime Minister said that there seemed to be some substance for the Duke of Westminster's complaint to her about the procedure followed in the negotiations. To her knowledge there was no precedent for your Department first asking the District Valuer to act for it in negotiating a sale price, and only then - when his advice had been received - calling in private sector advisers to start again from scratch. If the District Valuer's advice could not be relied upon, then arguably he need not have been involved in the first place. Your Secretary of State said that he would check again whether there were such precedents, although even if there were not it was fair to argue that some form of double check on the District Valuer's price was necessary in such a significant and potentially controversial case. It was his responsibility to obtain the full market return for the tax payer from disposals of NHS property. Nevertheless, he agreed to consider further the proposition that in future your Department should decide from the outset whether to use the District Valuer or a private firm, and stick to its decision.

The Prime Minister expressed concern about the costs imposed by the delay which the procedure followed in this case had entailed. In all property dealings, these costs had to be weighed against the prospects of obtaining a higher price. Your Secretary of State agreed that the costs

/ were

dy

were real: this was one reason why he was anxious to conclude negotiations with the Grosvenor Estate as soon as possible. It was encouraging that they had now agreed to resume discussions with his Department's advisers, on the basis of a down payment of £6 million, with additional payments related to rental income.

The Prime Minister said that she would necessarily be meeting the Duke of Westminster at the Annual General Meeting of the NSPCC on 16 May, and that he might well raise the St. George's Hospital negotiations with her. She would make clear that it was not for her to intervene in the negotiations being conducted between the Grosvenor Estate and the DHSS, though she would wish to add (assuming your Secretary of State confirmed this) that this was indeed the first occasion on which a second opinion had been sought after advice had been received from the District Valuer.

After your Secretary of State had left, the Prime Minister said that she would wish to make these points in a letter to the Duke of Westminster, a draft of which should be cleared with your Secretary of State. We will be in touch with you shortly about this.

Yours ever,

David

David Barclay

Steve Godber, Esq.,
Department of Health and Social Security.



file SSS

10 DOWNING STREET

From the Principal Private Secretary

9 May 1984

Dear Ken,

St George's Hospital

You will see from David Barclay's record of the Prime Minister's discussion with the Secretary of State that the Prime Minister took the view that there was substance in the Duke of Westminster's complaint that the procedures followed over the negotiations on St George's Hospital was unprecedented in the sense that negotiations were first conducted through the District Valuer and that, only when these had reached a conclusion was a second opinion sought from the private sector. The Prime Minister said that she would like to write a letter to the Duke of Westminster about this point and regretting the delay which had been involved, but explaining that she could not intervene and expressing the hope that the resumed negotiations would now lead to a fair and satisfactory conclusion.

I attach a draft of the sort of letter which the Prime Minister might send to the Duke of Westminster in these terms. I should be grateful if you could let me know whether your Secretary of State and you are content with it. The Prime Minister will be seeing the Duke of Westminster at the NSPCC Annual General Meeting next Wednesday, 16 May; and it would be helpful if we could have despatched the letter on Tuesday.

Yours ever,

Robin Butler

Sir Kenneth Stowe, KCB, CVO

SSS

DRAFT LETTER FROM THE PRIME MINISTER TO THE DUKE OF WESTMINSTER

Mr John James wrote to me on 14th March about the negotiations for the sale of the site of St George's Hospital, enclosing a copy of his letter of the same date to the Secretary of State for Social Services. You had told me previously of your concern about the procedures followed by the Department of Health and Social Security in this case.

I have discussed this matter with Norman Fowler. He acknowledges that the procedure of seeking a second professional opinion from the private sector after a negotiation had been conducted through the District Valuer was an unusual one, and indeed that the DHSS are not aware of any case in which they have followed such a course before. I can therefore understand your feelings that the Grosvenor Estate have been treated in an unprecedented way. Norman Fowler and I also acknowledge and regret the delay which the procedure^{has}/introduced into the negotiations. Norman Fowler has assured me that this two-stage procedure is not one which the DHSS would expect to follow in future, but he felt that this sale was exceptional both in terms of the importance of the site and of the unusual arrangements governing it. He therefore took the view that the public interest required him to obtain a second opinion.

You will recognise, I know, that I cannot intervene in the negotiation between the DHSS and the Grosvenor Estate. I understand however, that a basis has now been found for the resumption of negotiations, and I hope that this will now lead to a settlement which is acceptable and fair to both sides.

PRIME MINISTER

St. George's Hospital

I had another talk with Ken Stowe. He tells me that DHSS officials advised their Ministers to accept the District Valuer's valuation as a basis for sale of the site to the Grosvenor Estate. Mr. Fowler and Mr. Clark took the decision to seek further advice from Richard Ellis - though Ken Stowe says that he supported the decision.

Ken Stowe accepts that your questions are valid ones. If the DHSS are to accept less than the full amount which Richard Ellis has recommended, he needs a case for doing so, which he can defend before the PAC. He would be happy with the suggestion that the Treasury ^(or an expert in property finance) should be asked to have a look at the arguments, and provide a view on whether it is worth while for the DHSS to hold out for the full figure recommended by Richard Ellis, and if so, for how long. He is convinced that there is room for a compromise between the Grosvenor Estate's present offer and the figure recommended by Richard Ellis. But he does think that it needs to be made clear to the Duke of Westminster that he must expect to negotiate with the DHSS, not with you.

So an outcome of your talk with Mr. Fowler with which Ken Stowe would be happy would be:-

(i) Reference to the Treasury - or anyone else whose view would carry weight with the PAC - of the question of the costs of delay and the extent to which the figure recommended by Richard Ellis should be discounted over time for this reason; and

(ii) A letter from you to the Duke of Westminster saying that you have discussed the matter with the Secretary of State for Social Services, but you must leave it to the Department of Health and Social Security to negotiate with the Grosvenor Estate - the Duke of Westminster must not expect to settle this matter with you.

9 May, 1984.

F.E.R.B.



10 DOWNING STREET

Prime Minister

Mr Fowler would also be grateful for a word about St George's Hospital, and in particular your points on the attached.

JMB
8/5



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 ext 6981

From the Permanent Secretary

Sir Kenneth Stowe KCB CVO

Robin Butler Esq.,
No. 10 Downing Street,
London SW1

1 May, 1984

Dear Robin,

ST. GEORGE'S HOSPITAL

... We spoke. Attached is a draft of a personal letter I could send you - with or without the two square bracketed final paragraphs, and enclosure, as you think fit. The Secretary of State will, of course, write in similar terms but since I am bound to be examined on this, you should know where I stand.

*Yours sincerely,
Ken.*

**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 ext 6981

From the Permanent Secretary

Sir Kenneth Stowe KCB CVO

F E R Butler Esq
Principal Private Secretary
10 Downing Street
London SW1

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

We spoke about David Barclay's letter of 24 April to Ellen Roberts, which has given me much concern as the Accounting Officer.

The failure, to date, to reach an accommodation over the sale of the St George's site with the Grosvenor Estate certainly incurs costs which have to be offset against the eventual profits. That is not in dispute. Whether it will prove to have been in the public interest to have incurred those costs, rather than to have settled at the figure of £6 million for the price of the Government's interest, as Grosvenor Estates would wish, depends, however, upon (a) the price we eventually sell for and (b) one's view of the wider issues of public policy about the sale of surplus land in the NHS estate.

As to (a) Grosvenor Estate's initial offer of March last year was worth some £6.1 million; whereas our professional advisers have suggested to us - and continue to advise - that a figure of around £9 million would be more appropriate - and, of course, property prices for sites like this are not now falling. As Accounting Officer, I would need a cast iron case to justify rejecting that advice; and I can confidently predict that the Public Accounts Committee would require me to give evidence as to my reasons for rejecting it when they return to this subject (as they will) to follow up their two previous hearings on the sale of NHS land. As to land sales generally, the NHS, and perhaps the public sector as a whole, has in the past been seen as something of a soft touch. (You will have noted the recent Scottish case concerning Hamilton College). The PAC, rightly, has been critical of the Health Departments in particular. All too often, having belatedly decided that a parcel of land can be disposed of, NHS Authorities have rushed to sell with undue haste and are then held to have received significantly less than the land's true value. Fortunately this is changing, not least as a result of action by the present Government. The recently passed Town and Country Planning Bill and the Government's recent Report on Underused and Surplus Property in the NHS, are steps in the right direction ie of exploiting the current market value of the NHS estate. Inevitably, the location of St George's and its recent history will mean that it will be seen as something of a flagship for this policy.

E.R.

It was against this background, and having regard to the sale of the other half of the site to Grosvenor Estate at the 1906 price, that Ministers ^{are} have intervened at an early stage in the negotiations last year and instructed officials to seek independent professional advice beyond that available from the District Valuer. In my judgement, they were right to do so, for the site is of a unique status and value. Richard Ellis, Chartered Surveyors, who are to the fore of their field were approached and provided the advice as indicated above. They have advised, and Ministers have been consulted about their advice, at all subsequent stages up to the present; and I can see no ground on which I could now justify discarding them except that Ministers decided to throw their hand in and accept the Grosvenor offer - a course which itself would be hard to explain.

We have, nevertheless and regrettably, not reached an agreement with Grosvenor Estate and, although a further proposal from Richard Ellis is now with them a conclusion is evidently not in immediate prospect; nor do I think it likely that they will resume serious negotiations until it is made clear to them that they will not get a better deal by seeking to bring political pressure to bear. [In this connection, I have had extracted from our file (which is, of course, open to examination by the C & AG) the attached note of the sequence of events since the Secretary of State told the Duke of Westminster last October that £6 million was not acceptable. The interaction between the Grosvenor's replies to our negotiators and the approaches to the Prime Minister is pretty clear even from the file; and was/is even more apparent in the personal contacts between the negotiators.

In brief, I can agree that the delay has incurred costs but I could not agree that it would be right on that score to abandon the Government's position now and accept a price which independent advice suggests is too low in terms of the current and prospective market; and one reason for ^{the continuing} delay is all too apparent from the record].

ENC



CORRESPONDENCE AND SEQUENCE OF EVENTS (Since September 1983)

8 September 1983 - Duke of Westminster and J N C James (GE Trustee) write to Secretary of State complaining of delay in accepting £6 million offer.

4 October 1983 - Secretary of State replies.

24 October 1983 - Duke of Westminster to Secretary of State - general letter - no reply needed.

14 November 1983 - Gerald Eve to Richard Ellis - £6 million offer open to 30 November. Suggests reference to Lands Tribunal.

30 November 1983 - Richard Ellis to Gerald Eve - rejecting both of the above - will accept £9.8 million.

1 December 1983 - Grosvenor 'phone Garlick rejecting Ellis letter out of hand - Gr E will now pull out.

2 December 1983 - Grosvenor to Garlick confirming 'phone call and advising that account for start of planning costs being postponed.

End November/early December 1983 - Prime Minister spoke informally to Secretary of State following approach to her by Duke of Westminster.

6 December 1983 - Garlick to Gr E explaining why unwilling to go to Local Tribunal.

16 December 1983 - Informal meeting Coggan (Gr E) and Bolton/Garlick. Explored ways out.

11 January 1984 - Garlick to Coggan confirming a some now/some later formula of interest.

12 January 1984 - Informal meeting Coggan and Garlick - set up mechanism to re-establish negotiation.

25 January 1984 - Coggan to Garlick proposing Gr E formula.

2 February 1984 - Ellis to Garlick - don't touch it - put forward alternative.

6 February 1984 - Garlick to Coggan rejecting Gr E formula, proposing Ellis formula.

15 February 1984 - Garlick to Coggan in support of earlier letter.

15 February 1984 - PQ John Heddle (C. Mid Staffs).

7 February 1984 - Coggan to Garlick.

21 February 1984 - Secretary of State minute to Prime Minister setting out background and Department's views.



22 February 1984 - Garlick to Coggan.

27 February 1984 - Prime Minister seeks details of 1906 sale, about why a second professional opinion and whether there are precedents for not accepting DV's view.

7 March - Coggan and advisers, Bolton, Garlick and R Ellis meet. - deadlock.

7 March - (before meeting) Bill for share of planning costs - £100,000 + received from Gr E.

14 March 1984 - J N C James to Secretary of State - withdrawing but open to further approaches from DHSS.

16 March 1984 - S Godber supplies details.

30 March 1984 - Secretary of State replies - R Ellis to make further offer.

10 April 1984 - Prime Minister seeks more details.

13 April 1984 - Ellen Roberts replies.

24 April 1984 - Latest letter from 10 Downing Street.

25 April 1984 - Richard Ellis put new proposal to Gerald Eve pp Grosvenor.



11 - MAY 1961



cc JR

Noted. Await letter from DHSS.

Davis
8/5

DAVID BARCLAY (On return)

After speaking to you, I had a further word with Sir Kenneth Stowe about the correspondence on the sale of St George's Hospital, Hyde Park Corner. The DHSS will prepare a draft reply to your letter of 24 April explaining why in their view holding out for a better deal from the Grosvenor Estate will benefit the Government more than the delay is causing them.

Sir Kenneth Stowe is anxious that once the Prime Minister has reached a view on this, it should be made clear to the Grosvenor Estate that they should expect to negotiate with the DHSS not with the Prime Minister. ~~while~~ **while** feels that at present the Prime Minister's interest, of which they are aware, may be causing them to drag their feet in the negotiations.

When the letter from the DHSS comes, could you please make sure that I see it, and then you and I perhaps should have a word with the Prime Minister.

F.E.B.

30 April 1984

Taking all these considerations into account, the Prime Minister considers that to date the negotiations with the Grosvenor Estate have not produced a good bargain for the State. She would remind all those involved that in these matters time is always money.

DAVID BARCLAY

Miss Ellen Roberts,
Department of Health and Social Security



10 DOWNING STREET

From the Private Secretary

24 April, 1984

St. George's Hospital, Hyde Park Corner

Thank you for your further letter of 13 April about St. George's Hospital.

The Prime Minister has noted from your letter, and from the earlier papers, that the delay in reaching an accommodation with the Grosvenor Estate has imposed significant costs. These take several forms:

- (i) Rates lost to Westminster City Council while the Hospital is closed. (This presumably scores as a public sector transfer in relation to the Department's "contribution", but the Grosvenor Estate's payments are a genuine loss.)
- (ii) Rate income from the redevelopment property, to the extent that its completion is delayed.
- (iii) Delayed provision of jobs in the construction industry (lack of which incurs costs to the Exchequer in the form of unemployment and supplementary benefits).
- (iv) The escalation of construction costs between the original start date and the delayed start date.
- (v) Loss of income to the Exchequer in the form of interest on the capital sum to be paid by the Grosvenor Estate.

/Taking

So - by this delay we have lost

Prime Minister (2)



(i) notes to Westminster City Council

The further information which you asked for on St George's Hospital.

(ii) notes on the finished property to the extent of the delay

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY

I attach the earlier PPS.

Telephone 01-407 5522

From the Secretary of State for Social Services

DMs
16/4

13 April 1984

(iii) construction jobs (lack of which is the extent of the delay)

David Barclay Esq
Private Secretary
10 Downing Street
LONDON
SW1

to the extent of the delay

(iv) the difference between rates for the construction or work of proposed plant & actual plant.

Dear David,

(v) income on the land sum similarly.

ST GEORGE'S HOSPITAL SITE: HYDE PARK CORNER

Note a good bargain for the State.

Thank you for your letter of 10 April to Steve Godber. In his absence from the office today he has asked me to let you have the additional information requested as follows.

Time is always money. m

Rates

Government Departments, including the NHS in this context, do not pay rates as such. Instead, they make a "contribution in lieu of rates" of an amount equal to the rate charge. In the case of St George's the Treasury Valuer agreed when the hospital closed that the contribution in lieu of rates should be waived. No payment is therefore being made at present by either the Department or the Grosvenor Estate.

Maintenance

Essential maintenance charges are met directly by the Grosvenor Estate for its part of the site and by the Department for its part. Since the hospital closed the Department has paid some £16,000 in maintenance but much of this was for clearance of rubbish and other "one off" jobs. Electricity charges (which are minimal) are met by the Department for the whole site with an arrangement that Grosvenor Estate reimburse us with half the charges. A similar arrangement applies to the cost of security on the site which is currently £60,000 pa for the whole site.

Third Party Liabilities

As you know, Government Departments (again, including the NHS) do not normally take out insurance cover but instead carry their own risks. In the event of a third party claim relating to our part of the site an ex-gratia payment would be made if the claim was conceded. We presume that Grosvenor Estate has insured its part of the property but have no specific knowledge of this. As far as allocation of

E. R.

liability is concerned, this would obviously depend on the specific nature of an occurrence. There is however no problem over who owns which part of the site. We own a specific part as does Grosvenor Estate.

Sale Price

A number of points arise in the context of your question, but in each the answer is that the element of betterment is fully taken into account in our assessment of the price we should accept. These points are:

(i) Grosvenor Estate holds a planning consent for the development of the whole site. It was agreed at the outset that we would share the costs of obtaining this consent and this has been settled between us without dispute.

(ii) In determining the price of any land sale the major factor will be the value of the development which is enabled by that sale. Therefore, in the case of St George's we must have full regard to the costs of and the return on the development which is planned for that site.

(iii) Following on from the previous point, we must however recognise the need for the developer to make a profit and set our price accordingly. This factor is an integral part of our advisers' thinking on St George's.

Yours sincerely,

Ellen Roberts

ELLEN ROBERTS

NOT Heath Jan 82
87 Georges



COPIED



FILE

(W)
CCSR

10 DOWNING STREET

From the Private Secretary

10 April, 1984

ST. GEORGE'S: HYDE PARK CORNER

Thank you for your letter of 30 March with which you enclosed a set of documents relating to St. George's Hospital, Hyde Park Corner.

The Prime Minister considered these papers over the weekend. She would be grateful if a further note could be provided covering the following aspects of the negotiations with the Grosvenor Estate:

- (i) Rates: How much are the rates currently being levied on each part of the site, and who is paying them?
- (ii) Maintenance: What are the arrangements for essential maintenance of each part of the site while it is vacant, and what costs are these imposing on each party?
- (iii) Third party liabilities: Where does liability towards third parties rest in case of accident or nuisance? Insofar as such potential liability is covered by insurance, how much is the premium and who pays?
- (iv) Sale price: The Grosvenor Estate's proposals for redeveloping the St. George's Hospital site have themselves added to its market value. What account has been taken of this element of betterment in determining the price which your Department would be prepared to accept?

If it were possible to have your further advice by next weekend, that would be most helpful.

S. Godber, Esq.,
Department of Health and Social
Security.

(David Barclay)

10



ccJR

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

30/3/84

J N C James Esq
The Grosvenor Estate
The Grosvenor Office
53 Davies Street
LONDON
W1Y 1FH

3 March 1984

Dear Mr James

Thank you for your letter of 14 March about our continued inability to reach an agreed conclusion to negotiations over the sale of my interest in the site of the former St George's Hospital, Hyde Park Corner.

I share your disappointment in this matter. Like the Estate, my Department has expended a great deal of time and effort on our negotiation to date without result. You will understand that my perception of this negotiation does not reflect your own. We have consistently advised you that the offer first made a year ago is not acceptable, and other offers, however couched, which we judge to amount to no more than the March 1983 offer, we will inevitably view in the same light.

I note, however, your comment that the Estate remains prepared to consider further propositions. As you will know, the meeting of 7 March between your Mr Coggan and Mr Bolton of my Department, together with their respective advisers, ended with a suggestion that my Department would examine its own proposed formula to see if some movement towards meeting the Estate's objections could be suggested. I have authorised Richard Ellis to put a further proposal to Gerald Eve & Co and this will be done very shortly. I believe the proposal to be a realistic one and certainly one on which discussion should take place.

I most certainly do not seek to be either negative or unconstructive, and I hope that in due course this matter may yet reach a mutually acceptable solution.

Yours sincerely Norman Fowler

NORMAN FOWLER

Nat Health Jan 82
St Georges



ccJR



10 DOWNING STREET

THE PRIME MINISTER

What is the position with regard to

- 1) RATES of the separate parts of the property while vacant
- 2) Essential maintenance
- 3) Liability to 3rd parties in case of accident or nuisance
- 4) as the Government estate appears to have credited value by its proposal, what account is taken of that in the price that is proposed to take

mb



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

David Barclay Esq
Private Secretary
10 Downing Street

Prime Minister (4)

30 March 1984

You asked to see a copy of the 1906 agreement, and all the relevant papers. These are attached.

You will note in particular:

- (i) Mr Fowler's letter of 30 March recording the latest position (Flag A)
- (ii) Sir Kenneth Stowe's advice on the question of a second valuation (Flag B).

Dear David

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

I refer to your letter of 27 February and now attach the following documents:

- (i) a copy of the 1906 Indenture relating to the sale of the southern half of the site by Grosvenor Estate to the Governors of St George's Hospital;
- (ii) a copy of the Department's case to Counsel to advice on the matter of the pre-emption;
- (iii) a copy of Counsel's opinion;
- (iv) a copy of a submission to Ministers here advising that a second opinion should be obtained. This advice was confirmed by Sir Geoffrey Finsberg when he was Parliamentary Secretary;
- (v) a copy of a letter from Treasury supporting the need to obtain a second opinion;
- (vi) a copy of the second opinion obtained from Richard Ellis, Chartered Surveyors.

I hope that these documents provide what you need, but if not please let me know. The Department has voluminous files on this matter, which can be made available if necessary.

The Prime Minister has referred to the need to see the pre-emption provision in context. We are not aware that the 1906 sale was in any other respect unusual, but neither are we now suggesting that the pre-emption was other than in complete order. In 1906 the Trustees of the Grosvenor Estate were suitably far-sighted to make this provision and the Governors of St George's Hospital freely accepted it. We were advised that we remained bound by it and accepted this. Ministers' actions in this respect did, however,

now
returned to DHSS.

DMB
5/4

E. R.

attract criticism, and therefore it is against this background that our handling of the remaining sale will be judged by others.

You ask if there are precedents for the District Valuer's view not being accepted. There are, of course, cases where public authorities and Government Departments have departed from the District Valuer's valuation although these generally involve either accepting less in payment for land or paying more than the District Valuer suggested. Such cases do not always attract criticism although the recent PAC report on the Hamilton College of Education case shows the dangers. There are cases where health authorities have been authorised to purchase land or property at a higher price where there were specific operational reasons for doing so. While these examples do not bear directly on this particular case, they illustrate an important general point. The District Valuer's valuation is a guide to the Department not, as the Grosvenor Estate are given to implying, a form of arbitration. The purpose of the District Valuer's involvement is to ensure that public authorities, when disposing of land, do not do so at an unacceptably low price. But the overriding responsibility must be to get the best deal from each transaction.

In the particular case of St George's, Ministers here felt that there were good and sufficient reasons for seeking a further independent view on the value of the site. First, the extent of Parliamentary criticism of the arrangements for the disposal of the other parts of the site was such that it was more than usually important to make sure that the Department could not be criticised for having failed to obtain the best possible return on its remaining interest. Second, the unique and prestigious nature of the site suggested that there was considerable uncertainty about its real value and that there would be advantage in seeking advice from a source with specific and well established experience in the field. This was reinforced by the fact that Grosvenor Estates were, in effect, the only potential purchaser for the site. Finally, it seemed to us that there were other options which should be examined - particularly in the light of the long timescale over which Grosvenor were likely to be assessing the return on their investment - in order to ensure that the return to the taxpayer was also maximised.

My Secretary of State's minute of 21 February reported that discussions were continuing with Grosvenor Estate. You will have seen, however, from the letter he has received from Mr J N C James of the Grosvenor Trustees that they have broken off discussions. Mr James' letter makes no mention of the proposal which we put to Grosvenor - a formula under which we would receive an initial payment of the £6 million originally offered by Grosvenor but with a further payment being made if the final rental value achieved was higher than that originally assumed by Grosvenor. Our private sector advisers, Richard Ellis, have now put together a development of this formula which takes account of the main objection which Grosvenor expressed. We intend to put this new formula to Grosvenor shortly. However, experience of Grosvenor's attitude does not leave us optimistic about the prospects of obtaining agreement until they become convinced that we have no intention of accepting their £6 million offer - as my Secretary of State has clearly restated in the enclosed copy of his reply to Mr James.

Jaws
Greave

S A Godber
Private Secretary

Nat Health
Jan 82
87 Georges

ccJR

THE GROSVENOR ESTATE

TRUSTEES

THE DUKE OF WESTMINSTER
SIR RICHARD BAKER WILBRAHAM, Bt.
P.H.D. CRICHTON
H.A.C. EDWARDS
J.N.C. JAMES
M.D.T. LOUP
J.R. SCLATER

THE GROSVENOR OFFICE,

53 DAVIES STREET,
LONDON, W1Y 1FH.

SECRETARY: J. E. HOK

TELEPHONE
01-408 0988

TELEGRAMS
GROUSE LONDON WI

TELEX 27401

GR: ^{14/3}ack fms pcc. then
① Await advice from DMS
② B/H on 21 March

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, S.W.1.

14th March, 1984

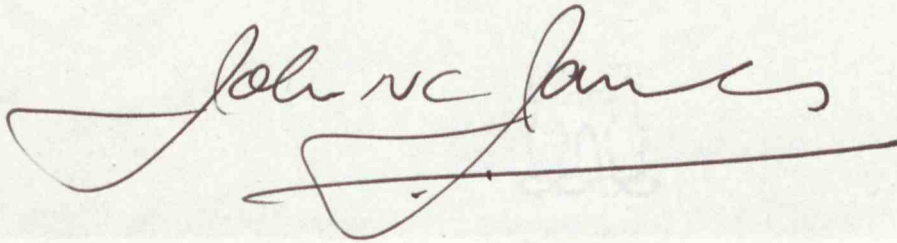
Dear Prime Minister,

ST. GEORGE'S HOSPITAL

At the request of the Duke of Westminster, I enclose a copy of my letter of today's date to the Secretary of State for Social Services.

We are extremely sorry that it has not been possible to make progress in this matter on a basis reasonable to both parties.

Yours sincerely,



J.N.C. James

CCJR

THE GROSVENOR ESTATE

TRUSTEES

THE DUKE OF WESTMINSTER
SIR RICHARD BAKER WILBRAHAM, Bt
P.H.D. CRICHTON
H.A.C. EDWARDS
J.N.C. JAMES
M.D.T. LOUP
J.R. SCLATER

THE GROSVENOR OFFICE,

53 DAVIES STREET,
LONDON, W1Y 1FH.

SECRETARY: J. E. HOK

TELEPHONE
01-408 0988

TELEGRAMS
GROUSE LONDON WI

TELEX 27401

PRIVATE & CONFIDENTIAL

The Rt. Hon. Norman Fowler, MP,
Secretary of State for Social Services,
Department of Health and Social Security,
Alexander Fleming House,
Elephant & Castle,
London, SE1 6BY.

14th March, 1984

Dear Secretary of State,

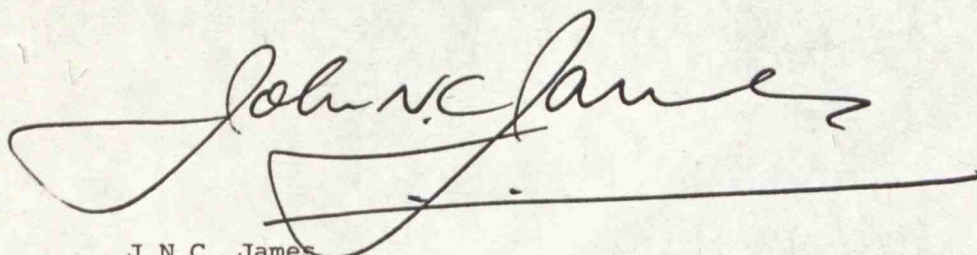
ST. GEORGE'S HOSPITAL

In your letter to the Duke of Westminster dated 4th October 1983, you expressed the Department's wish "to progress this matter to a mutually acceptable conclusion." You suggested that, to this end, our agents - Gerald Eve & Co. - should enter into further discussions with Richard Ellis at the earliest possible date. Since that time, those discussions have continued during which we put forward not only a formula based upon an equal sharing of risk and reward but also a proposal that the matter be referred to the Lands Tribunal for a determination of value. Regretfully, it has not been possible to reach agreement and, in the light of what we regard as the unrealistic attitude on the part of the Department and its advisers, we have decided to withdraw now from negotiations. I wish to emphasise, however, that the Estate remains prepared to consider any proposition put forward by the Department that is fair to both parties.

We feel both frustrated and disheartened that having expended a considerable amount of time and effort over four years in bringing forward a scheme of distinction, it should founder as a result of the negative and unconstructive stance of the Department and its advisers during the past year.

In view of the Prime Minister's known interest in this particular matter, I am sending a copy of this letter to her together with a copy to Mr. Peter Hirsch in his capacity as Chairman of the Location of Industry Bureau.

Yours sincerely,



J.N.C. James

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

27 February, 1984

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

The Prime Minister was grateful for your Secretary of State's minute of 21 February about St. George's Hospital, Hyde Park Corner.

bx | The Prime Minister has asked to see a copy of the terms of the 1906 sale. She believes that the re-purchasing provision has to be seen in context, and that there may have been other aspects of the agreement (e.g. governing the use of the land) which were advantageous to the Government.

The Prime Minister has also asked for further details, including all the relevant papers, about why it was decided to seek a second professional opinion. She would be grateful to know whether there are any precedents for the District Valuer's view not being accepted, and if so what these are.

(David Barclay)

S. Godber, Esq.,
Department of Health and Social Security

CONFIDENTIAL

CJR.

PRIME MINISTER

Prime Minister (2)

To note.

21. February 1984.

ST GEORGE'S HOSPITAL, HYDE PARK CORNER

We spoke recently about the protracted negotiations between my Department and the Grosvenor Estate over the sale of our interest in the site of the now closed St George's Hospital, Hyde Park Corner. I asked Kenneth Clarke to review the position.

You will recall the early background to this case. On the closure of St George's at Hyde Park Corner and its transfer to new premises at Tooting, we were obliged, under the terms of the original 1906 sale, to offer Grosvenor Estate the opportunity of repurchasing a "half" of the site at the 1906 price of £23,000. We had no alternative but to make this offer which, naturally enough, Grosvenor Estate accepted. Nevertheless we had to ride a considerable amount of criticism both in and out of the House. It would not be right to attempt to recoup our "losses" on that sale in subsequent negotiations with Grosvenor Estate. On the other hand, it is against this background that we must be seen, and Parliament will certainly demand this, to ensure that the public's interest in this valuable and prestigious site is fully realised.

On completion of the first phase of the sale, Grosvenor Estate, with the consent and tacit support of my Department, sought and, on appeal, obtained a planning consent for the whole site. The nature of the site and of the planning consent, in particular the relevance of the listed Wilkins building which straddles Crown and Grosvenor land, meant that Grosvenor Estate was very much the obvious potential customer for our portion of the site. Negotiations were therefore opened through the usual channel of the District Valuer, who, in March of this year, recommended acceptance of Grosvenor's offer of £6 million for the sale of the freehold of our interest, plus an acceptance by Grosvenor of the whole planning application costs.

X - I believe this was only part of the agreement - had we not had some of the land - my - check from them?

Play 1 hr
a) the 1906 agreement - call
b) all the papers.

X
~~~~~

Why?

Whenever  
D.V.'s  
has not  
been accepted?

At this point we decided to seek a second professional opinion from the private sector. In so doing, we had regard to the unique and prestigious nature of the site and to the need, following the earlier sale, to show quite clearly that no sale would take place until and unless we were convinced that the price was right. Richard Ellis, Chartered Surveyors, were commissioned to provide this opinion and advised at the end of June against acceptance of the Grosvenor offer. Whilst it is indeed normal practice for the District Valuer's advice to be accepted, I see no need why this should be invariably be the case. There is an urgent need to improve the management of the massive NHS Estate, and in the land sales programme we will often need to match commercial expertise with commercial expertise. I do not undervalue the services of the District Valuation network, but it is precisely in "one-off" cases like St George's that private sector expertise will be of special value to us.

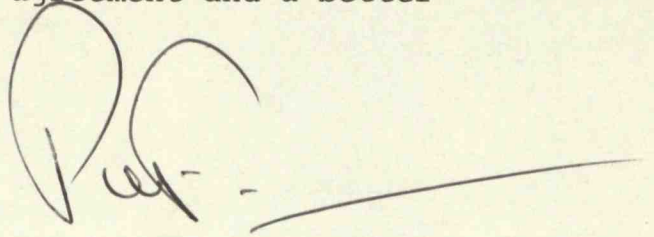
Since July negotiations have been undertaken for us by Richard Ellis. The negotiations have been long, difficult and not without acrimony. Grosvenor Estate has not been prepared to budge, neither have we been prepared to accept the £6 million offer, which falls some way short of a figure which Richard Ellis would be prepared to advise us to accept. We have turned down, on the advice of Richard Ellis, an offer from Grosvenor Estate to have the matter settled by arbitration. In addition to a concern that arbitrations may do no more than split differences, we believe arbitration to be inappropriate in this case, because we are not required to sell at this juncture, nor are we required to sell to Grosvenor Estate. The formal position at the moment is that Grosvenor Estate has withdrawn from the negotiation.

Although the history of this matter counsels the greatest caution in expressing optimism, I can now report that, following informal discussion, there is now some renewed prospect of an agreement with Grosvenor Estate. Informal discussion established that both sides would see value in re-establishing negotiations with a view to agreeing a formula under which we would receive an initial sum and a subsequent payment when the end value of the project was known, ie when actual rental values are known. We have just received a detailed proposal from Grosvenor Estate along these lines and negotiations will get under way again as soon as possible.

52  
E. R. .

CONFIDENTIAL

On Thursday I lunched with Idris Pearce of <sup>Richard?</sup> ~~Michael~~ Ellis and he again expressed optimism about both agreement and a better price.



NORMAN FOWLER

## St. George's Hospital

*not Health  
Jan 82*

**The Under-Secretary of State for Health and Social Security (Mr. Geoffrey Finsberg):** With permission, Mr. Speaker, I should like to make a statement to the House about the Government's decision to honour the pre-emption clause on part of the old St. George's hospital site in London.

In summary, the nature of the land holding is that half the St. George's site is vested freehold in the Secretary of State for Social Services. Another third, together with the medical school portion—representing a sixth—are held freehold subject to certain provisions in the conveyance restricting the use that can be made of the site to hospital and medical school and requiring that, if the use ceases, an offer back—that is, a pre-emption right—must first be made to the Grosvenor Estates from which the site was originally acquired in 1767 and held since at a virtual peppercorn before it can otherwise be disposed of.

My right hon. Friend the Secretary of State is convinced that there is no further Health Service requirement for the site.

As I said in my written answer to my hon. Friend the Member for Brentwood and Ongar (Mr. McCrindle) yesterday, we have studied carefully the legal advice available to us and are certain that there is no other course of action open to us.

As has been made clear on more than one occasion, the proceeds of the Government's share of the development will be an addition to the capital resources of the National Health Service. My right hon. Friend has therefore concluded that the best course of action is to dispose of the site for the best commercial price which can be obtained—within the restrictions imposed by the covenant.

**Mrs. Gwyneth Dunwoody (Crewe):** That was a most extraordinary statement. I had hoped that the Minister intended to clarify exactly what is happening to the St. George's hospital site. Instead, he has given the House less information than was contained in his written answer yesterday.

I have a number of questions to put to the Minister. First, he said that the Government had no intention to contest the right of Grosvenor Estates to buy back the freehold of part of the former site at the price originally paid. Is he suggesting that the price will be that at which the site was acquired in 1767?

Secondly, what estimate has the Under-Secretary received of how much the site will be worth now that it has been given planning permission? Is it not true that the site, of which the Department holds more than half, will be worth millions, being in the centre of one of the largest and most lucrative commercial development areas in any capital city? If that is so, why is the Minister not prepared to go to court? Why did he say

"even if the application were to succeed, it could only be on the basis that compensation would have to be paid commensurate with the rights so extinguished."?—[*Official Report*, 21 January 1981; Vol. 16, c. 167.]

Is not this Government of business men prepared to accept that it is holding a most valuable asset that could be used for the nation either in the National Health Service—I notice that the Minister has not consulted the new district health authorities which are soon to come into operation—or in other Departments, but is prepared to

hand back one of the richest estates in Britain, an absolutely priceless asset apparently, without so much as a murmur in defence of the national interest?

**Mr. Finsberg:** The hon. Lady's first question showed clearly her total failure to understand the situation. My hon. Friend the Minister for Health made the situation crystal clear in the House. Grosvenor Estates has conveyed for a peppercorn the section of the site which we are discussing. We have taken the highest possible legal advice. The Government are prepared, first, to accept that and, secondly, being a Government of honour we do not propose to try to find a back door to avoid doing the correct and honourable thing.

I do not propose to make an estimate of costs. If the hon. Lady understood anything about commerce, she would know that one does not reveal one's hand before the negotiations have even started. The hon. Lady fails to comprehend what she was told by my hon. Friend. He said that when planning permission had been obtained—and at the moment the Westminster city council has given outline planning permission in principle—when the whole planning issue is settled and we know the maximum development value we shall start negotiating, bearing in mind our substantial interest in the balance of the site. To do anything else would be sheer stupidity, and the Government are not prepared to behave like that.

**Mr. R. A. McCrindle (Brentwood and Ongar):** Leaving aside the fact that Grosvenor Estates is involved—which tends to make the matter emotive, particularly among the Opposition—does the Minister agree that it is proposed that a substantial amount of capital should be released and redeployed within the Health Service. While the present impasse continues, that money will continue to be locked up?

**Mr. Finsberg:** My hon. Friend is right. There could be additional resources for the National Health Service. So long as we are doing nothing, we are spending £100,000 a year on security to look after an empty, unwanted building.

**Mr. Andrew F. Bennett (Stockport, North):** Will the Minister renew the campaign that was launched to save the hospital from closure? Is he convinced that all the people who advised the Health Service that the hospital should be closed were aware of the covenants involved in the possible sale of the hospital?

**Mr. Finsberg:** The answer to the first question is "No". The answer to the second is that I cannot tell what is in other people's minds.

**Mr. Clement Freud (Isle of Ely):** Does the Minister accept that, apart from the financing of the site, a great deal of money for St. George's hospital was provided by private individuals and charitable causes? When he achieves the best commercial price, will he consider giving back to those charities and private individuals some of the money which he will realise from the sale?

**Mr. Finsberg:** The hon. Gentleman has made that suggestion before. The Government wish to examine it without commitment. Without seeing the exact details it would be wrong to make a commitment. Since Grosvenor Estates let the nation and the Health Service the site at a virtual peppercorn for 200 years, the slurs cast on the organisation can be seen in their true light as being based on envy, jealousy and malice.

**Mr. Neil Thorne** (Ilford, South): I am glad that my hon. Friend has expressed the Government's gratitude to Grosvenor Estates for allowing free use of the land for so long. When negotiations arising out of the planning permission take place, will my hon. Friend try to ensure that any historic building value or historic building content of the site is taken into account? Is he aware that often such projects are held up for many years as a result of an historic building content and therefore the best intentions can be frustrated for a long time? Sometimes the value that could be attributed to the site is less than was originally expected.

**Mr. Finsberg:** I am grateful to my hon. Friend. The issue concerns Governments of both parties. The proposals which have received outline planning approval in principle include in particular something that will restore the original superb Wilkins building—a listed building—to its original proportions. That hurdle, which often arises rather late, has been overcome at an early stage.

**Several Hon. Members rose—**

**Mr. Speaker:** Order. I propose to call the three hon. Members who have been rising to put questions.

**Mr. Nigel Spearing** (Newham, South): Will the Minister confirm that what he says means that we are talking not simply about part of the site, as he insisted a few moments ago, but the whole of it? Does the outline planning permission, which I believe has been obtained, refer to reconstruction developments or modification of the existing building? Can he give the square footage that is now available? Have the Government, in their financial interest, been in touch with prospective developers, buyers or tenants of the site of which they are part owners?

**Mr. Finsberg:** The site has three components. The first is in the freehold ownership of the Secretary of State. The second is the subject of the pre-emption. The third is the occupation of the medical school and is subject to the identical pre-emption clause. What has been done is to examine the site as a whole. It would be almost impossible to carry out a proper scheme which demolished part of the Wilkins facade—

**Mr. Spearing:** The facade?

**Mr. Finsberg:**—the whole Wilkins site. That runs across both sections.

My answer to the hon. Gentleman's other point is that the proposals, if they receive final approval in detail and then go ahead, would involve both reconstruction and new building. Reverting to what was said by my hon. Friend

the Member for Ilford, South (Mr. Thorne), the important point is that the building is in the centre of London and has the historic application of the Wilkins and grade 2 listing. That has been taken care of. I cannot give offhand the exact square footage, but I will write to the hon. Gentleman with that detailed information.

**Mr. Spearing:** And the other point?

**Mr. Finsberg indicated assent.**

**Mr. Michael English** (Nottingham, West): The principal beneficiary of the Grosvenor Estates trust is, I think, a young man who is probably the richest of the hon. Gentleman's parliamentary colleagues in another place. Will this sudden accrual of further wealth to him be subject to tax—tax that could well be put to profitable use in the Health Service?

**Mr. Finsberg:** I am sure that the hon. Gentleman, who has been an hon. Member longer than I, knows that he must address that question to my right hon. and learned Friend the Chancellor of the Exchequer.

**Mr. Christopher Price** (Lewisham, West): May I assure the hon. Gentleman that some of us are not envious or jealous of or malicious towards the Grosvenor Estates but simply wish that public assets which have been used for a long time for that purpose shall be devoted to public purposes rather than restricted to private purposes? Will he undertake that, when this transaction is completed, he will make a statement to the House making clear what financial advantages have accrued to the Grosvenor Estates as a result of this transaction?

**Mr. Finsberg:** I assure the hon. Gentleman that my allegations of malice were addressed to the hon. Member for Crewe (Mrs. Dunwoody), who attacked the Grosvenor Estates. When the transaction is completed, the Government will wish to make known all the facts available to show the benefit to the taxpayer and the National Health Service. It would not be our business to disclose any advantage to a private individual. The manner of disclosure must be a matter for my right hon. Friend the Leader of the House, but the facts will be made available.

**Mr. Speaker:** I believe—I speak from memory—that "Erskine May" states that it is wrong to impute malice to any hon. Member. The English language is rich. Other words can be found to convey feelings.

**Mr. Finsberg:** If I was wrong, I withdraw the word unreservedly, particularly as I had a Welsh father.

**Mr. Speaker:** I am very much obliged—and I congratulate the hon. Gentleman.



PRIME MINISTER

CCJR

2

New Health

Disposal of St. George's Hospital Site

The House was very thinly attended when Mr. Finsberg made his statement this morning, in response to the demands by Mrs. Dunwoody, which were reported to you last night.

The Pre-emption Clause which lies at the root of the problem dates back to the 1760s. The Grosvenor estate have an entitlement to re-purchase their share of the site, should it cease to be used for medical purposes. Mr. Finsberg made it plain that the Department had accepted senior legal advice on the matter, and had no intention of attempting to wriggle out of the commitment.

Mrs. Dunwoody was full of long-winded righteous indignation, but did not much impress the two dozen Members present. From the Government benches, Robert McCrindle and Neil Thorne supported Mr. Finsberg's handling of the matter. On the Opposition side, Andrew Bennett, Nigel Spearing and Chris Price all believed that there was a political point to be scored, even if Mrs. Dunwoody had missed it. But none of them succeeded in undermining Mr. Finsberg's defence of the position.

I see that the Evening Standard has written this up as a Parliamentary row. As there is an active pressure group against the closure of the hospital, the issue may not die down immediately.

MD

22 January, 1982

PRIME MINISTER

Gwyneth Dunwoody has demanded an oral statement tomorrow about the sale of the old St. George's Hospital site.

I understand that Geoffrey Finsberg gave a Written Answer today on this subject. The sale is complicated by a provision requiring a part of the site to be offered back to the Grosvenor Estate on the basis of the valuation applying at the time the Estate originally acquired it. It is a technicality which is now being sorted out.

The Business managers first offered Mrs. Dunwoody a meeting with Mr. Finsberg to sort this out. She refused and continued to demand a statement. We have therefore agreed that there should be a statement tomorrow morning, in the course of which the Government spokesman will make it clear that the Government regard this as an abuse of the statement procedure.

This is the second time Mrs. Dunwoody has done this on a Friday - the earlier one being on infected Indian bandages.

*mi*

*MP.*

21 January 1982

# Grey Scale #13



**A** 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

