

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.

Why?

When 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.

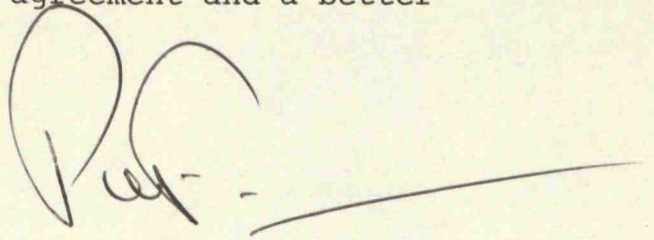
Since July negotiations have been undertaken for us by Richard Ellis. The negotiations have been long, difficult and not without acrimony. Grosvenor Estate has not been prepared to budge, neither have we been prepared to accept the £6 million offer, which falls some way short of a figure which Richard 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.

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E. R. .

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On Thursday I lunched with Idris Pearce of ^{Richard?}~~Michael~~ Ellis and he again expressed optimism about both agreement and a better price.

A handwritten signature in dark ink, appearing to be 'N. Fowler', with a long horizontal line extending to the right.

NORMAN FOWLER

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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

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