

So - by this delay we have
lost

(i) notes to Westminster
City Council



(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

Telephone 01-407 5522

From the Secretary of State for Social Services

David Barclay Esq
Private Secretary
10 Downing Street
LONDON
SW1

to the extent of the delay

Prime Minister (2)

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

I attach the
earliest pps.

8ms
16/4

13 April 1984

(iii) construction (lack of which means 4.13.83) to the extent of the delay
(iv) the difference between rates for the construction at Hyde Park Corner and actual rates.

Dear David,

(v) note on the capital sum similarly.

ST GEORGE'S HOSPITAL SITE: HYDE PARK CORNER

Not 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. ms

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



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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

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