

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.

DMB
8/5



DEPARTMENT OF HEALTH & SOCIAL SECURITY

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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.

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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

