

**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

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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.