

P1. file
MR BUTLER

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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.

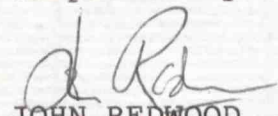
According to the information in these documents, there is only one possible prospective buyer, the Grosvenor Estate. Any sale to a third party would require the consent of the Grosvenor Estate and entail valuing their option.

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.


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