



## DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for ~~XXXXXX~~ Health

The Rt Hon John Major MP  
 Chief Secretary to the Treasury  
 HM Treasury  
 Parliament Street  
 LONDON SW1

NBFR at this  
 stage.

24 May 1989

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Dear John,

## COMMUNITY CARE: MENTAL ILLNESS

I need to make a major policy announcement shortly about our policies for the mentally ill. Before doing so we need to clear an issue which was left for us to agree proposals to take back to the PM's group. This is the question of releasing finance quicker from the sale of mental hospital sites.

This is a very important issue. At the moment, when authorities plan to close large Victorian mental hospitals, we advise them to remove patients only when they can be transferred to some better standard of care in a smaller institution or in the community. Until the hospital is empty and sold however there is a severe shortage of capital available to build new modern institutions or to invest in new care facilities. This encourages authorities to decant patients from hospitals in a very low-cost way which can cause the problems we are all aware of. It also tends to delay the emptying and closure of the hospitals so that potentially valuable sites remain half-used for too long and potential capital from land sales remains locked up.

I hope we can make progress by using an approach similar to that we are using at Bromley. As a broad outline, health authorities would identify mental hospital sites due for disposal and enter into agreements with developers (after obtaining tenders) by which they would build specified community facilities for the mentally ill now, in exchange for the forward sale at specified values of part or all of existing mental hospital sites. Such an arrangement could be negotiated whether or not planning permission for residential development was available at the time of the agreement. If planning consent was later obtained the extra consideration for the property would be for the benefit of the NHS in a proportion to be agreed.

Using this approach would unlock capital in advance of the closure of mental hospitals and make use of the developer's expertise in building hostel facilities quicker than our NHS procedures. We would also be able to use the developer's expertise in obtaining planning permission for our sites.



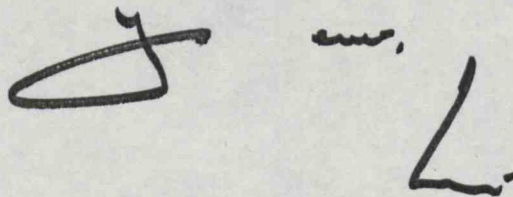
At all times the objective would be to obtain value for money when unlocking the site value of the mental hospital.

One specific example is at Caterham where the St Lawrence Hospital is being gradually run down. About 22 acres of open ground will become available for sale when planning permission is obtained - and this will probably be within the next 18 months. The main buildings are unlikely to be vacated completely before 1994 but the health authority would like to begin construction as soon as practicable of a care in the community hostel on land which would be retained. A facility to unlock capital from the surplus land would allow the authority to proceed quickly with their care in the community plans without having to postpone other urgent projects already in the region's capital programme.

I hope we can proceed on this basis since some special action is needed if we are to deliver our commitment to close these redundant hospitals only when we are able to transfer the patients to more suitable accommodation. We will at the same time speed up the release of public land which is no longer needed by the Health Service. It will also enable us to give the Health Service the positive message that we are not just setting them a challenge but giving them an additional tool to help meet it when we make our announcement on care in the community for mentally ill and handicapped people.

I hope you will agree that, in our statement we can ask health authorities to work up specific proposals along these lines to be put to Treasury for agreement on detail.

Copies of this letter go to the Prime Minister, Malcolm Rifkind, Peter Walker, Tom King, Nicholas Ridley, John Moore, Sir Roy Griffiths and Sir Robin Butler.

A handwritten signature in black ink, appearing to be 'K. Clarke', written in a cursive style.

KENNETH CLARKE