

Mr R Naysmith

CBLA: REDEVELOPMENT

Thank you for your minute of 8 August.

MS(H) can be assured that our prime objective is to strengthen CBLA's management of this project not to undermine it.

I apologise if earlier papers have not made it clear that CBLA are seeking extra funds. However, they have not done so directly: they have instead chosen to list a number of "savings" which they would need to make in order to keep to the £35m limit given to them in February. They certainly do not intend to make these savings. They have by this ploy passed to Ministers the responsibility of either agreeing a higher cash limit or accepting the undesirable consequences which will flow from CBLA making the savings proposed.

On fees, they have allowed £5.4m within the £35m. They have already paid £6.1m. They pass to us the responsibility of either

- a. telling them to negotiate for a settlement near £5.4m which they predict would result in the contractor ceasing work; or
- b. agreeing to negotiate a more realistic fee but financing this by other "savings" on the project which are deliberately unacceptable. They would propose not having standby generators (£200,000) or on site cold storage for plasma (£200,000). Both are economic nonsense. A power breakdown would lose production worth £100,000 on each occasion. No cold store on site would mean renting such storage at £150,000 per annum; or
- c. agreeing extra funding for a realistic level of fees.

They clearly want only (c).

On building and engineering the bulk of the true savings proposed are, in the view of our professional advisers, over optimistic. CBLA have limited technical expertise. These estimates represent their desire rather than realism. If we accept CBLA's assessment at this stage a further request for a higher cash limit is inevitable. Most of the remainder of the "savings" are not true savings but merely involve delaying the expenditure.

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The submission of 11 July sought approval for:

- a. a realistic cash limit for the project which would enable it to be completed;
- b. extra expenditure arising from the heat treatment process;
- c. discussions with CBLA on warehousing/quality control facilities sought.

CONCLUSION

Officials still believe that this is the only viable way forward. To hold CBLA to all the "savings" they propose would (as they clearly intend) pass to Ministers responsibility for any failure to complete the required facilities on time. To agree a realistic cash limit would in fact place the responsibility for delivery clearly on CBLA where it belongs. However any lack of performance by CBLA will reflect badly on Ministers (if the completion of the project is delayed) and on the Accounting Officer (if there are further overspends). We are striving to prevent this by strengthening our monitoring of the project and by encouraging CBLA to strengthen management by employing consultants.

GRO-C

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9 August 1985

cc
Mr Kerin
Mr France
Dr Harris
Mr Cashman
Mr Goodman
Dr Smithies
Mr R Davis
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Mr A Williams ✓