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Mr Brechin FA1

MEETING WITH NW THAMES/BPL 21 10 80

I have been looking at the four pages of tables which Dr Lane handed out at our meeting on 21 October in support of his claim that BPL's capital allocation was insufficient, though I am not sure to what extent we can consider the tables in isolation from BPL's routine estimates. Dr Lane's "underfunding" claim is on several counts.

1. Price inflation/Medicines Division additional requirements.

Many items on which we based the 'Ministerial programme' (ie the £1.3m short-term upgrading) have proved to be low eg the bottle washing machine for which we allowed £15,000 is now expected to cost £17,000, similarly crushing and thawing machinery for the CF laboratory will cost £2,000 more than allowed for in the £1.3m.

2. Additional equipment

Dr Lane has now identified a need for various items of equipment which are not covered by the £1.3 million - eg in Virology a gamma counter at £8,000, centrifuge £7,500 (Dr Turner).

3. "Miscellaneous" capital projects

A number of other improvements (outside the 'Ministerial programme') require capital expenditure, eg renovation of cottages - £85,000, subsoil survey - £10,000 [all figures quoted above do not include VAT/professional fees].

Regarding 1, (Price inflation/Medicines Division requirements). You explained at the meeting that the £1.3m was at November 1979 prices and that the allocation for 1981/82 (together with any slippage which might be brought forward from 1980/81) would be revalued. Mr Collins (Project Administrator) seemed content with this. Some of the price increases, however, seem excessive, eg computer equipment increased from £20,000 to £30,000, step-over and changing facilities for the large fractions laboratory from £25,000 to £64,000.

I hesitate to suggest that BPL are trying "to pull a fast one" but, subject to your views, on items where the increase is considerable I think it might be worthwhile asking Dr Lane to explain the increase in a little more detail to ensure that, for example, he is not proposing to buy a more elaborate computer. In the case of the step-over facilities I understand that part of the increase arises from Medicines Inspectors' requirements and delays arising therefrom, but it is hard to accept that this accounts for an increase of 150%.

Regarding 2, (Additional equipment) the gross cost of additional equipment is:-

- £43,600 - CF Lab - ie spectrophotometer, powered handling equipment, basket centrifuge and clothing lockers.
- 7,520 - storage freezer
- 10,100 - Roycoparticle counter etc

8,000 - gamma counter  
7,500 - centrifuge (Dr Turner)

Total     £76,720

At a meeting in the Department on 4 12 79 initial appraisal of a list of essential equipment included several items listed above, but these were not 'carried forward' to the list on which the £1.3m was based. Dr Lane would argue that the cost of additional equipment included in his list is offset by items allowed for in the Ministerial programme which he no longer feels are necessary CF lab equipment £43,600 less £7,000 budgetted for laminar flow cabinets; Technical services £7,520 less £5,925 (laminar flow cabinets, stainless steel benching, freeze drying equipment); Bacteriology £10,100 less £4,600 (building modifications, laminar flow cabinets). There is nothing to offset against Virology's £15,500.

I know that it is some time since Dr Lane prepared his submission on which the £1.3m was based and that subsequent discussions with Medicines Inspectorate has necessitated modifications to his plans. However, should we not ask him directly 1) why certain items are no longer required (after all Ministers' decision on the £1.3m was based on the assumption that all of this work needed to be done) and 2) to justify his bids for the other equipment. Or is the latter done as a matter of course when considering the formal 1981/82 estimates?

### 3. Miscellaneous Capital Projects

I find it slightly difficult to follow the DHSS view of these projects. Is it correct that we agreed £1.3m capital injection over 2 years in the wake of the Medicines Inspectors' report to pay for the "Ministerial programme" and made no allowance for capital projects outside that programme because funds simply were not available? If so it seems to me that our stance has been considerably undermined by our 'facit' agreement over the past year that items such as the sewage redevelopment, sub-soil survey, renovation of the cottages (now the subject of separate consideration) could be met from the underspend of the first installment of the £1.3m. /At the JMC on 12 September 1979 "Dr Lane confirmed that money was available to remedy the defects ..... in the sewage plant and estimates to put it right would be obtained". At the meeting on 19 December it was reported that "the Department and the Regional Health Authority had recently agreed that Dr Lane should be given the authority to place contracts for minor building works ... including interim repairs to the sewage plant". Also, "it had been decided to commission an examination of the soil characteristics of the Elstree site to establish whether all parts of the site were suitable for possible future redevelopment". In fact, have not the sub-soil survey and sewage redevelopment been paid for already? The Main Building Boiler automation and the Queensberry Lodge Boiler renewal (totalling £17,500) do not seem to have been mentioned before.

On the whole, I do not think these items pose a great problem in 1980/81 when they can be accommodated by viring BPL's considerable revenue underspend, and Mr Collins and Mr Lee seemed content with this on 21 October.

They do, however, cause problems in 1981/82 if the total capital allocation for that year (plus anything brought forward from 1980/81) is only sufficient to meet the cost of the "Ministerial programme". The more these items "eat into" that allocation, the less there will be to carry forward (if necessary and if possible) into 1982/83 where, because of slippage, most of MARP 01 (large fractions and *final* solutions) falls. All of which confirms my view that whilst we can put to Dr Lane the points outlined above, we cannot consider these tables in isolation from the formal 1981/82 estimates.

I am sorry to have set out my "thinking aloud" at such length. They are mainly points which should have been directed at Dr Lane at our meeting had he had the courtesy to send us his tables in advance of the meeting. I would welcome your advice, and that of Dr Walford and Mr Connor on where we go from here. I favour putting to Dr Lane the points outlined above (together with those Dr Walford and Mr Connor would like to see clarified) but should it be done outside of the normal "drill" we adopt with his estimates?

GRO-C

*in the absence of*

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4 November 1980

cc: Dr Walford  
Mr Connor