BPL redevelop.

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Your reference
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13 February 1986

Dear Will

BPL REDEVELOPMENT

(i) Revised Cost Limit

I wrote to you on 17 September 1985 setting an overall cost limit for this scheme of £38.0m.

2. It is clear from the reports of the Project Co-ordinator that this figure is likely to be exceeded. We therefore need a fresh submission from the Authority supporting a request for a revised cost limit. The submission must identify and quantify the factors which necessitate the revision.

3. While the special circumstances of this project may explain your Authority's failure to remain with the existing cost limit, it is important that we reach an early understanding of the reasons why this has happened and ensure adequate financial control of the remainder of the project.

(i)(a) Cost of MHNE Contract

4. We hope that the work done by BDP will have highlighted the remaining uncertainties in the cost and that it will be possible to take a realistic view of the most probable outturn on these. All reserves eg for contingencies, claims, and provisional sums should be itemised so that the make-up of the total cost is clear. The submission should distinguish those elements of cost which are now certain and those which are less so. In the case of the latter we would wish to know the degree of uncertainty and in addition to the most likely figure an indication of the most optimistic and pessimistic forecast. The submission must link the proposed cost limit for the main unit with the scope of the works and the completion date implied by this cost limit. Thus any cost increase which reflects an expansion in the scope of the work should be identified and fully justified (eg heat treatment). Similarly, any cost increase which reflects a desire to accelerate progress should be identified together with the completion date which would otherwise obtain. This information should be reconcilable with the objectives and goals set out in the master programme discussed in paragraph 8.

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5. To remove one potential source of uncertainty the client brief must be frozen forthwith. the major parameters of the project will have been established for sometime. Any such changes are only to be authorised if (a) they result in a capital cost saving or (b) involves no additional cost; or (c) can be financed from off-setting savings elsewhere on the scheme.

(i)(b) Related Expenditure

6. We need to have a submission which reflects all items of capital expenditure which will need to be incurred to bring the unit into full operation. Thus in addition to a cost limit for the MHE contract any items which do not feature in the MHNE control estimate must be separately identified and costed. Also any ancillary schemes (eg those specified at paragraph 9 below) regarded as essential to fulfilling this objective should be listed and costed. In short the submission must anticipate all calls on DHSS which will be required to bring the new production unit into full operation. Once having agreed a cash requirement constructed on this basis your Authority will not be free to make any further bids.

(i)(c) Expenditure Profile

7. In addition to a submission concerning the overall cost (as per paragraphs 4-6 above) we will require an expenditure profile in order to make financial provision for this project within the Hospital and CHS Capital programme for particular financial years.

(ii) Overall Programme

8. I understand you will shortly receive a revised programme to completion from MHN which will have been vetted on your behalf by BDP. In addition we know that DHS are working with you on a client commissioning programme. There is a need to bring these activities together in an overall programme. This master programme should include work on essential ancillary schemes (paragraphs 6 and 9 refer). The end point of the programme should be the operation of the new plant at full capacity to meet the prime objective of self sufficiency in blood products. Key steps on the way such as first production in the new building should be identified. The existence of such a programme appears essential to the management task facing the Authority. It is also needed to enable DHSS to have meaningful discussions with RHAs on plasma procurement targets. It will also put your expenditure profile (paragraph 7 above) on a firm basis. It will also help us take any decisions required concerned with the trade off between cost and time (see paragraph 4 above).

(iii) Warehouse and Quality Control Facility

9. We confirm that you will be making draft Approval in Principle submissions for these schemes, taking account of the discussion at the meeting on 24 January. We suggest that, if there are any doubts about the content, these are discussed as soon as possible so that the draft submission can be considered with minimum delay. (Mr Davis will be happy to advise).

(iv) Disposal of Surplus Land

10. The financing of the BPL redevelopment is putting significant pressure on the Health Capital Programme. It is therefore important that we explore thoroughly and as quickly as possible how CLBA might contribute to the capital cost. The Authority are preparing a corporate plan (as a basis for the planned accountability review) which, in broad terms, will be looking well into the future. As this takes shape we should like you to formulate your proposals for the use of your estate to support the goals set out in the plan. A particular objective will be to identify land or buildings which may be surplus and thus disposable. In this context it would also be useful for us to have a copy of your site plan and condition survey, if available, as per HC(83)22.

11. As always I would be happy to discuss.

Yours sincerely

GRO-C

M A HARRIS
Health Services Division 1

Copies to: Mr C France
Mr J Cashman
Mr J James
Mr M J Bench
Mr R W Davis
Dr A Smithies
Dr R Moore