



Mr Doran

Per Sec

To Sec.

Man

cc: Mr Hulme	Dr E Harris
Mrs Banks	Dr Abrams
Mr J James	Dr Smithies
Mr D Harris	Mr Cashman
Mr Bolton	Mr A Williams
Mr Bench	Mrs Fosh
Mr O'Leary	Mr M Harris O/a
	Mr Arthur - for file

REDEVELOPMENT OF BLOOD PRODUCTS LABORATORY, ELSTREE

In your minute of 26 September you registered Sir Kenneth Stowe's wish for a report on this project. I attach a report on the salient facts of the situation and on the matters on which decisions will be required - the options for responding to the CBLA's proposals and for providing the required finance. The paper, but not the following comments, has been very largely agreed with professional colleagues and Finance Division. We have not attempted a detailed post mortem since I thought it better to try to focus fairly quickly on the more striking features of the case.

2. On the facts, the project has not been subject to adequate financial control at any level. The Project Team ignored a plainly stated cost limit. The Authority was not informed of design changes and their cost implications and, despite the fast track approach, did not apparently enquire about these inevitable features. The Department was uncertain about its role but did not insist on the observation of those controls which it decided formally to impose. It is possible to conclude that the original cost limit of £21.1m was widely regarded, certainly by the Project Team, as being so unrealistic that it could not be taken seriously. Certainly it was neither challenged nor enforced, and so the keystone of the intended control proved useless.

3. On the options for responding to the CBLA, my own inclination would be to go for a new cost limit below the total of £38.8m which is now advanced as the price of the fully developed project including additional works not proposed in 1983. The implications have not been worked out and would have to be discussed with the CBLA. There would probably be a row with them that would quite likely become public. We might well be accused of putting patients' lives at risk by economising on quality control, or some such. But finance is tight; something else must give to accommodate the excess on the BPL. Funds hitherto intended for the CAMR Fermentation Pilot Plant seem the most likely recourse. The failure in financial discipline is also sufficiently striking to make simple acquiescence in the new total of £38.8m difficult to defend. An alternative limit must be arbitrary, but the case for simply eliminating the £3.5m for buildings which were never mentioned eighteen months ago, when the original limit was set, is tempting to say the least. If we were to adopt that approach it would of course be for the CBLA to decide

/whether....

whether to omit those buildings or to adopt design changes to save the same sum. Whether or not we impose a new limit below the total the CBLA are now seeking, there is a strong case for making known to the Authority, at some appropriately senior level, our views about their attitude to their original limit and their failure to control the Project Team.

4. On timing, the CBLA have now formally sought an increase in their 1984-85 cash limit for the original project (excluding the additional buildings) to £35.3m. They will need a decision on this by about the end of December if they are to be able to go on paying bills within an approved cash limit. But work to which they are already committed would, if brought fully to account, now exceed their existing cash limit revalued. This is the measure of ✓ the failure of control the Department sought to apply to this project.

5. Sir Kenneth Stowe may wish to discuss before replying to MS(H).

GRO-C

C W FRANCE
D802 AFH

7 November 1984