

POSITION PAPER ON THE CONSTRUCTION OF THE NEW BLOOD PRODUCTS LABORATORY

History

1. In 1982 Ministers decided that the UK would become capable of achieving self-sufficiency in blood products, with substantial savings to the NHS, by the major redevelopment of the Blood Products Laboratory (BPL) at Elstree. A new production unit, with three-times the manufacturing capacity was needed. Ministers agreed that, because of the urgency of getting the new unit into production to achieve self-sufficiency and NHS savings as soon as possible, the project would be a fast-track "design and build" scheme where construction of the buildings would start before design work on the plant and services had been completed. A feasibility study undertaken by contractors Matthew Hall Norcain, (MHN) without the benefit of detailed design work, concluded that the plant could be built for £22.6m at November 1981 prices; the then PS(H) (Mr Finsberg), after deleting contingencies provision, gave the CBLA approval to go ahead with a budget of £21.1m (November 1981 prices). Inflation indices would raise the budget figure to £27m at 1986 prices.

2. Work began in May 1983 and Secretary of State (Mr Fowler) laid the foundation stone in March 1984.

3. In September 1984 Ministers approved an increase in project costs to £35.5m. This increase had arisen due to the incorporation in the original design brief of the latest available technology for flexible operation and automation. This increase in building and equipment costs was expected to be accompanied by a decrease in revenue costs. At that time it was understood that design work was 95% completed and that the estimated costs were therefore accurate.

In view of the escalation in cost at that time, no funds were made available for the ancilliary warehouse or quality control facilities which CBLA had requested.

4. During 1985 it became apparent that although no further expansion of the scheme was taking place, the cost was apparently still rising and slippage of the completion date was occurring. At the Department's suggestion CBLA took on, in August 1985, a firm of project management consultants (BDP) to

help in controlling the project. In September 1985 officials approved a revision to the cost limit from £35.2m to £38m which at that time appeared to be a realistic estimate of the final cost.

5. The completion date slipped from an original prospect in November 1982 of July 1985, to an estimate in July 1985 of June 1986.

#### Present Position

6. In May 1986 CBLA made a formal submission for the cost limit to be raised from £38m to £50m to take account of all known and projected requirements essential to completion. It is considered that this cost represents the present estimate of most likely outcome. There is still some design work to be completed so precise costing of some detail cannot yet be done. However the delay in completion has previously led to labour problems with critical sub-contractors. Allowance for possible disruption to the programme by this and other unknowns gives a £55m pessimistic forecast.

7. Since November 1985 BDP have submitted detailed monthly cost reports and have itemised the expenditure. The project has become considerably more controlled. The continuing increase in estimated costs has been due to:-

- a. Essential modifications by the contractor to designs in order to meet the original specification. (A feature of design and build contracts).
- b. Inaccuracies by the contractor in the previous estimates of amount, and cost of materials and equipment.
- c. Previous omission of equipment essential to the functioning of the factory eg packaging equipment and standby generators.
- d. Delays in actual construction because of the complexity of the plant and difficulties with special building techniques (covering walls with vinyl).

8. Based on the latest report by BDP, CBLA now have a high degree of confidence in a completion date of mid-January 1987. Process commissioning is expected to lead to production in mid 1987 and production levels consistent with self-sufficiency during 1988.

9. Officials are preparing a submission to Ministers regarding the increase in cost limits.

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