1. Mr Shaw : if you agree
2. Mr Sumner

PES 1981 : Subheads D3, D4 and DZ (4)
Central Blood Laboratories.

1. I attach completed PES forms. I apologise for missing your extended deadline by over 4 weeks.

2. In summary the completed forms show (all figures £000's at Nov 80 prices):

	81-82 (B/E)	82.83	83.84	84.85
D3 Revenue				
PES Revalued		3249	3293	3293
New Bid Line	(3180)[1]	3249	3355	3383
Excess over PES		—	+ 62	+ 90
D4 Capital				
PES Revalued		357	428	428
New Bid line	(1637)[2]	506	331	219
Excess over PES		+ 149	⊖ 97	⊖ 209
DZ(4) Income				
PES Revalued		⊖ 89	⊖ 89	⊖ 89
New Bid line	⊖ 109	⊖ 109	⊖ 109	⊖ 109
Excess over PES		⊖ 20	⊖ 20	⊖ 20
Total Excess over PES		+ 129		
Saving over PES			⊖ 55	⊖ 139

Notes 1. £318,000 is the Budget estimate figure; the laboratories have bid at PES to increase this but we have disregarded the bid

2. The B/E provision is £1,193,000; agreement in principle has been given to vire expected D2 (Colindale) underspending up to a limit of £444,000 (plus c/l addition) into D4 to make up the original B/E request.

3. To explain the differences from PES revalued:

Capital in 82-83 : the bid represents in part minor capital (equipment replacement etc) but mainly the completion of a number of projects included in the Ministerially-accepted programme for BPL. The cash sum originally involved was £1.25m at Nov 79 prices; this was in part available in 80-81 and was unused. Added to this slippage, the original sum may have understated fees. I see no alternative therefore to putting this bid forward; the RHA which runs CBL revenue is now taking on capital and the schemes are therefore very tightly controlled.

Capital in 83-84 and 84-85 : the two laboratories involved BGRL and BPL need less capital - BGRL will be settled in at Oxford and BPL will be awaiting major redevelopment. Hence the saving which I suggest might be "vired" to meet the revenue bids in 83-84 and 84-85.

Revenue in 83-85 : in essence bids to cover, in BPL's case, the costs of increasing work following the completion of the interim works and, in BGRL's case, minor revenue costs of the moves to Oxford. I support both these bids as offset by capital savings

Receipts in 82-85: higher than PES due to income from a new test BPL is selling to the NHS offset by falling sales from other products due to Medicines Inspectorate reports.

4. For a number of technical reasons connected with the price movements experienced by the laboratories, DHSS revaluations of PES are higher than the laboratories have suggested. We have used this "slack", which may prove more apparent than real, to offset in part bids for "extra" revenue. To the extent to which DHSS figures are more accurate, the subheads will experience a volume squeeze on their planned level of spending in future years.

GRO-C: George Brechin

18 March 81

cc Mr Fletcher

✓ Mr Godfrey

FA1E

627 FRH x GRO-C