UK Health Security Agency

10 South Colonnade

London

E14 4PU

www.gov.uk/ukhsa

24 May 2024

To: Chair of Public Accounts Committee, Dame Meg Hillier MP

Re: PAC Investigation into UKHSA Health Security Campus

Dear Chair,

Thank you for the opportunity to provide evidence to the Committee on 13 May. During the session I committed to providing further details on a few points, which I have set out below.

Breakdown of Estimated Costs

The Committee was interested in the breakdown of costs for the full Harlow scheme, including the extent to which this depends on the provision of high containment laboratories versus other facilities, as well as how that compares to the costs for an alternative at Porton Down.

A more detailed breakdown of the estimated costs for the integrated Health Security Campus at Harlow is provided below. It is important to make two broader points.

First, the Harlow scheme is for an integrated health security campus that would provide a wide range of facilities including new high containment (CL4) laboratory facilities as well as new CL2 and CL3 laboratories, replacing those currently at Colindale and Porton; necessary support facilities including energy, waste and logistics; the UKHSA headquarters and office space for national functions. The programme also includes costs for significant staff moves relating to the closure of the current central London HQ, the Colindale site, and most staff from Porton. By contrast the Porton option involves provision of the same new high containment (CL4) facilities and some refurbishment of existing facilities at the Porton and Colindale sites only.

Second, the cost estimates for Harlow are mature reflecting the state of the programme, while the estimates for Porton Down are very early, high-level estimates reflecting an initial feasibility assessment. In both cases, the sunk cost to date £400m is not included.

Harlow costs (as of the draft PBC of March 2023)

All costs include inflation, VAT, risk and fees	£bn
H50 building (including High containment CL4)	0.8
CL2 & 3 laboratories and offices, such as HQ and training centre (conversion/ refurbishment)	0.7
Infrastructure (energy, cross-site works, security etc)	0.6
Transition and internal costs including movement of staff, dual running costs and capacity building	0.7
Total	**2.8**

Porton costs

The Porton option is based on initial estimates of what could be delivered within a constrained £2 billion budget. The current proposal at Porton includes £1.2bn for the H50 building (including High containment CL4); additional infrastructure cost for energy, cross-site works, security etc. at £400m; around £200m for transitional costs including the movement of staff, dual running and capacity building. This would then leave around £200m of the £2bn envelope to spend on prioritised refurbishment of CL2 and CL3 laboratories at Porton and Colindale. The additional cost of building H50 at Porton (compared to Harlow scheme) is largely due to the inflationary impact of the timing of the work and the increased risk of the Porton option given it is at an earlier stage of development.

Cost of delays

Committee Members asked how much a year's delay would cost. This is not a simple calculation as it depends on a number of factors including the decisions Ministers take on the direction of the project, the level of inflation, and the state of the construction market at the time, and the speed at which contractors can remobilise. Direct programme costs, including the internal programme team, management of information such as requirements and design, and maintaining the security of the Harlow site are under £10m per annum. A crude estimate of the wider cost of a delay would be in the range of £100m-£150m per annum, this is predominantly due to the cost of inflation.

Accountability

Mr Fuller raised questions relating to accountability of the 2015 outline business case. As we said in evidence, none of the witnesses were directly involved in the programme when the 2015 business case was developed. The Chief Executive of Public Health England (PHE) at that time was Duncan Selbie and the SRO and Chief Operating

Officer was Richard Gleave. We have looked further into the circumstances around the two business cases produced in 2015.

In the Outline Business Case (OBC), approved in December 2015, the original submission stated that the capital element was based on the 2012/13 index. This index was the BIS Tender Price Index of Public Sector Building Non-Housing (PUBSEC 173). At that the time, the index excluded risk, irrecoverable VAT and optimism bias. The revenue figures were based on prices for 2014/15 and again excluded irrecoverable VAT. The basis of these cost estimates was transparent and explicitly stated in the OBC.

I understand that this was a standard method of costing investments across government, and the approach had been agreed by PHE and DHSC. The approval of DHSC and HMT was given based on these costs.

In the period between the submission of the OBC in May 2015 and approval in December 2015 the full cost of investment was finalised, and so included risk, irrecoverable VAT and optimism bias to arrive at an operating budget.

Points for Clarification

HSE – changes in design

During the hearing Mr McPherson stated that there was a wide range of factors that had led to increased costs since the 2020 business case, including in relation to the regulatory changes from the Health and Safety Executive.

I should be clear that the Health and Safety Executive (HSE) has an advisory role in the design of new high biocontainment facilities while responsibility on design decisions reside with employers, in this case UKHSA. Following discussions with HSE, UKHSA decided to change the design of the facility to carry out remote fumigation where reasonably practicable and to mitigate risk in relation to potential future changes on the use of formaldehyde. As Mr McPherson stated this contributed around £50m to the total increase in costs in 2019/20.

Benefits Cost Ratio

The Committee was interested in both the extent to which calculations of Benefit Cost Ratio (BCR) included the full range of benefits and how the BCRs compared between options at Harlow and Porton.

As Mr McPherson said to the Committee - and is detailed in the NAO report – UKHSA (and its predecessors) have calculated only some of the benefits of maintaining and upgrading our scientific facilities, primarily in relation to the health, economic and societal benefits of a faster response to a future pandemic. There are significant

unquantified benefits that would apply whether development takes place at either Harlow or Porton. For example, there are benefits associated with maintaining UKHSA's ability to use CL2/CL3 laboratories for business-as-usual activities in testing pathogens. There are wider but different potential benefits associated with each site - notably at Harlow the link with the Eastern academic science industry and research corridor and at Porton with DSTL. UKHSA is currently expanding its benefits analysis to capture a wider range of benefits, which we expect will significantly improve the BCRs of all the options.

I hope that the Committee finds this information helpful. If you have further questions, please do not hesitate to contact me.

Yours sincerely,

Professor Dame Jennifer Harries DBE DL

Chief Executive Officer

UK Health Security Agency