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PERMANENT SECRETARY

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05 November 2020

Meg Hillier MP
Chair of the Public Accounts Committee
Sent electronically

Dear Chair,

FLEET SOILD SUPPORT PROGRAMME ACCOUNTING OFFICER ASSESSMENT

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans to start, or vary, major projects, and then assess whether they measure up to the standards set out in *Managing Public Money*. From April 2017, the government has committed to make a summary of the key points from these assessments available to Parliament when an Accounting Officer has agreed an assessment of projects within the Government's Major Projects Portfolio.

This assessment has been undertaken in accordance with the requirement to conduct an Accounting Officer Assessment (AOA) when Project Tolerances have or are likely to be exceeded. In this instance, cancellation of the competition on 5 Nov 19 makes contract award for the Design and Manufacture Phase in 2020 unachievable.

Background

The FSS programme will deliver the ships to provide the solid sustainment (food, stores and ammunition) that is required for Maritime Task Groups and Joint Forces to operate at the reach, tempo and duration to poise and deliver effects required by current Defence Policy¹. FSS is a key logistic enabler for Carrier Enabled Power Projection, providing highly mobile sovereign Access and Basing choices for Defence reducing the demand on the support chain and whilst meeting ammunition movement and stowage regulations.

Having achieved Initial Gate approval in Apr 16 the programme entered a 4-year Assessment Phase. An International Competition for the Design and Manufacture prime contract was started in 2018 with the expectation that contract award would be achieved in 2020. On 5 November 2019 the Secretary of State for Defence agreed that the FSS competition should be stopped because it had become clear that a value for money solution could not be reached. The Department is now considering the most appropriate way forward for the programme.

¹ SDSR 15

This assessment is made by Permanent Secretary (and Accounting Officer), Ministry of Defence.

Assessment against AO Standards

Regularity

The FSS Programme complies with Parliamentary requirements for the control of expenditure, with programme funds being applied only to the extent and for the purposes authorised by Parliament. HMT Regularity standards continue to be satisfied.

The International Competition was conducted in accordance with the commercial and legal obligations under the Defence and Public Security Contracts Regulations 2011.

Propriety

Parliament's intention of the programme's authorised expenditure continues to be met properly, and is reviewed by the Department and Cabinet Office IPA, through quarterly reporting. The programme's funds are being managed with impartiality, honesty, and with the avoidance of personal gain, waste, and extravagance.

Value for Money

On 5 November 2019 a decision was taken to stop the Fleet Solid Support ship competition as it had become clear that a value for money solution could not be reached through the competition. As such, achieving Value for Money remains a primary objective of the Programme.

Deliverability

It is too early to say what impact stopping the competition might have on the entry into service of the FSS ships. This is currently under review as part of our work to develop a way forward and will report to the Department with choices and associated risks. Any delay to the programme may need to be partially mitigated by the continued use of RFA FORT VICTORIA in the interim.

Conclusion

FSS remains a satisfactory use of public resources and the work to review the Programme should continue to allow the Department to consider the appropriate way forward for the FSS Programme.

As the MOD Accounting Officer, I considered this assessment of the Fleet Solid Support Programme and approved it on 12 October 2020.

I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this programme, I undertake to prepare a revised summary, setting out my assessment of those factors.

This summary will be published on the government's website (www.gov.uk). Copies will be deposited in the library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stephen Lovegrove', with a stylized, cursive script.

STEPHEN LOVEGROVE