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PERMANENT SECRETARY

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Meg Hillier MP
Chair of the Public Accounts Committee
Sent electronically

Dear Chair,

Following the PAC Hearing on 28 September 2020 which considered the National Audit Office's audit report "Delivering Carrier Strike", I made a commitment to write to the Committee to set out how the Department has addressed the late delivery of the CROWSNEST system, together with improved oversight of sub-contractors.

The functionality of the CROWSNEST system that will deploy with the Carrier Strike Group in 2021 is referred to as System Release 11 (SR11). This will deliver an operational CROWSNEST system providing key functionality that the Royal Navy defined as required to provide a credible operational capability for the Carrier Strike Group. There are two further major capability insertion points planned which are largely software based, one in 2022 to increase the functionality to SR12, and one in 2023 to uplift the functionality to SR14, the Full Operating Capability.

Three CROWSNEST equipped aircraft are planned to deploy on CSG21. The first of these aircraft, fitted with the latest version of the CROWSNEST role equipment, was handed over to the Royal Navy on 16 February and the remaining two aircraft will be handed over to the RN in March 2021 ahead of the deployment in April. Two further aircraft, that are currently planned to support the UK crew training programme, have been earmarked as reserve aircraft for CSG21, should any of the primary aircraft experience an unexpected aircraft technical issues immediately prior to deployment. Two further CROWSNEST equipped aircraft will remain in the trials programme.

The DE&S Delivery Team and Royal Navy have been analysing evidence produced during Industry equipment testing over the past year to build the safety case that confirms that the CROWSNEST role equipment, when installed on the Merlin Mk2, is now safe to

operate in-service with the Royal Navy. As a result, the Release To Service for CROWSNEST was issued by Royal Navy Authority on 19 February 2021. In parallel, work in ongoing with industry to complete the full certification activity.

I also committed to include information about how the Department intends to address more broadly the oversight of its contractors.

The Ministry of Defence's equipment procurement organisation, DE&S, has introduced into its contracts use of Earned Value Management (EVM) to better track supplier (and hence sub-contractor) variance to cost and schedule, which provides greater insight when variances arise and drives improved performance. Such data is now routinely used to manage performance on larger projects by the responsible project and contract managers and is reviewed monthly in portfolio performance reviews.

As part of our ongoing continuous improvement activity, DE&S is undertaking a series of detailed supplier reviews and improvement programmes with a focus on Programme Management capability and systemic issues. Captured as part of the Supplier Partnering Programme, this work is now moving to apply lessons learned to a similar portfolio of projects. These reviews address both prime and sub-contractors within the supply chain.

The process of the supplier performance reviews will:

- Define Supplier Performance measures for strategic projects/programmes;
- Review Supplier performance against defined metrics;
- Implement Supplier Performance improvement plans;
- Share lessons identified across the industry portfolio.

The above will improve our collaborative enterprise working environment as we focus improvement plans on jointly agreed priorities, strengthen our resilient joint capability, and align working practices with contractors.

Yours sincerely,



STEPHEN LOVEGROVE