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STUART ANDREW MP
PARLIAMENTARY UNDER-SECRETARY OF STATE AND MINISTER
FOR DEFENCE PROCUREMENT

MSU/4/5/2/14/ap


28th

February 2019

Dear Ms Young

**Armoured Infantry 2026 – Warrior Capability Sustainment Project
Accounting Officer Assessment**

I would be grateful if the enclosed document could be placed in the Library of the House.

Your sincerely

STUART ANDREW MP

Penny Young
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29 January 2019

Meg Hillier MP
Chair of the PAC
Sent electronically

Dear Chair

ARMoured INFANTRY 2026 - WARRIOR CAPABILITY SUSTAINMENT PROJECT 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 Accounting Officer Assessment considers the forecast delay in meeting the Warrior Capability Sustainment Project (WCSP) In-Service Date and related cost increases resulting from difficulties encountered during the Demonstration Phase.

Background

In line with its Strategic Objectives, WCSP is being procured by the Ministry of Defence to address capability gaps in its manoeuvre capability. WCSP seeks to upgrade the current Warrior Infantry Fighting Vehicle (IFV) to address shortfalls in fightability, lethality, survivability, growth potential and safe operation and extend the Out of Service date from 2025 to beyond 2040. It is a key component of the Armoured Infantry 2026 Programme.

Entry to the Demonstration and Manufacture Phases was approved in July 2011 at a cost of £1.3Bn and an In Service Date (ISD) of March 2020. The programme is currently forecasting a 3-year delay to ISD and cost growth of approximately £227M. A further delay of at least 6 months is anticipated pending the results of ongoing schedule recovery activity. No commitment to manufacture has been made.

This Accounting Officer's Assessment is made at a stage when the programme has just commenced important Demonstration Phase trials and follows a review by the Army. Updated operational analysis has affirmed that an upgraded IFV remains indispensable to delivering a modernised warfighting Armoured Infantry capability and a review of contingency options has concluded that WCSP remains the preferred option to meet the requirement, subject to the achievement of key trial activities. The Army has foregone other capability enhancements to ensure the programme remains affordable within its share of the Department's equipment programme. Work continues to determine the most cost and operationally effective mix and number of upgraded platforms.

Early difficulties in the Demonstration Phase are now being overcome. A major contract re-negotiation in 2017 re-baselined the programme and it has since been robustly managed to prevent further cost growth and ensure the prime contractor meets its obligations. Trials activity is now underway and unmanned firing of a trials vehicle commenced at the beginning of Nov 18. By June 19 the trials should have proved that the design is safe, reliable and meets the Department's requirement, leading to the start of manufacture negotiations and subsequently a further submission to commit to manufacture in early 2020.

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

Assessment against AO Standards

Regularity

The WCSP programme continues to comply 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.

Propriety

Although the programme is forecasting delays and cost growth against its original approvals, it remains affordable and a high priority for the Army to meet Defence strategic objectives. It is governed effectively in accordance with GMPP requirements. It is assessed therefore that Parliament's intention for the WCSP authorised expenditure continues to be met properly. The programme's funds are being managed with impartiality, honesty, and with the avoidance of personal gain, waste, and extravagance.

Value for Money

Value for money is yet to be indisputably proven given that the Demonstration Phase is not yet complete nor a manufacture deal agreed. Nonetheless, current evidence, including analysis of contingency options, continues to support the procurement of WCSP as the best

value for money option to meet the extant requirement, albeit not within the original parameters approved in 2011.

Deliverability

The Demonstration Phase has not delivered as originally anticipated but a great deal of work has been, and continues to be, undertaken to stabilise this phase. Trials activity is now underway and unmanned firing of a trials vehicle commenced at the beginning of Nov 18; as they progress to manned live firing in Mar 19 it is envisaged that confidence will be achieved in the design and capability of the platforms, enabling manufacture negotiations to commence and subsequently the submission of a second MGBC in early 2020.

Conclusion

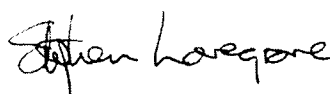
Albeit not achievable within the original 2011 parameters, the current acquisition approach is assessed to continue to offer the best route to delivering a coherent capability, subject to successful resolution of the Demonstration Phase performance issues. There is evidence that these are beginning to be overcome. Trials commenced on 3 Sep 18 and are key to determining whether the design is safe, reliable and meets the MOD's system requirements. It will also provide an assured baseline against which other contingency options can be compared. This approach is underpinned by the Cabinet Office's independent reviews of the programme, the most recent noting that delivery of a significant capability to the Army remains possible pending satisfactory resolution of the current delivery issues. WCSP therefore remains a satisfactory use of public resources and should continue pending a further IPA review in 2019.

As the MOD Accounting Officer I considered this assessment of the WCSP and approved it on 29 January.

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,



STEPHEN LOVEGROVE