



PERMANENT SECRETARY

D/PUS/11/7/1(300)

16 October 2019

Meg Hillier MP
Chair of the Public Accounts Committee
Sent electronically

Dear Chair,

ASTUTE CLASS SUBMARINES BOAT 4 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 Governments Major Projects Portfolio.

This Accounting Officer Assessment considers the forecast delay in meeting the approved Operational Handover date for Boat 4 of the ASTUTE class submarine programme.

Background

The ASTUTE programme, valued at over £11Bn, will deliver seven nuclear attack submarines, replacing the previous TRAFALGAR class. Currently, three boats (ASTUTE, AMBUSH & ARTFUL) are in service. The remaining four boats (AUDACIOUS, ANSON, AGAMEMNON and AGINCOURT) are at varying stages of completion, with final delivery expected by November 2026. The Astute programme is being procured through single source contracts and are being built at the lead suppliers' shipyard in Barrow-in-Furness.

An Astute Whole Programme Approval was secured in March 2018, which allowed for an Operational Handover date for AUDACIOUS of August 2019. This Accounting Officer Assessment is necessary because this date has been breached, following emergent technical issues within the build programme. The emergent issues have required unplanned repair and rework to facilitate the submarine proceeding forward with the normal commissioning process. The Operational handover for AUDACIOUS is now planned for January 2021.

The delays to the build have not currently caused the programme to overrun in cost terms given that the financial approval is at the programme level (rather than by individual boat) and includes contingency. However, there has been a knock-on schedule delay to ANSON and further schedule challenges with the remaining build. Consequently, the level of schedule risk provision is being reviewed and, longer term, it may be necessary to seek to increase this.

Regularity

The ASTUTE 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 a delay to AUDACIOUS, it remains a high priority to enable the Royal Navy to meet Defence strategic objectives. It is governed effectively in accordance with GMPP requirements. It is assessed therefore that Parliament's intention for the ASTUTE programme authorised expenditure continues to be met properly, despite this delay. The programme's funds are being managed with impartiality, honesty, and with the avoidance of personal gain, waste or extravagance.

The costs of the ASTUTE programme remain inside its extant financial approval, and longer term financial commitments are sustainable.

Value for Money

AUDACIOUS is due to commence sea trials shortly, and as such its build programme is largely complete, with 96.2% of the total cost already sunk. Therefore, the assessment is that completing the build of AUDACIOUS provides the best approach to achieve value for money. The costs incurred on the programme are subject to review and challenge by the MoD Cost Assurance and Analysis Service (CAAS) to ensure they are appropriate and represent value for money.

Feasibility

Collaboration with and investment in our lead supplier has been key in improving the operational management of the AUDACIOUS build. The key repair has successfully completed and AUDACIOUS has re-entered the normal commissioning process for a new build nuclear submarine. As with any programme of this complexity, there remains a susceptibility to low probability, high impact events and MOD staff continue to work with the BAES Systems to ensure these are effectively mitigated.

Conclusion

It is concluded that the ASTUTE programme in general, including AUDACIOUS remains a satisfactory use of public resources and that the programme should proceed. The

ASTUTE programme is essential to the maintenance of Continuous at Sea Deterrence and the nation's strategic nuclear capability. The continued build of AUDACIOUS is considered essential as the ageing TRAFALGAR class submarines are decommissioned.

As the MOD Accounting Officer, I considered this assessment of AUDACIOUS and approved it on 16 October 2019.

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 that reads "Stephen Lovegrove". The signature is written in a cursive style with a large initial 'S'.

STEPHEN LOVEGROVE