

PERMANENT SECRETARY

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22 October 2019

Meg Hillier MP
Chair of the Public Accounts Committee
Sent electronically

Dear Chair,

ACCOUNTING OFFICER ASSESSMENT - SKYNET 6

Introduction

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 current progress of the SKYNET 6 next generation Military Satellite Communications programme.

Background

The purpose of the SKYNET 6 programme is to sustain strategic assured Beyond Line of Sight Satellite Communications when the current Skynet 5 Private Finance Initiative (PFI) service provision contract terminates on 31 August 2022, through to 2041. This capability will be delivered through 4 main components:

- **SKYNET 6A**, a single Satellite procurement from Airbus Defence and Space (ADS), under a single source contract.
- **Service Delivery Wrap**, a support contract for management services to control the SKYNET constellation, extend the life of key ground infrastructure and manage satellite communication services.
- **SKYNET 6 Enduring Capability**, encompassing determination of the future architectures, followed by provision and operation of both satellites and ground infrastructure to deliver satellite communication services on an enduring basis.
- **Secure Telemetry, Tracking and Command (STT&C)**, providing assured sovereign control and management of satellites and their payloads.

The Ministry of Defence is preparing to place contracts for the next stages of all 4 of these projects, all of which currently remain within their scheduled timelines. The most pressing contract is that to deliver SKYNET 6A with a Planning Assumption for Service Entry of Q2 2025. This is a demanding schedule and there is risk to achieving it. The Ministry of Defence is working hard with ADS to address the risk to Service Entry: in the first instance, we are planning to place an early contract with ADS for long lead items; this early contract is termed “Phase 1”, which would place the programme in a position to mitigate an initial series of risks to the schedule and provide opportunities for further risk mitigation in “Phase 2”.

ASSESSMENT AGAINST AO STANDARDS

Regularity

The components of the SKYNET 6 programme are all abiding by relevant UK and international legislation and laws.

Propriety

The expenditure remains entirely proper. The SKYNET 6 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.

Value for Money

Value for Money will be determined at the point that each component project reaches its Main Gate; the first such occasion will be the SKYNET 6A Main Gate Business Case to be presented by March 2020. Except for SKYNET 6A, it is our firm intent that all contracts will be competed as an important element of achieving Value for Money. The SKYNET 6 programme will be managed within the available funding held by Joint Forces Command, who will work closely with Head Office to ensure the continuing affordability of the programme.

In the case of SKYNET 6A, scrutiny under the Single Source Contract Regulations is more rigorous, with Value for Money assurance achieved through a detailed examination of the ADS cost model for the proposed work. This will be used to support the negotiations with ADS regarding Phase 1 content to ensure it minimises the effort and expenditure to that only required to de-risk Phase 2. Once on contract, Phase 1 will have robust governance and controls, including the use of Earned Values Management (EVM), to ensure ADS deliver. Ultimately, the price will be subject to a full Allowable Cost Investigation, in accordance with the Single Source Pricing Regulations and adjusted as necessary to reflect the outcome of this review.

Feasibility

The 4 main components of the SKYNET 6 Programme have dependencies on each other

and other programmes across Defence. Their schedules contain contingency and wide-ranging mitigation measures to ensure deliverability.

Conclusion

The SKYNET 6 programme is essential to the sustainment of our Beyond Line of Sight Communications and the Defence Operations dependant on these communications. The programme is well-founded to deliver this ongoing capability, and to manage the inherent complexity and risk in such a programme. The reason for raising this AOA is to highlight the level of risk against achieving the demanding schedule for the delivery of SKYNET 6A with a Planning Assumption for Service Entry of Q2 2025.

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.

As the MOD Accounting Officer, I considered this assessment of the Skynet 6 Programme and approved it on 22 October 2019.

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