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PERMANENT SECRETARY

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17 October 2019

Meg Hillier MP
Chair of the Public Accounts Committee
Sent electronically

Dear Chair,

CONTRACTING, PURCHASING AND FINANCE 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 (GMPP).

The Contracting, Purchasing and Finance Programme (CP&F) has brought the whole of the Ministry of Defence's purchasing system in-house and merged it with the MOD's Finance system. The new system enables MOD to electronically process orders for all goods and services (from medical supplies to defence equipment and associated spares) and pay invoices in one system. It provides the foundation for the MOD's end-to-end purchasing, sourcing, contracting, payment and accounting systems. The system is used across all MOD business units, including the Front-Line Commands, Defence Infrastructure Organisation, HO&CS and Defence Equipment and Support. The system is business critical.

The programme entered the GMPP in 2014. The Accounting Officer Assessment was triggered by a re-profiling of the funding for CP&F due to the delay to the timeframe for the delivery of Release 4 (R4), the final release of the CP&F programme, and the extension of the funding profile from seven years to ten years to extend In Service Support approval to cover years 8–10 (not previously approved).

This assessment is made by the Permanent Secretary (and Accounting Officer), MOD.

Background

The programme continues to make steady progress: Releases 1, 2 and 3 (R1, R2, R3)

have been successfully delivered and the next stage R4 consisting of an interface from CP&F to the Government E-Marketplace and an electronic sourcing (E-Sourcing) Solution is currently on plan to deliver Initial Operating Capability (IOC) in April 20/21 and Full Operating Capability (FOC) in April 21/22.

CP&F is still on track to deliver important financial and non-financial benefits with acceptable risk and continues to represent good value for money.

Assessment against AO Standards

Regularity

It is not anticipated that CP&F will require any specific legislation other than the overarching legislation that governs MOD activities. There are no changes to the programme from a regularity perspective.

Propriety

It is proper that the MOD should have appropriate systems for managing commercial activity and this programme will provide a significant uplift in that capability. CP&F has an appointed Senior Responsible Officer and overall progress is reported through the GMPP. Internal Departmental oversight and scrutiny is provided by the Investment Approvals Committee which is a subcommittee of the Defence Board. Funding for the programme has been made available through financial planning processes. There are no significant changes to the programme in propriety terms.

Value for Money

CP&F will deliver significant financial and non-financial benefits in terms of providing an integrated end-to-end e-procurement capability, which will also greatly improve the user experience by providing a user-friendly system removing duplication and the need for reconciliation of data between systems. The system will also provide the ability to make faster payments to suppliers enabling MOD to meet government wide target of paying 80% of undisputed invoices within 5 days. CP&F will also provide timely and accurate Management Information on major contracts and suppliers which will help improve informed decision making by the senior management in MOD, as well as underpin the vital category management work across MOD to deliver strategic benefits. The proposed E-Sourcing platform to be delivered as part of R4 will end the MoD's reliance on paper tenders.

The CP&F programme has an estimated £120M benefits per annum. Full benefit realisation will happen after the FOC for R4 is achieved in 2021. The delay to the programme does not affect value for money.

Feasibility

CP&F Release 3 was delivered to time, cost and quality criteria with the application of the

Learning from Experience from Release 2. There is a high chance of a successful delivery of R4.

Conclusion

CP&F has made good progress with delivery of R3 and will complete delivery of important benefits with R4.

My overall assessment is that CP&F R4 is deliverable with acceptable risk, still represents value for money and should continue.

As the MOD Accounting Officer, I considered this assessment of CP&F and approved it on 17 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,



STEPHEN LOVEGROVE