



D/PUS/11/7/1(329)

5 November 2019

Meg Hillier MP
Chair of the PAC
Sent electronically

Dear Chair,

PROTECTOR PROGRAMME ACCOUNTING OFFICER ASSESSMENT

This Assessment is produced to examine the Protector Programme and review the reasons for significant changes to its Performance Cost Time envelope. These changes represent a breach of Programme tolerances that mean the Programme cannot be delivered in accordance with the 2016 Main Gate Business Case.

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 Apr 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.

The Protector Programme was approved by the IAC in Jun 2016, leading to contract award with industry and the US Air Force. To manage a wider affordability challenge, the Department decided to delay the programme by 2 years. As a direct consequence, the ABL and Protector Programme Milestones approved by the IAC in Jun 2016 were no longer achievable. This also led to increased costs of £187M. When combined with a sensor upgrade funding and FOREX & Accounting Adjustments, the total Programme cost growth is £325.6M.

Background

Protector is at the leading edge of innovative technology and will provide the UK with an armed ISTAR capability that is currently unparalleled. JFC and AIR have worked together on this world-leading capability with JFC acting as Programme developer and sponsor, with a senior RAF officer acting as the SRO, and responsible for delivering the capability.

This AOA was produced on 1 Nov 2019 following approval of a Review Note after MGBC.

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

Assessment against AO Standards

Regularity

The programme is within MOD's Budget and Supply Estimate (EP). The Programme continues to be delivered through a combination of Foreign Military Sales and Direct Commercial Sale contracts. This strategy was endorsed by Central Legal Services and the Single Source Advisory Team at Main Gate and was approved by the US State Department under a revised Technical Assistance Agreement for the Protector Programme; this strategy remains extant and consistent with UK Law. The Programme has appropriate departmental and HMT approvals in place.

Propriety

The Protector Programme conforms to HM Treasury's *Managing Public Money* principles and rules. The programme is reviewed and assured using the Gateway review process as part of the DMPP underneath the Government Major Programmes Portfolio (GMPP). The Programme was most recently reviewed by the DMPP on 22 Oct 2019 and continues to be subject to all required reviews for governance and assurance.

Value for Money

Against the ABL of £816.2M approved at 2016 Main Gate, Protector Programme costs have increased by £325.6M. This figure includes: the costs associated with the delay (£186.8M); the cost of changing the primary sensor to avoid future obsolescence (£64.6M); additional Programme costs identified in advance of the Programme delay (£23.4M) and FOREX and accounting adjustments (£50.8M).

The VfM case made in the 2016 MGBC remains valid and was reaffirmed both with HMT at the time of the deferral and by the IAC in the 2019 Review Note. A comparison was made between: developing a new Remotely Piloted Aircraft System (RPAS) capability (either collaboratively or Nationally); procuring the current Reaper Blk 5 (as used by the US Air Force and others); and procuring Protector. This concluded that procuring Protector represented best VfM, as its higher performance meant that the operational task could be delivered by procuring fewer air vehicles. The 2-year delay and resultant cost increase have not undermined this VfM case.

The Main Gate Business Case confirmed that the Protector Programme was deliverable within budget; it remains affordable despite the cost growth.

Deliverability

At this early stage of the Programme delivery, the SRO's confidence is set at Amber.

The Procurement Strategy is a single-source procurement through a hybrid Government-to-Government Foreign Military Sales Case with the US Department of Defense and through an agreed Direct Commercial Sale arrangement with General Atomics Aeronautical Systems Inc (GA-ASI). Positive behaviours demonstrated by the US DoD and GA-ASI throughout give significant confidence in their future support and ability to deliver.

The most significant risk to the Protector Programme is the RAF's ability to generate and sustain the volume of trained personnel necessary to assure IOC in Nov 2023. The Protector workforce builds on the current Reaper Force; training and retaining sufficient RPAS crews has historically proved challenging and is being closely monitored.

Conclusion

The cost growth and time delay to the Programme imposed in Jul 2017 were outside of Programme tolerances but were the result of the need to ensure the affordability of the overall Defence Programme. At all times the Programme has been properly governed and assured in accordance with HM Treasury rules. The Accounting Officer is satisfied that where Programme tolerance has been exceeded it has been for valid reasons.

As the MOD Accounting Officer, I considered this assessment of Protector Programme and approved it on 5 November 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