



Ministry
of Defence

MINISTRY OF DEFENCE
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PERMANENT SECRETARY

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14th October 2020

Meg Hillier MP
Chair of the Public Accounts Committee
Sent electronically

Dear Chair,

ARMoured CAVALRY ACCOUNTING OFFICER ASSESMENT

Armoured Cavalry is the programme that will deliver AJAX, the Army's transformational new armoured vehicle. Armoured Cavalry is forecasting a schedule slip to its Initial Operating Capability (IOC) which it is now seeking to reset to an AJAX ISD in Jan 21 and AJAX IOC in Jun 21 against its Main Gate Business Case 2 (MGBC2) 50% schedule approval of 31 Jul 20, which recognised the 90% IOC date could be 31 Dec 22 with outlying risks which have now materialised. While the time aspect is delayed, there is assessed to be no impact on the overall cost, or the programme's ability to meet its performance targets or benefits. While there is a delay to IOC in this anticipated 15-year programme, we are conducting further analysis to assure deliverability of the full operational capability. The principal reasons for the delay are: a degree of optimism bias regarding the schedule for a new generation armoured fighting vehicle; a degree of under-estimation of the challenges involved in generating supporting technical evidence such as safety cases for the first complex and fully digitised Land platform; COVID-19; and poor delivery performance and control across the venture which is in the process of being rectified.

Background

The Armoured Cavalry programme, alongside the Mechanised Infantry Programme (delivering Boxer), will enable the Army's Strike capability through the transformation of the Armoured Cavalry and the generation of Medium Armour capabilities. The Armoured Cavalry programme delivers Ajax into service. Ajax provides a reconnaissance and direct fire engagement capability alongside Boxer providing dismounted troops on to the battlefield; together they form the Army's Strike capability.

The Armoured Cavalry programme passed MG1 in Mar 10 and MG2 in Dec 14. The contract was recast in 2019. The programme is still forecast to deliver within the cost and performance approvals agreed by the IAC. This AOA is made at a stage when Ajax is being trialled and the first vehicles have been delivered to the Field Army.

The new team in DE&S, and an increased focus on the wider deliverables from General Dynamics, has allowed the delivery of the first vehicles and gives confidence for the route to IOC.

Assessment against AO Standards

Regularity

HMT Regularity standards continue to be satisfied.

Propriety

Although the programme is forecasting delays against the original approvals and recast schedules, it remains affordable and a high priority for the Army to meet Defence strategic objectives. Parliament's intention for the authorised expenditure continues to be met properly.

Value for Money

This is a complex 15-year AFV programme that remains value for money and the best investment route for the required capability protected by a firm price contract.

Deliverability

Armoured Cavalry has issues that mean it has not delivered its IOC to time, but the overall capability delivery will still be achieved incrementally.

Conclusion

The current acquisition approach is assessed to continue to offer the best value for money route to delivering a coherent capability.

As the MOD Accounting Officer, I considered this assessment of the Armoured Cavalry Programme and approved it on 14th October 2020.

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 ({ HYPERLINK "http://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