

PERMANENT SECRETARY

30 June 2021

D/PUS/11/7/1(134)

Dame Meg Hillier, MP Chair of the Public Accounts Committee

Sent electronically

Dear Chair,

Fleet Solid Support Programme Accounting Officer Assessment

Background

The Fleet Solid Support Programme will deliver a class of solid stores vessels for the Royal Fleet Auxiliary which will provide munitions, stores and provisions to support Carrier and Amphibious based Task Groups at sea. As a replacement for the Fort Class, FSS will form an essential supporting element to the delivery of Carrier Enabled Power Projection. The Outline Business Case seeks approval to extend the assessment phase of the Programme so that a new procurement competition can be started by spring 2021. It is expected that following the procurement process we would return to Ministers with a Full Business Case for approval by Spring 2023. During August and September 2020, refinement of the requirements and the refresh of the procurement approach was explored with industry through an Early Market Engagement exercise. Recognising the forthcoming change in Government shipbuilding policy, the approach to the competition was aimed at balancing the provision of capability for Defence, wider government initiatives to bring shipbuilding back to the UK, and delivering best value for money.

It is normal practice for Accounting Officers to scrutinise programmes on the Government Major Projects Portfolio at the Outline Business Case stage to assess whether they measure up to the standards set out in Managing Public Money. It is important, at this early stage, that the Accounting Officer is content with the direction of travel and that the advice sets out a route that, should it then be followed, will satisfy the requirements of Managing Public Money. This will be tested during the next phase of the Programme development, and before a decision is made to award a contract for the final design and manufacture of the ships.

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

Assessment against Accounting Officer Standards

Regularity

The Government has decided that Fleet Solid Support will be treated for procurement purposes as if they were warships. Consequently, the procurement is exempt from the Defence and Security Public Contracts Regulations 2011. After the ships are built, they will be crewed and operated by the Royal Fleet Auxiliary in the usual way. This is a change to the previous approach, but it is aligned with the refresh of the National Shipbuilding Strategy to reflect the strategic importance of the UK shipbuilding enterprise. A revised shipbuilding procurement policy was set out as part of the Defence and Security Industrial Strategy review, published in March 2021. The procurement model proposed is for a competition with mandated UK integration elements.

Propriety

Funding has been agreed and is in place for the extension of the assessment phase from Apr 21 to submission of the Full Business Case expected by Spring 2023, based on the revised approach to the Fleet Solid Support procurement. This covers the period to deliver the Full Business Case, assuming the procurement process proceeds as planned. Market engagement indicates the procurement approach is likely to lead to an effective and sustainable competition. There are, however, downstream risks that could delay or increase the cost of this phase, for which we have attendant mitigations in place. Funding for the build of the 3 ships is separately held within Navy Command and will be released once the Full Business Case is approved at the conclusion of the new procurement competition.

Value for Money

Generating an effective competition is a good way of demonstrating value for money. The revised requirements and refreshed commercial approach provide the best opportunity for this to be achieved. This must still be tested through open competition. The revised requirements have enabled easier price comparison with existing auxiliary shipping, enabling Government to assess when it is receiving value for money from the Fleet Solid Support procurement. Value for money considerations will also be assessed against the revised Green Book to take account of the wider social and economic benefits the procurement will provide.

Feasibility

Fleet Solid Support is being delivered as a procurement exempt from the Defence and Security Public Contracts Regulations 2011. Our approach is to incentivise as much UK content as possible, including mandating integration of all ships in the UK from the start, but to encourage international partners, and drive requirements to a more affordable and deliverable level. Early market engagement indicates that this approach is likely to achieve an effective competition. Any resultant cost and programme pressure is mitigated by a procurement strategy that is able to flex with the market response, to drive as broad a field of competition as possible, with a focus on taking account of social value and incentivising inward investment. The strategy builds on the lessons learnt from Type 31 programme, adjusted to take account of the revised MoD shipbuilding policy.

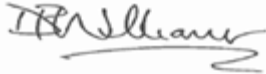
Conclusion

The Fleet Solid Support Outline Business Case meets the accounting officer standard tests as set out in Managing Public Money. Fleet Solid Support procurement is aligned with the revised Government shipbuilding policy and has been approved by the Secretary of State for Defence. There are potential risks affecting cost and delivery schedule, but these have been mitigated as far as possible by a procurement strategy that can flex with the market response.

As the MOD Accounting Officer, I considered this assessment of the Fleet Solid Support Programme and approved it on 26 June 2021. I have prepared this summary to set out the key points which informed my decision.

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 dark ink, appearing to read 'D Williams', with a stylized flourish at the end.

DAVID WILLIAMS