



Ministry
of Defence

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02 May 2023

Dear Parliament; Chair Public Account Committee

ACCOUNTING OFFICER ASSESSMENT – SKYNET 6 (FUTURE BEYOND LINE OF SIGHT)

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 progress of the SKYNET 6 Programme (previously known as Future Beyond Line of Sight). It has been prompted by placement of the Service Delivery Wrap contract on 14 February 2023, which was later than the original approval date and therefore triggered the requirement for an update to my assessment against the Accounting Officer Standards.

Background

The purpose of the SKYNET 6 Programme is to sustain strategic assured satellite communications following the termination of the SKYNET 5 Private Finance Initiative service provision contract on 31 August 2022, through to 2041 and beyond. This capability is being delivered through three main components:

- **SKYNET 6A**, The procurement of a single satellite from Airbus Defence and Space, under a single source contract.
- **Service Delivery Wrap**, a support contract for management services to control the SKYNET satellite constellation, extend the life of key ground infrastructure and manage satellite communication services.
- **Enduring Capability**, encompassing the provision and operation of both satellites and ground infrastructure to deliver satellite communication services on an enduring basis.

With respect to the Service Delivery Wrap, a contract was placed on 14 February 2023 with a consortium led by the Babcock Group. This was later than originally expected due to delays in commercial action, coupled with constraints in the conduct of due diligence due to COVID-19, so the procurement did not complete within the timescale agreed under the previous approval. However, there was no loss of operational capability as a result of this issue. The Ministry of Defence had anticipated the realisation of these risks and set in place

alternative arrangements to continue operational service delivery in the form of a service continuity contract for 18 months with the previous PFI provider, Airbus Defence and Space. This continuity contract is now in force and operating satisfactorily.

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 is being determined as each component project reaches its main Decision Point; the first such occasion was the SKYNET 6A Full Business Case, presented in May 2020, which was carefully scrutinised and demonstrated appropriate value. It continues to be the case that MOD will establish Value for Money either through open competition or else through the detailed cost scrutiny associated with a single source Qualifying Defence Contract. Specifically, the Service Delivery Wrap contract has been competed, with the usual scrutiny processes in place to ensure value for money is achieved, whilst the interim service continuity arrangements are being procured as a Qualifying Defence Contract, which has been subject to an independent assessment to assure each cost item is Appropriate, Attributable and Reasonable. The SKYNET 6 programme is managed within the available funding held by UK Strategic Command, who work closely with Head Office to ensure the continuing affordability of the programme.

Feasibility

The programme remains feasible. The change of approach to the Service Delivery Wrap reduces the risks associated with exiting a Private Finance Initiative contract of almost 20 years and transitioning service provision to a conventional contracted support arrangement. The impacts of this change on the other components of the SKYNET 6 Programme are understood and manageable. Their schedules contain contingency and wide-ranging mitigation measures to ensure deliverability. Enhanced overview by the Infrastructure and Projects Authority through their Gateway reviews and the Major Projects Review Group at key stages of the programme will provide further assurance of the feasibility of delivery.

Conclusion

The SKYNET 6 programme is essential to the sustainment of our Satellite 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.

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 02 May 2023.

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.

Signed

A handwritten signature in black ink, appearing to be 'L. Lee', with a long vertical stroke extending downwards from the end.

Laurence Lee

MOD Second Permanent Secretary
Dated 02 May 2023