

APPENDIX ONE: Background to AO Assessments

1. In May 2016, PAC's report, [Accountability to Parliament for taxpayers' money](#), concluded that not all cases where Accounting Officers (AOs) had concerns about the value for money or feasibility of policies were brought to Parliament's attention. The Committee recommended that:
 - AOs should prepare assessments of major projects and policy initiatives in line with Treasury guidance, where they had concerns about policies' feasibility or value for money; and
 - assessments should be made available to Parliament to strengthen transparency and accountability.
2. In December 2016 the Treasury agreed that AOs should prepare assessments of major projects and policy initiatives in line with existing Treasury guidance:
 - where they had concerns about policies' feasibility or value for money
 - for projects within the Government's Major Projects Portfolio (GMPP) starting at the Outline Business Case approval stage.
3. The Treasury said it would prepare further guidance to departments to set out this new requirement. However, the Government disagreed that assessments should be made available to Parliament as there were circumstances when AO assessments would have to be kept confidential for example where there was an over-riding public interest in protecting the formulation or development of Government policy, or where disclosure would be likely to prejudice the effective conduct of public affairs. The Government did agree that the transparency and accountability of accounting officers' decisions could be strengthened, and proposed to do so for the assessments made of projects within the GMPP. The Treasury said it would advise AOs who had considered an assessment for a project in the portfolio, and approved it, that they should provide to Parliament a summary of the key points from the assessment which informed their judgement. The Treasury said it would seek to agree with the Committee an appropriate form of publication.
4. Accounting Officers have been expected to publish a summary of all new assessments since 1 April 2017 - for major projects within the GMPP which received Outline Business Case approval after that date, or for existing projects where the need for a further assessment had arisen and been approved after that date.
5. In September 2017 the Treasury issued:
 - [a DAO letter](#) on the preparation of AO Assessments, including the new requirement to produce AO assessments for projects within the Government's Major Projects Portfolio (GMPP) starting at the Outline Business Case approval stage.
 - [guidance](#) on AO assessment letters for accounting officers, including when to publish a summary. This guidance was updated in September 2018.
6. Published Accounting Officer assessments can be found [here](#).

APPENDIX TWO – Background to Ministry of Defence Accounting Officer assessments

UK/ France Teutates Programme (February 2019)

Background In November 2010, the UK and France stated their intent to collaborate in respect of nuclear weapons and stockpile technology. This included to build and operate a joint capability, known as Teutates, to enable hydrodynamic experiments in a secure environment. Teutates covers the joint construction, funding and operation of a new hydrodynamics facility in France and a technology development centre and interim firing point in Aldermaston, UK. In December 2013, MoD approved the programme, which comprised part of its Nuclear Weapons Capability Sustainment Programme designed to support the production and management of nuclear warheads and a future decision on this capability. This programme runs from 2008 to 2025, with a whole lifetime budget of £21 billion.

The MoD's Investment Committee oversees this project. At project approval in 2013, the Committee accepted that costs and timeframes were not at the stage of maturity that would normally be expected given the unique nature of the programme.

Reason for AO assessment being conducted In February 2019, the AO completed an assessment following cost increases which the MoD approved in March 2018. These arose following as a result of increased understanding of the maturing project.

The AO Assessment also stated that the programme remained:

- affordable within the wider Nuclear Weapon Capability Sustainment Programme; and
- value for money given, if halted, significant sunk costs would need to be written off, and the UK would need to pay costs over the next 10-years given its Treaty obligations.

NAO judgement From our discussions, MoD has a detailed understanding of the cost increases, with factors now being addressed or overtaken by programme progress. The programme's next phase is technically demanding and includes the final design and integration of all three of the x-ray axis onto the firing point where the experiments are conducted.

The NWCSP, of which this programme is part, remains on budget. GMPP data shows that since 2013-14, MoD forecast to spend less than budget each year (approx. £1bn spend a year), with the total budgeted whole life costs decreasing from £21.9bn in 2013-14 to £20 billion in 2017-18. MoD has said it will manage budgetary pressures within the programme.

MoD has been open with us on the status and challenges of this programme.

For reasons of national security, MoD is exempt from fulfilling requirements to publish complete information on this programme within the GMPP. The IPA continues to track progress project as part of its routine monitoring.

Given the indicators of progress and our current nuclear programme of work, we do not propose any further work on this programme at this time. We will monitor this programme as part of our broader ongoing work across the Nuclear Enterprise, and will seek an update from MoD next year.

Given progress, we recommend the Committee does not pursue this at this time.

Warrior Capability Sustainment Project (WCSP)

(January 2019)

Background

As part of the Armoured infantry 2026 Programme, the WCSP seeks to upgrade the current Warrior Infantry Fighting Vehicle to extend its in-service life and provide additional capability, such as firing whilst on the move. Delays and issues with the demonstration phase have been well-publicised. These led to a major contract re-negotiation with Lockheed Martin and changes to MoD's contract management approach. The MoD now expects to complete trials by June 2019, so manufacturing negotiations can start. The IAC will subsequently approve MoD's commitment to manufacturing.

Reason for AO assessment being conducted

The AO assessment stems from the significant forecast delay and cost increases over the demonstration phase. In July 2011, the MoD approved the demonstration and manufacture phases at a cost of £1.3 billion, with an in-service date of March 2020. The programme is currently forecasting a three-year delay to the in-service date, with a further six-month delay expected, and a £227m cost increase.

The Ministry currently plans to approve a business case to manufacture these vehicles in 2020.

The AO Assessment also stated that;

- value for money is yet to be indisputably proven, although current evidence indicates the WCSP as the best VFM option, albeit not within the original 2011 parameters; and
- the demonstration phase not been delivered as intended, but a great deal of work has been undertaken to ensure successfully completed.

NAO judgement

We have been monitoring the Ministry's progress for a couple of years given the well-publicised issues with the design and commercial arrangements. Although challenges with the demonstration phase have stabilised, there remain significant challenges to overcome around the new commercial arrangements, the integration of technologies and MoD fulfilling their responsibilities during the manufacturing stage.

Based on our knowledge, and the Accounting Officer Assessment, we are considering undertaking work in this area.

We recommend the Committee may want to question the Accounting Officer on this assessment to establish a benchmark to assess future performance and indicate its interest in this area. The Committee may want to ask:

AO assessment: "Value for money is yet to be indisputably proven given that the Demonstration Phase is not yet complete nor a manufacture deal agreed."

- What criteria will you be using to assess whether this programme continues to be value for money?
 - What will you do should it no longer represent value for money for the taxpayer?

AO assessment: "Albeit not achievable within the original 2011 parameters, the current acquisition approach is assessed to continue to offer the best route to delivering a coherent capability, subject to successful

resolution of the Demonstration stage performance issues. There is evidence these are beginning to be overcome.”

- What action has the Department taken to overcome these issues?
 - Why could these performance issues not have been foreseen?

AO assessment: “This approach is underpinned by the Cabinet Office's independent reviews of the programme, the most recently noting that delivery of a significant capability to the Army remains possible pending satisfactory resolution of the current delivery issues.”

- What do you see the critical path for successful delivery of this project?
- What are the Department's responsibilities to ensure the contract and project delivered?