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PERMANENT SECRETARY

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**Meg Hillier MP**  
**Chair of the Public Accounts Committee**  
*Sent electronically*

Dear Chair,

### **TYPE 31 PROGRAMME ACCOUNTING OFFICER ASSESSMENT**

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 assessment has been undertaken in accordance with the requirement to conduct an Accounting Officer Assessment (AOA) upon joining the Government Major Projects Portfolio (GMPP).

#### **Background**

The 2015 Strategic Defence and Security Review (SDSR 15) reduced the planned procurement of 13 Type 26 Frigates (T26) to 8 and launched a concept study to design and build a lighter, flexible general-purpose frigate. This concept study has evolved into the T31 Programme for a class of 5 vessels to maintain a fleet of 19 Frigates and Destroyers.

The T31 will provide an essential capability for the Royal Navy, deterring aggression and maintaining the security of the UK's interests, working alongside our Allies to deliver warship presence across the globe. It will undertake missions such as maritime interdiction and security operations, collection of intelligence, defence engagement and assisting those in need. Its capability, adaptability and price will make it an attractive export prospect to allied navies around the world.

Having undertaken a 7-month Competitive Design Phase, three bids were received in Jun 19 and a period of evaluation followed. A preferred bidder has been identified and subject

to timely approvals, the Design & Build phase is due to commence with contract award planned for mid-Nov 19.

This assessment has been undertaken in accordance with the requirement to conduct an AOA on joining the Government Major Programmes and Projects (GMPP) portfolio. This assessment is made by the MOD Permanent Secretary (and Accounting Officer).

## **Assessment against AO Standards**

### **Regularity**

The T31 Programme complies with Parliamentary requirements for the control of expenditure, with programme funds being applied only to the extent and for the purposes authorised by Parliament. HMT Regularity standards continue to be satisfied.

The T31 procurement is exempt from the Defence and Security Public Contracts Regulations (DSPCR) under Article 346 of the Treaty on the functioning of the European Union (TFEU), as it is designated as a warship. Overseas suppliers are permitted to take part in the competition, subject to UK build and integration.

### **Propriety**

Parliament's intention of the programme's authorised expenditure continues to be met properly, and is reviewed by the Department and Cabinet Office IPA, through quarterly reporting. The programme's funds are being managed with impartiality, honesty, and with the avoidance of personal gain, waste, and extravagance.

### **Value for Money**

The Programme plans achieve a Value for Money outcome through competition which is entirely consistent with the HM Treasury Green Book guidance.

### **Deliverability**

The Programme continues to forecast the required T31 capability will be delivered in accordance with current Departmental planning assumptions. Evaluation of the Preferred Bidder's schedule and deliverability assessment has confirmed that Ship 1 will be in the water in 2023, with all ships accepted off-contract by the end of 2028. The IAC has approved the In Service Date of Ship 1 for May 2027<sup>1</sup>.

As part of the Main Gate approval process, T31 will need to demonstrate the affordability in both a programme and wider portfolio context. In addition to challenging the bidders to offer the most efficient drumbeat of delivery to drive down cost, T31 is included within the work currently being undertaken by CAAS to look at the balance of cost, risk and affordability across the Navy Shipbuilding sub-portfolio.

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<sup>1</sup> Approved at P50 confidence.

## Conclusion

The T31 Programme remains within the approvals for the Competitive Design Phase, consistent with the IAC's approval for the Competitive Design Phase. The bids have been evaluated and a Preferred Bidder identified. Main Gate investment approval for the full programme has been given by the IAC and is now subject to cross-Government approval. Subsequent Contract Award of the Design and Build Contract is planned for mid-Nov 19.

As the MOD Accounting Officer, I considered this assessment of the T31 Programme and approved it on 20 January 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 ([www.gov.uk](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**