To: IAC Members From: SRO (NAME OF PROJECT)

(NAME OF PROJECT)/IAC/

DATE

**(NAME OF PROJECT) FULL BUSINESS CASE IAC DATE**

**Executive Summary**

**The (NAME OF PROJECT) programme will provide PROGRAMME PURPOSE. Learning lessons from the PREVIOUS PROGRAMME procurement, the manufacture competition allowed international firms to partner with UK companies. It also allowed bidding consortia to cost/capability trade within a defined envelope. This process has allowed the procurement to maximise competitive leverage and deliver a compliant result at pace. The competition outcome is to appoint a Preferred Bidder to finalise a bespoke negotiated contract for the three DELIVERABLES; delivering the first DELIVERABLE in DATE and all three DELIVERALBEDELIVERABLES by DATE. The Preferred Bidder's proposal maximises the benefits of adaptability for future roles. It also delivers both reduced cost of ownership and carbon intensity through life. DELIVERABLES will be in service post trials by DATE.**

**The outcome aligns to the National INDUSTRY Strategy (INDUSTRY)Strategy refresh and the Defence Security and Industrial Strategy through significant capital investment in UK LOCATIONS to increase industrial productivity and the development of the UK supply chain and workforce skills whilst also meeting testing environmental objectives. In summary, it delivers the capability agreed by the COMMAND ORGANISATION and the JROC within the pre-determined budget whilst also meeting wider Government policy objectives; particularly with respect to investment in new INDUSTRY jobs, skills and facilities.**

**Issue**

1. Approval to commit to the Demonstration & Manufacture (D&M) Phase for the (NAME OF PROJECT) capability within the described Performance, Cost, Time, and Risk parameters.

**Recommendations**

2. The IAC is invited to <u>approve</u>:

   a. an Approved Budgetary Level (ABL) of £XXXX (at outturn, inclusive of all non-recoverable VAT) at 50% confidence, for the Demonstration and Manufacture Phase consisting of;

      i. £XXXX total resource consumption (RDEL)

      ii. £XXXX capital expenditure (CDEL)

b. placement of the Manufacture Contract with the Preferred Bidder, for 3 DELIVERABLES, with a forecast contract value of £XXXX[1] CDEL, including an Integrated Logistic Support (ILS) package of initial training and spares, and a programme of UK LOCATION Recapitalisation and Social Value;

c. the In-Service Date (ISD) of DELIVERABLE 1, DATE at 70% confidence;

d. the Key User Requirements (KURs) at Annex A.

3. And to note:

a. the intent to appoint the Preferred Bidder by end of DATE to allow them to mobilise and secure essential infrastructure funding. The Preferred Bidder's proposal is predicated on a significant UK LOCATION recapitalisation programme of which a large proportion is to be privately funded, with the catalyst for securing this funding being their appointment as Preferred Bidder. Unsuccessful Bidders will be notified in parallel;

b. the 10%, 50%, 90% confidence levels for the cost of the programme phases:

| Programme Phase | EPP Estimated Cost (£M) | | |
|---|---|---|---|
| | 10% | 50% | 90% |
| OBC estimate to end of Assessment Phase | XXXX | XXXX | XXXX |
| Current estimate to end of Assessment Phase | XXXX | | |
| Estimate for Demonstration and Manufacture Phase | XXXX | XXXX | XXXX |
| Estimate to deliver programme into service | XXXX | XXXX | XXXX |

c. the D&M Phase total programme cost and requested ABL includes;

i. provision of £XXXX for Government Furnished Assets (GFA);

ii. provision of £XXXX for other MoD Programme costs including trials and training;

iv. a MoD Risk and Uncertainty Provision of £XXXX, including a provision specifically for inflation variance above the forecast Consumer Price Index (CPI) for the fixed price Manufacture Contract;

v. £XXXX for EPP Private Sector Support (PSS) encompassing independent safety, legal support and third-party DELIVERABLE build oversight;

[1] This forecast figure uses the latest CPI at time of FBC submission. £ x used for competition affordability criteria used an assumed forecast rate of 2.3% set at the outset of the competition. See Commercial Case for detail.

d. the anticipated sunk costs by Manufacture contract award will total £XXXX, comprised of £XXXX for Concept and Initial Assessment Phase (pre-DATE OBC) and £XXXX for the Competitive Procurement Phase (CPP);

e. the key milestones in the capability delivery schedule, DELIVERABLE 2 ISD x DATE and DELIVERABLE 3 ISD x DATE both at 50% confidence;

f. that the In-Service Support solution will be assessed and delivered through the TLB Support Integrated Global Network programme, alongside the rest of the DELIVERABLES, with the ESP costs (totalling £XXXX at 50% confidence across the capability expected duration) being provisioned within the (NAME OF PROJECT) S9 line; and

g. the principal risks for the Manufacture Phase at Annex G.

**Timing**

4. Priority. Manufacture contract award is required as soon as practicable on the completion of the Preferred Bidder phase and approvals but no later than the expiration of the bid validity period on xx xx DATE, after which the Preferred Bidder is not obliged to hold its prices. Manufacture contract award is required as soon as practicable on the completion of the Preferred Bidder phase and approvals but no later than the expiration of the bid validity period on xx xx DATE, after which the Preferred Bidder is not obliged to hold its prices. The Preferred Bidder's proposal is very mature and has been scrutinised in detail, moving at pace is low risk and enables early investment in facilities, skills etc. Delay would risk escalation due to inflation and exposure to rapidly changing foreign exchange movements.

**Strategic Case**

5. (NAME OF PROJECT) is a TLB Strategic Programme required to deliver the Command Plan objective OBJECTIVES. It is a key logistics enabler, for REDACTED.

6. Legacy DELIVERABLES are beyond their design life and unable to provide the capability at the required performance levels particularly for capacity and storage efficiency, and in an assured manner to meet policy. PREVIOUS DELIVERABLES were already X years old and have a DATED CAPABILITES. Their immediate retirement was confirmed as part of Integrated Review XXX. This has left the FORMER DELIVERABLE, as the only DELIVERABLE until the entry into service of (NAME OF PROJECT). Not only does this result in a single point of failure, vested in DATED CAPABILITIES but there will clearly be periods of planned unavailability when undertaking maintenance. REMOVED INFORMATION ABOUT PREVIOUS DELIVERABLES.

7. A capability cliff edge is approaching with PREVIOUS DELIVERABLE due to leave service in DATE. (NAME OF PROJECT) ISDs are expected DATES, with more detailed work required to refine and expedite the OTHER PROGRAMME now that a delivery schedule is confirmed. An Option (xxxx) has been raised to PREVIOUS DELIVERABLE to the end of her current survey cycle in XX DATE to align with the (NAME OF PROJECT) delivery schedule and further mitigate the transition period, at

a cost of c.£XXXX. The provision for this mitigation was directed by the IAC at OBC, with the expectation that TLB will implement during ABC DATE. Further run-on would incur significant (>£XXXX) nugatory cost which is to be avoided with all efforts focussed on achieving contract award no later than XX DATE, maintaining the (NAME OF PROJECT) delivery schedule whilst on contract and making the OTHER PROGRAMME as efficient as possible.

8. **Requirements/Solution** - The KURs are at Annex A for which JROC endorsement has been sought, as at least the threshold requirements set at OBC have been met. The Competitive Procurement Phase (CPP) has included an extensive examination of the winning design against the KURs. This process has been verified by Scrutiny and validates the assessment that the proposed design will meet the necessary capability requirement. These are underpinned by the REDACTED requirements. In addition, this process has also included an examination of the DELIVERABLES adaptability. XX through their FEATURES are used for a variety of tasks out-with their core capability role, and the features of the winning (NAME OF PROJECT) design echo this intent. The assessment demonstrates that the winning design can be effectively adapted to remain capable through its envisaged X-year life span. A summary of the design is at Annex B.

9. CSG DATE reinforced the importance of CAPABILITY when operating at reach. Many of the lessons had already been incorporated within the (NAME OF PROJECT) requirement by IMPROVED CAPABILTY in the objective space. The prominent lesson was the need to take sufficient DELIVERABLES. REDACTED was heavily relied on to supplement the PREDECESSOR. This validates the concept of deploying DELIVERABLES in sufficient numbers (min. 2 XXX and 2 (NAME OF PROJECT)) to give the operational flexibility, capacity and the (NAME OF PROJECT) consolidation model would take the DATED CAPABILTY from the PREDECESSOR which are not designed for this REDACTED.

10. **Summary of Benefits -** (NAME OF PROJECT) delivers crucial strategic defence and national benefit. It is the final capability piece to sustain NAME OF GROUP Groups and exploit REDACTED investment, it is the enabler for long term transformation of INDUSTRY to deliver the future DELIVERABLE pipeline. It also delivers a platform which could be adapted to potentially achieve very low-carbon emissions. (NAME OF PROJECT) benefits were agreed through a series of workshops with key stakeholders, including customers in TLB and INDUSTRY Support organisations, utilising the themes of Operational Capability, Supportability, Sustainability and Social Value. The Benefits Dependency Network provides the mapping from the specific project outputs to the programme outcomes and through to the final expected strategic end benefits, demonstrating how project led changes will contribute to strategic objectives. Benefits Profiles with a reporting process have been produced to allow the Customer at contractor Project Delivery Boards and the MOD Programme Board to track the delivery of benefits through manufacture and into service.

**Economic Case**

11. **VFM** - The competition has ensured the best possible outcome for Defence by driving out unnecessary cost whilst maximising capability for a price that was fixed through competitive tension. The competition received three final bids. The winning bid meets all the required benefits and KURs, including future adaptability and open system architecture.

12. As described in the Procurement Strategy, a period of Market Engagement was conducted with a wide range of industry participants. The aim of this was to test what the market could deliver against the high-level requirements, price point as well as receive feedback to reduce bespoke requirements and cost drivers to a minimum. This was followed by a funded CPP which allowed those Bidders who had successfully pre-qualified at PQQ stage to develop their solutions whilst simultaneously negotiating a bespoke Manufacture Contract. The Procurement Strategy covering the CPP and the evaluation matrix was endorsed by IAC at OBC in DATE.

13. **Social Value -** Social Value evaluation criteria were included as an important part of the competition's evaluation model and were weighted such that the minimum threshold of 10% which applied at the time of the procurement's launch was exceeded (12% applied). Specific Social Value engagements were held with Bidders during the competition. Note, that the launch of the (NAME OF PROJECT) procurement pre-dated the strategy refresh commitment for a 20% Social Value weighting in all future MOD INDUSTRY procurements.

14. The criteria reflected existing Departmental themes in line with the Cabinet Office Social Value model, and where appropriate, specifically tailored to address important Ministerial priorities, the strategy and to reflect pan-Government policies. This included criteria to incentivise Bidders to make capital investments in physical infrastructure upgrades and the use of the UK supply chain to ensure UK content is maximised. Classification of the project as exempt from procurement regulations afforded flexibility which the project team maximised in constructing the criteria. The criteria developed was bespoke and project specific, recognising the nature of the UK industry and supply market and the project's constraints, particularly around affordability.

15. Annex C (LIMDIS) summarises the Preferred Bidder's solution to deliver UK Social Value under the contract in response to the competition's criteria. This will deliver:

- A new capability through a £XXXX recapitalisation investment in the UK, of which £XXXX is funded from Private Venture (PV) sources.
- Technology and skills transfer to the UK based on international best practice and a proven approach, including productivity initiatives and a *Train the Trainer* methodology.
- Over 60% of contract spend in the UK, including in the UK supply chain.
- A significant level of new employment.
- A British design and ILS package.

This significant investment is required to deliver (NAME OF PROJECT) to time and cost and will help to grow the UK INDUSTRY capability and capacity and supports the

programme aim of enabling choice for the procurement of follow-on non-complex DELIVERABLES in the INDUSTRY pipeline.

**Commercial Case**

16. The Commercial Strategy for (NAME OF PROJECT) broadly followed the successful approach adopted for PREVIOUS PROGRAMME, namely, to allow the Bidders the flexibility to negotiate a bespoke set of terms and conditions. This was deemed especially relevant given the previous (NAME OF PROJECT) competition did not allow Bidders to propose amendments and tailor a bespoke contract. The (NAME OF PROJECT) procurement also allowed additional time at the front end of the competition for Bidders to engage and build relationships with LOCATION given the (NAME OF PROJECT) requirement that all three DELIVERABLES must be integrated in the UK. A non-exclusivity requirement for UK industry formed a condition of entry into the competition to ensure viable bidders were not bound to only one potential Prime Contractor. This supported the objective of creating a level playing field for all Bidders to engage with UK industry with recourse available to the Authority to investigate where it had reason to believe the non-exclusivity rules were not being adhered to.

17. The Preferred Bidder has adhered to the non-exclusivity rules throughout the competition and has utilised engagement opportunities with the Authority to mature its relationship and progress its Build Strategy. The contracting arrangement as proposed by the Preferred Bidder as Prime Contractor is sound and agreed with the Authority during contract negotiation, the latter being a Key Subcontractor. Accordingly, the Authority will have visibility of the head of terms between the Preferred Bidder and its chosen INDUSTRY during Preferred Bidder stage.

18. Following engagement with Bidders throughout the competition and development of their Pricing Schedules, it became apparent during Phase 2 of the CPP that none of the Bidders were in a position to offer a compliant bid with respect to the initial £XXXX outturn budget. This was predominantly due to the change in global economic conditions since the start of the competition in DATE specifically the rise in inflation and resultant impact on supply chain. As this was a challenge faced by all Bidders, it was deemed necessary to increase the budget accordingly (by £XXXX in DATE Economic Conditions) to £XXXX. As well as being informed by feedback from Bidders, the increase was also supported by internal cost analysis. The Manufacture ITN process is clear in that the Authority has the right to change any part of Procurement at any time. Legal advice was also sought to ensure any risks pertinent to changing our Price requirement were captured and understood in terms of their likelihood and impact. Any identified legal risks, namely challenge from participants to (NAME OF PROJECT) Market Engagement prior to the competition commencing, were deemed very low likelihood. Ministerial approval was given to allow the competition to proceed with the increase in budget in line with the flexibility allowed in the current Manufacture ITN and Procurement Strategy.

19. The vast majority of the Preferred Bidder’s Tendered Manufacture Contract accepts the positions included in the Draft Manufacture Contract without any amendments. Of the amendments made, the majority either constitute a very minor or

minor transfer in risk to the Authority only. On this basis, there is a high level of confidence that any updates required during Preferred Bidder stage would be few and non-substantive in terms of finalising the Manufacture Contract and are cosmetic in nature. Such updates would not constitute re-negotiation of the Preferred Bidder's Manufacture Bid which, notwithstanding the requirement to complete additional Preferred Bidder tasking, constitutes an offer capable of acceptance. It should be noted that the Preferred Bidder's commitment to hold its price remains valid until XX XX DATE. After this point the Authority would be obliged to renegotiate with the Preferred Bidder in an uncompetitive environment to reach what would very likely be a far worse deal for Defence and the UK taxpayer.

20. **Remedies and Contractual Incentives** - In addition to the Preferred Bidder's Social Value response, summarised above at para 15, the Tendered Manufacture Contract allows the Authority to withhold 150% of the value of Recapitalisation Milestones (the value of the relevant milestone plus an additional 50% which is withheld from any other milestone due for payment) if they are not implemented by the Contractor. Additionally, a contractual termination right exists for the Authority where the recapitalisation programme is not delivered by a specified longstop date. This recognises the importance of the Contractor committing to investment in UK industry and provides incentive to fulfilment of its Social Value obligations on contract as a critical enabler to delivering to cost and schedule.

21. **Wider Incentives** – The Preferred Bidder's proposal for the UK industry scope is predicated on the recapitalisation programme and therefore execution of this capital investment is essential to enable the contract to be executed successfully. Further, there will be significant reputational incentive for the companies to complete the capital investment following public announcements being made.

22. The Authority has also secured terms with respect to Liquidated Damages (LDs) within the Tendered Manufacture Contract broadly in line with the baseline position. Whilst it deviates slightly in allowing a two-month grace period (as opposed to one) for LDs post contracted VAD, the Preferred Bidder has retained the Authority proposed run rate for LDs across the three DELIVERABLES with a cap of £ XXXX in aggregate. This represents a position whereby the Preferred Bidder would have to max out LDs for all of DELIVERABLE 1 and substantially so for DELIVERABLE 2 before the cap was reached. On this basis, we are confident this provides adequate incentive to deliver on time, with respect to the Defence criticality of delivering DELIVERABLE 1 on time given the implications for LOCATION run on costs. Similarly, there are Performance Liquidated Damages within the Manufacture Contract for deficiencies against key performance commitments contained in the Preferred Bidder's Build Specification.

23. **Contingent Liabilities -** The Limit of Liability for both the Authority and Contractor under the Manufacture Contract is the Contract Price, except for the Authority's liability in respect of Intellectual Property Rights (IPR) and confidentiality breaches. These carve outs from the Authority's limit of liability are provided for within policy guidance and are low risk. DEFCON XXX was included within the baseline Draft Manufacture Contract to provide a reciprocal indemnity against infringement of third-

party IPR in their pre-approved and unamended form. The Preferred Bidder has included provision to make clear the Authority's intent that it will be indemnified for use of Authority Software and Background IPR. There is a low likelihood of a potential Contingent Liability relating to changes in UK Law.

**Financial Case**

24. **Costs** - The Manufacture contract price is forecast to be £ X at outturn utilising CPI to determine fixed priced milestones. This consists of;

| **Manufacture Contract value make-up** | **Cost Element (£M)** |
|---|---|
| Average Production Cost (UPC) including design and all Non-Recurring Expenditure not broken out below | £ XXXX per DELIVERABLE |
| Integrated Logistical Support (ILS) package, including Initial Training and Initial Provisioning of Spares | £XXXX |
| Recapitalisation and Social Value programme of Industrial Productivity, Workforce Development and Environmental Sustainability initiatives | £XXXX<br>(£XXXX additional Private Venture funding needs to be secured) |
| Fixed Price Forecast Inflation (applying relevant indices) | £ XXXX |
| **Total outturn Manufacture Contract Price** | **£ XXXX** |

25. The wider programme cost to deliver the platforms to Full Operating Capability (FOC) is £ XXXX outturn, including GFA and MOD risk provision. Detailed costs have been developed and assured through an iterative approach throughout the CPP by the Cost Assurance Group (CAG) as the Bidders' cost analyses developed and validated through Independent Cost Estimates (ICE) conducted at the midpoint of CPP.

26. **Inflation Risk** - The project has been costed inclusive of inflation using the latest Indigo forecast indices to uplift each relevant cost line. It is predicted that the greatest economic risk to the case is that inflation continues to remain high, significantly increasing beyond the Indigo forecasts. Such increases will impact milestone payments from Contract Award onwards (the project Manufacture Contract tendered being fixed price to CPI). It should be noted (at the time of writing) the Indigo forecasts indicates an optimistic sharp drop of inflation during the early contract period down to X% p.a. making it highly likely the forecast will be exceeded and contingency is required. Within Acquisition, CAG have created an independent forecast index utilising the Bank of England Monetary Policy Report (dated XX DATE - providing a potential spread of worse case CPI forecasts) to reflect CPI increasing beyond the current Indigo CPI forecast up to a potential P90. Within the project it has been utilised to calculate a spread of uncertainty against inflation risk. The calculation does not utilise the CAG indices as a 'Maximum' as the distinct inflation risk relates to only the Manufacture Contract. It is considered, for the distinct inflation risk, the Manufacture

Contract could see a maximum X% increase beyond current CPI forecast in inflation due to global events. The CAG indices inform the Most Likely and the Minimum (the midpoint from the Indigo forecast to the CAG Indices). Whilst cost provision is set using Monte-Carlo techniques, approximately £XXXX can be attributed to inflation provision.

27. **Affordability** - Financial detail is at Annex D. The table below demonstrates the challenge within the budgetary ABC DATE Control Total provision against the profile. Affordability of the Programme, ORGANISATION and Defence context continues to be managed via the Cost Management Working Group (CMWG). An FCR has been submitted reflecting the adjustments needed to achieve the profile and subsequently to achieve implementation prior to contract award.

| **Year** | IY | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FY** | DATE | DATE | DATE | DATE | DATE | DATE | DATE | DATE | DATE | DATE | DATE | (£M) |
| EPP P50 CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| EPP P50 RDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| **EPP Total (p50)** | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| ABC 22 CT (CDEL) | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Delta | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |

**Management Case**

28. **Schedule Deliverability** - The Preferred Bidder has committed contractually to deliver all three DELIVERABLES by the end of DATE, through a distributed block build and integration strategy, with a contractual date for DELIVERABLE 1 VAD of XX DATE. They have embraced the light governance and design management arrangements with a sharper focus on acceptance arrangements which are aligned to an as built product as opposed to a design, limiting Authority risk for design change. The Preferred Bidder has committed to the investment in facilities, technology, and skills necessary to deliver the contract. They are committing to near deterministic contractual dates, with a narrow 3-Point Estimate spread, based on their extensive delivery experience of projects of similar scale and complexity. This has resulted in float from previous project outturn experience included in their baseline schedule. Using their own P50 VAD (which is later than the committed contract VAD date), the Authority holds extended schedule contingency of 14 months between DELIVERABLE 1 VAD and P50 ISD and 18 months against the P70 ISD, for which approval is being sought. During Preferred Bidder stage the Authority will be seeking clarification as to this contingency to determine any outstanding issues requiring management action and understand opportunities to improve.

29. Deliverability has been a crucial element of CPP to mature and build confidence in Bidders' delivery plans to underpin (NAME OF PROJECT)'s contribution to transforming and sustaining UK industry. The CPP analysed Bidders' draft plans to deliver the full scope of the Manufacture contract, including the Build Strategy, a fully resourced Integrated Performance Management Baseline (IPMB) with cost

assurance, and coherent and effective management arrangements including those to deliver final design, acceptance, and ILS of the platforms.

30. The BC, therefore, seeks approval of DELIVERABLE 1 ISD at X% confidence. This reflects the greater risk inherent in delivery of the first of class and the learning from assessment of the Preferred Bidder's intended schedule (para 28). There are further schedule efficiencies possible through tailoring the MOD programme between VAD and ISD to share trials across the DELIVERABLE through more detailed planning. The programme and project schedules will drive toward the P50 schedule as the baseline, to achieve ISD of DELIVERABLE 1 as early as possible to minimise the solid support availability shortfall during transition. Milestones are at Annex E.

31. **Project resources -** A resource loaded Integrated Programme Management Baseline (IPMB) has been developed with an organisational design to deliver the design, build and VAD to ISD phases. The project will be delivered by the Production team developed to deliver the project following contract award and principally matched to the contract management, assurance and acceptance activities and delivery of the wider MOD Programme. Continuity will be obtained through sustaining experienced resource from the Assessment Phase and augmenting with those with build phase experience, including Delivery Group (PREVIOUS PROGRAMME), private sector expertise, including in commercial build oversight, and continued SQEP in the team. The project is expected to peak at about X staff FTE to manage the parallel build and VAD to ISD programmes.

32. **GFA -** Building on lessons from the PREVIOUS PROGRAMME procurement, the (NAME OF PROJECT) GFA strategy has been to follow the blended approach which seeks to:

a. maximise the volume of equipment to be procured directly the Prime Contractor as part of the Manufacture Contract, fully integrated and hence reduce contract risk and increase competitive scope. Market Engagement findings were enacted where traditional GF systems are within the ability of industry to supply;

b. only supply certain sensitive and protected systems where the contractor does not have permission to acquire into the contract, this has only been undertaken on a strict case-by-case basis where risk can be demonstrated to be low;

c. ensure remaining MOD systems and equipment installed and integrated in a separate CIP which will occur immediately following VAD. Where this requires additional critical path time to ISD, it must demonstrate that this is lower impact than the implications of fitting GFA in build; and

d. ensure that the Prime Contractor provides under the scope of the Manufacture Contract the Fit-To-Receive (FTR) or Space Weight Power and Services (SWAPS). This is the approach where the equipment solutions are unknown or very immature. FTR is a common approach where equipment availability is prioritised on an operational basis, and SWAPS allows an element of future proofing for capability choice to be managed through life.

33. **Environmental -** The (NAME OF PROJECT) design incorporates several environmental features to enable (NAME OF PROJECT) as the Environmental Sustainability pathfinder to pioneer the way for greener MOD procurements. At the start of life, (NAME OF PROJECT) DELIVERABLES will be equipped with energy efficiency technologies to reduce power demand and will have the capability to reduce their carbon intensity by REDACTED. The DELIVERABLE have been designed so that mid-life power and propulsion modification and upgrades can be achieved without significant work in way. Compartment space and design including margins for energy saving devices, with associated removal routes, will enable change as carbon free CAPABILITY evolves. Wider contributions to Net Zero are promoted through the manufacturing facilities and industry commitment to improve sustainability and climate change culture within their workforce, driving sustainable procurement into the supply chain, minimising waste, and discharge, and committing to update their facilities to support the UK Governments' Net Zero over the next X years.

34. **Equipment -** In addition to the Manufacture Contract, provision has been made for the development of, and transition to, steady state training. This includes software upgrades, and an upgrade to the training facility if identified by the Training Needs Analyses. The use of simulation and synthetic training has and will be encouraged.

35. **Personnel -** The winning solution has met the SofS challenge and has demonstrated through operability testing that a core crew could safely operate in their core role. The challenge now will be to grow the additional strength required to operate 3 DELIVERABLES, vice 1, and at a higher level of availability. To achieve this, the (NAME OF PROJECT) personnel requirements are already funded within the long-term personnel forecast and growth plan. The DELIBERABLES will play a key role in maintaining that growth.

36. **Infrastructure -** The (NAME OF PROJECT) Programmes have always sought to avoid significant infrastructure investment by setting the physical constraints of platform size. The winning solution has met these constraints, so no infrastructure changes are envisaged.

37. **Support -** The Through Life including Equipment Support (ESP) costs are at Annex F. ESP costs have been included in ABC costings since ABC DATE. This reflects the most up to date survey and maintenance cycle now in use and preferred, which maximises availability. It also allows for additional time in hand and material, environmental compliance, and obsolescence updates at the X and X-year points but does not include the cost of capability or equipment upgrades (Customer choice and funding required). The cost of preparing for disposal at end of life is included.

38. This FBC does not seek approval to commit to the In-Service Support (ISS) solution, and the support strategy and products give freedom of choice in ISS approach. The favoured route is via assessment and delivery through the (PROGRAMME NAME) programme; which recognises (NAME OF PROJECT) as a customer as is heads towards SOC by end of DATE. The initial support solution (circa X years if PROGRAMME NAME is insufficient mature for immediate (NAME OF PROJECT) transition and determined by the Delivery Team in conjunction with the in-service team via competition) and documentation generated by the (NAME OF

PROJECT) project will allow the synchronisation with and transition to the PROGRAMME NAME solution (due progressively around the same timeline as (NAME OF PROJECT) ISD). This replicates how CAPABILITY transitioned into the current ISS arrangement.

39. **Risks -** The top risks pertinent to the next phase from contract award and out to Transition into Service are reflective of the challenges in delivering to cost, performance / quality, and time. Clearly the volatility of current economic conditions is reflected in the inflation risk with its associated cost escalation impact which is at present seen as the biggest or closest threat. Three of the top risks are related to or have potential impact on schedule and maintaining capability during the transition into service period. And two relate to supplier performance and/or quality. Early and successful mobilisation of the resource during Preferred Bidder stage are a major mitigation to ensure the required UK capability and skills can be developed to successfully execute the programme.

**Presentation and Handling**

40. (NAME OF PROJECT) continues to be a high-profile project with considerable interest from MPs, Unions, industry and the media. The MinSub to support the approval of the Preferred Bidder in xx DATE will also contain a handling plan. It will cover how the Preferred Bidder appointment should be made, and the pros and cons of making an announcement then, or in late xx DATE, at contract award. A cross Departmental comms group has been stood up to ensure any announcement is effectively coordinated across Whitehall. Information requests will be co-ordinated through Secretariat and NAME OF DEPARTMENT Policy and Secretariat and agreed with Media and DDC Press Offices ahead of any announcements. The SRO approved (NAME OF PROJECT) lines to take (LTT) continue to be updated on a regular basis.

SIGNATURE
NAME OF SRO FOR PROJECT
SRO (NAME OF PROJECT)

**Annexes**

A. Key User Requirements
B. Capability Assessment of winning solution
C. Social Value (LIMDIS) – Held by DPAS
D. Affordability
E. Key Milestones
F. Through Life / ESP Cost Estimates
G. Risks
H. Sunk Costs

**Annex A to**
(NAME OF PROJECT) **FBC IAC DATE**
**dated XX XX XX**

**KEY USER REQUIREMENTS**

| ID | User Requirement | Threshold MOE | Objective MOE |
|---|---|---|---|
| UR 1 | **The** (NAME OF PROJECT) **capability shall…** | | |
| UR 2 | **The** (NAME OF PROJECT) **capability shall…** | | As Threshold but: |
| UR 3 | **The** (NAME OF PROJECT) **capability shall…** | | As Threshold plus: |
| UR 4 | **The** (NAME OF PROJECT) **capability shall…** | | |
| UR 6 | **The** (NAME OF PROJECT) **capability shall…** | | As Threshold but: |

**Annex B to**
(NAME OF PROJECT) **FBC IAC DATE**
**dated xx xx xx**

(NAME OF PROJECT) **PREFERRED BIDDER (DELIVERABLE) DESIGN**

The evaluation has shown that the winning design will in many cases exceed the core capability set as the minimum requirement and offers capability adaptability pathways for future roles and carbon reduction adaptability pathways for exploitation through life.

**Preferred Bidder Capability Overview**

Highlights of the Preferred Bidder's design against the KURs are summarised below.

1. In meeting **KUR1** and **KUR 2** the design exceeds the threshold requirements, with capacity for XX. This represents approximately 90% of the objective capacity requirement. An individual (NAME OF PROJECT) can support REDACTED

2. **KUR 3** – (NAME OF PROJECT) will have XX. This will enable XX. In addition this will allow XX.

3. **KUR 4** The winning design meets the threshold level of capability. Any capability above threshold was highly valued by the Customer, reduces pressure elsewhere and offers flexibility.

4. **KUR 5** This satisfies the consolidation model concept which is reliant on the timely arrival of DELIVERABLE 2. The flexibility afforded by this model maximises operational freedom, reduces risk of single point failures and reduces the burden on the supply chain.

5. **KUR 6** The design ensures XX.

6. As well as the operational adaptabilities there are also adaptable pathways for Carbon Reduction through life.

7. The winning design has demonstrated, through operability scenario testing, to be able to meet the SofS challenge.

**Annex D to**
(NAME OF PROJECT) **FBC (CAT A) IAC xxxx**
**dated xx xx DATE**

## Affordability

| **Year** | | IY | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 10 yr Total | Later Years | Total (£M) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FY** | | | DATE | DATE | DATE | DATE | DATE | DATE | DATE | DATE | DATE | DATE | | | |
| Manufacture Contract (for deliverables, ILS, recapitalisation and Social Value) | CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Major Insurance Spares | CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Post VAD CIP, Trials & Initial Support | CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Transition to Steady State Training | CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| GFA | CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| EPP OPEX inc. PSS | RDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Risk Contingency Provision | CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| | RDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Total CDEL | CDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Total RDEL | RDEL | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| **Forecast Total (p50)** | **-** | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| ABC DATE (CDEL) | - | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |
| Delta | - | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX | XXXX |

**Annex E to**
(NAME OF PROJECT) **FBC IAC DATE**
**dated xx xx xx**

**Key Milestones and Capability Gate Definitions**

| **Milestone** | **P10** | **P50** | **P70** | **P90** |
|---|---|---|---|---|
| Preliminary Design Review | xx DATE | xx DATE | xx DATE | xx DATE |
| Critical Design Review | xx DATE | xx DATE | xx DATE | xx DATE |
| **DELIVERABLE 1** | | | | |
| VAD | xx DATE | xx DATE | xx DATE | xx DATE |
| EDD | xx DATE | xx DATE | xx DATE | xx DATE |
| ISD (and Class IOC Capability Gate 1) | xx DATE | xx DATE | xx DATE | xx DATE |
| **DELIVERABLE 2** | | | | |
| VAD | xx DATE | xx DATE | xx DATE | xx DATE |
| EDD | xx DATE | xx DATE | xx DATE | xx DATE |
| ISD | xx DATE | xx DATE | xx DATE | xx DATE |
| **DELIVERABLE 3** | | | | |
| VAD | xx DATE | xx DATE | xx DATE | xx DATE |
| EDD | xx DATE | xx DATE | xx DATE | xx DATE |
| ISD | xx DATE | xx DATE | xx DATE | xx DATE |
| | | | | |
| FOC Capability Gate 6 | xx DATE | xx DATE | xx DATE | xx DATE |

**IMAGE – (PROJECT NAME) Programme Capability Gates**

**Annex F to**
(NAME OF PROJECT) **FBC IAC DATE**
**dated XX XX XX**

**Through Life and ESP Costs**

| | Estimated Cost (£M) | | |
|---|---|---|---|
| | 10% | 50% | 90% |
| **Total TLC Cost from** (NAME OF PROJECT) **TLC Model** | **XXXX** | **XXXX** | **XXXX** |
| **(Of which) ESP Support Costs only** | XXXX | XXXX | XXXX |
| **(Of which) Disposal Cost from** (NAME OF PROJECT) **TLC Model** | XXXX | XXXX | XXXX |

The Table above provides the combined forecast for both future Equipment Support Programme (ESP) commitment and Through Life Costs (TLC).

ESP cost estimates have been produced using a number of data sets which include tendered costs from the current In-Service Support (ISS) contracts, actual historical maintenance outturn costs escalated to appropriate rates, current Support (NAME OF DEPARTMENT) ABC DATE budget, and costs submitted by the bidder, appropriately adjusted for realism. These costs include maintenance, post-design services, spares provision, equipment obsolescence and software updates.

The ESP cost estimate has been complimented with through life cost forecasts for staffing, victualling, travel and subsistence, fuels, lubricants and training to derive the total 10%, 50% and 90% costs detailed in the Table above.

All costs have been profiled against the (NAME OF PROJECT) Operating and Support Philosophy that requires a combination of routine maintenance (e.g. daily, weekly, monthly etc), Assisted/Self Maintenance Periods, Annual Certification Periods (ACPs) and Contractor Support Periods (CSP) at a 5-Annual frequency.

**Annex G to**
(NAME OF PROJECT) **FBC (CAT A) IAC XXXX**
**dated XX XX DATE**

## RISKS

Note - These risks are in post-mitigation priority order and can be viewed through differing lenses of impact on cost, performance/quality, time/schedule. They are a mix of Programme and Project Risks which are in turn managed through different risk management systems with differing scoring matrices.

| Pre-mitigated (Current) Position | | | | | | Post Mitigated (Target) Position | | |
|---|---|---|---|---|---|---|---|---|
| ID | **Risk Name/Description** | Likelihood | Impact (£K) | Impact Schedule | Mitigation Actions | Likelihood | Impact (£K) | Impact Schedule |
| 1 | **INFLATION** Fixed price milestone payments exposed to increased inflation exceed the budget | 50% | X | 0 | 1. Monitor forecasts (PRIVATE COMPANIES) for early warning of increase.<br>2. Engage continuously Cost working group / Defence Economics / REDACTED CAG and share intelligence.<br>3. Manage within build Portfolio (common approach and actions to absorb). | 50% | X | 0 |
| 2 | **PRODUCTIVITY** Failure to deliver UK investment for (NAME OF PROJECT) impacts productivity | 60% | X | 240 | 1. Enhanced recapitalisation governance including recap and social value steering group, and appointment of social value project manager at L4.<br>2. Enhanced contractual deliverables and enact specific recapitalisation payment plan and hold back amount included in the contract.<br>3. Obtain specialist external expertise to oversee recapitalisation plan. | 50% | X | 240 |
| 3 | **INDUSTRY INSOLVENCY** Insolvency of UK industry) | 30% | X | 480 | 1. Obtain Bidder's risk mitigation plan for financial instability<br>2. Enhanced governance of build delivery through PR and PDB<br>3. Monitoring of relevant market intelligence reports including KSM reports<br>4. Monitor financial health of industry within build strategy<br>5. Make use of contract terms to ensure Bidders provide adequate support to industry. | 20% | X | 480 |
| 4 | **INTEGRATION & SKILLS GROWTH** Failure to manage integration due to build management and UK SQEP. | 60% | X | 120 | 1. Preferred Bidder Phase, undertake detailed review and clarification of proposals and plans for development or recruitment of UK SQEP.<br>2. Re-development of internal MOD SQEP, including early engagement with PREVIOUS PROGRAMME early in design phase. | 50% | X | 120 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | 3. Establish strong Authority on site team including commercial expertise and CAG to monitor progress.<br>4. Establish Joint Integration WGs between MOD, Prime and key subcons. | | | |
| 5 | **DELIVERY PERFORMANCE**<br>INDUSTRY experiences technical issues and / or build quality issues that cause delays to the VAD. | 87.5% | x | 360 | 1. Implement governance (in at PDB) with LFE from PREVIOUS PROGRAMME<br>2. Contract flexibility for (with approval) for the bidder to adjust their strategy to reflect emerging conditions without impacting social value.<br>3. Bidders working to their own build spec and acceptance activities<br>4. Engage CAG group to review plans and resource acceptance.<br>5. Enhanced contractual deliverables and enact specific recapitalisation payment plan and hold back amount included in the contract.<br>6. Establish strong Authority on site team including commercial expertise and CAG to monitor progress. | 37.5% | x | 120 |
| 6 | **SCHEDULE AND CAPABILITY TRANSITION**<br>(NAME OF PROJECT) does not deliver a replacement for PREVIOUS DELIVERABLE before Out of Service Date (OSD). | 70% | x | 0 | 1. Fund PREVIOUS DELIVERABLE extension of 1 year to xx DATE to better align with (NAME OF PROJECT) DELIVERABLE 1 delivery<br>2. Seek innovation and parallel working to compress VAD-ISD for (NAME OF PROJECT).<br>3. Hold PREVIOUS DELIVERABLE at reduced readiness beyond xx DATE<br>4. Additional refit to run PREVIOUS DELIVERABLE beyond DATE (longer extension). | 55% | x | 0 |
| 7 | **CREWING**<br>Insufficient SQEP staffing. | 40% | x | 60 | 1. Prioritisation of (NAME OF PROJECT) within staffing priority list.<br>2. Retain and recycle SQEP through (NAME OF PROJECT) during build and trials.<br>Note – related project risk xxxx Availability of Personnel for training. | 20% | x | 20 |
| 8 | **IN SERVICE SUPPORT**<br>Enduring support solution is not in place for (NAME OF PROJECT) | 37.5% | x | NIL | 1. Continuous Engagement with project to include (NAME OF PROJECT) in scope.<br>2. Run a competition for (NAME OF PROJECT) in service platform and equipment support for VAD to ISD period with options to extend.<br>3. Negotiate Option to extend manufacture contract to provide a period of support whilst an enduring contract is procured.<br>4. Deliver ILS outputs which enable wide range of support solutions | 5% | x | NIL |

**SUNK COSTS**

| **Period/Phase** | **Cost (RDEL inc VAT)** |
|---|---|
| Pre-Initial Gate (pre-DATE)<br>(As part of Programme & ORGANISATION Concept Studies DATES) | £XXXX |
| Assessment Phase 1 (AP1)<br>Apr xx xx DATE<br>Crown Servants - Estimated | £xxxx<br><br>£xxxx |
| Assessment Phase 1a (AP1a) (1-year extension to OBC) Apr xx xx DATE<br>Crown Servants - Estimated | £xxxx<br><br>£xxxx |
| Assessment Phase 2 (AP2) CPP to xDATE– actuals<br>Crown servants - Estimated | £xxxx<br><br>£xxxx |
| Assessment Phase 2 (AP2) CPP (inc. bid costs and anticipated spend to Manufacture Contract / end of FY xx DATE)<br>Crown Servants / Op costs<br>@ AP05 | £xxxx (Actual)<br>£xxxx (Forecast)<br>£xxxx (Actual)<br>£xxxx (Forecast) |
| **Sunk Cost Total** | **£xxxx** |