Dear Julian,

Thank you for your letter to the Defence Secretary dated 14 May about the Defence Fulfillment Centre (DFC) in Donnington. I am responding as the Minister with responsibility for this area. I have addressed your questions below, noting that I have provided a single response to points 2&4:

1. Is it still planned that the DFC will be fully operational in 2019? What is the target date?
Yes. The target date for the DFC to become fully operational is March 2019. The project is currently on track to achieve this date, having successfully implemented the complex third of four stages to roll-out new information systems, which includes those that enable DFC operations.

2. What tasks are currently undertaken by the DFC and what additional tasks will be undertaken when the Centre is fully operational?
4. How will the DFC “streamline distribution and storage, and deliver savings of around £500 million by 2028”?
In addition to holding a range of Priming Equipment Packs for contingent operations, the DFC is now starting to in-load stock from other Defence storage locations around the country. This will result in greater centralisation of Defence inventory base stocks, making these easier to manage through an Industry best practice warehouse management system, and more efficient as older storage locations are retired. The inventory will be managed more accurately as all stock locations and numbers will be recorded and scanned to provide greater control and visibility. This will provide accurate and timely information on stockholdings, their condition, and availability. Greater visibility will help to build confidence and drive further efficiencies as the users of the Defence Supply Chain will have improved trust in the information being provided, and will receive a higher standard and speed of service. This will help to reduce the dependency on ‘just in case’ stock-piling and replace it with best practice of fulfilling demands and holding what is needed.

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Technology will play a key role in the DFC, with one of the main elements being the automated picking ‘MiniLoad’ system to handle stock-picking for the most frequently needed items. Warehouse staff will no longer have to retrieve the majority of picks manually from shelves and bins, which will result in fewer errors, and will save considerable time. The ‘MiniLoad’ can complete up to 1000 picks an hour and with around two-thirds of all demands from the DFC anticipated to come from this automated system, this will result in significant efficiencies being achieved. We will also see significant benefits resulting from the implementation of the Transport Management IT solution which will drive efficiency in road movements by around 15%. Finally, the move to Industry best practice stock management will improve the performance and behaviours of everyone in the Defence Supply Chain, with suppliers required to deliver products in a more compliant way and inventory purchased against demand profiles rather than traditional stock-holding levels.

The entirety of the Logistic Commodities and Services Transformation programme is expected to deliver significant savings to Defence through rationalised storage, more efficient deliveries, and by achieving greater savings on commodity purchases. No less important will be the secondary benefits that result from user confidence in the service, supplier compliance, and as a platform for further benefits as the totality of the Defence Supply Chain is reviewed through the new Supply Chain Transformation programme.

3. Please provide details of capital, staff and running costs of the DFC to date, anticipated future costs, and how these compare to the budget.

The capital cost of the DFC is £83 million as previously announced. When fully operational, the DFC will employ around 200 staff. The running costs to date have been minimal as it is from later this year that the DFC will be brought fully into use. Planned future running costs are budgeted at c.£5 million per annum (before inflation). These costs are anticipated to remain within budget and are offset by savings associated with the reduction of the legacy estate. It is also worth noting that the design of the DFC allows it to operate without heating throughout the year and also harvest its rainwater.

5. The DFC is part of the Logistic Commodities and Services Transformation programme. Please provide an update on the programme, including timelines, performance indicators, anticipated costs and savings, and details of the facilities that are involved.

The Logistic Commodities and Services Transformation programme is in its transition phase. Our Delivery Partner, Team Leidos, started to provide services in August 2015 and is implementing a series of transformative change projects across the scope of the contract. These changes include the implementation of new technologies, new commodity procurement methods, new storage and distribution methods, as well as delivering improvements to logistics infrastructure through the development of the DFC and the rationalisation of the enduring legacy estate, which will be reduced in size by circa 360,000 square metres by October 2019 when the transition phase is due to complete.

I hope these responses are helpful.

Yours sincerely,

Guto Bebb MP