Dear Chair,

61st REPORT: MINISTRY OF DEFENCE NUCLEAR PROGRAMME

I write to update the committee on the work being conducted within the Department to better understand the supply chain and its fragility across the Nuclear Enterprise. This was set out in recommendation three of your report on the Defence Nuclear Programme.

The nature of the Nuclear Enterprise is complex and consists of a large number of inter-dependent programmes that are reliant on both UK and international suppliers. We recognise the importance of effective supply chain management and the associated governance arrangements which are necessary to ensure it is as robust as possible. We remain committed to strengthening our supply chain through continued engagement with our suppliers, and via the implementation of the activities which have been set out below.

With regards to the warhead, the Defence Nuclear Organisation (DNO) are working alongside the Atomic Weapons Establishment (AWE) to improve supply chain resilience and management. This includes a process to re-shape and up-skill the AWE Supply Chain team to increase their supply chain management capability. The work on the Warhead programme supply chain is a long-term process across an extremely complex and sensitive supply chain which includes a mixture of specialist small-to-medium scale enterprises as well as major Tier 1 companies.

To improve the Submarine Delivery Agency (SDA) management of the sub-tier supply chain, a new Supplier Management team has been established. The aim of this is to improve visibility and understanding of the risks to supply of material and services. Significant resource is being applied and best practice supply chain management
techniques are being implemented to ensure that the associated risks are better understood and actively managed. This work is aligned with the Cabinet Office’s Strategic Partnering approach and the MOD’s Strategic Supplier Management Programme and will leverage the central programme and resources. In addition, the Department now has a MOD Relationship Lead and Strategic Partnering Managers for Tier 1 suppliers, to help co-ordinate and shape the supplier engagement and strategic approach.¹

The work underway in the SDA includes commercially sensitive activity to map the extended supply chain, drawing on both the information held by the SDA’s Tier 1 contractors, but also a thorough analysis of open-source data. This seeks to examine a range of fragility, performance and quality related risks to supply, and is supporting the development of robust mitigation plans. In particular, the SDA is now working more collaboratively with its Tier 1 contractors to manage supplier improvement programmes, particularly where those contractors supply to more than one of the Tier 1s or direct to the SDA itself. The SDA has also categorised suppliers within its extended supply chain, identified those who are of most significance to it, and is implementing key supplier management techniques to build stronger relationships directly with each supplier.

Alongside the above activities, the SDA is working across the supply chain to understand how it can improve the way it engages with small and medium-sized enterprises. This initiative will take some time and will require iterative planning by focusing on certain equipment areas in turn to ensure the right actions are taken. Our aim is to maximise the benefits of this exercise for the next generation of submarines. The SDA is also engaging with a wider supply base where appropriate, such as on the Maritime Underwater Future Capability project, to understand how best to encourage innovation and exploit opportunities.

Our work on the supply chain will be an evolutionary process and the plans outlined above will enable the improved understanding of the risks and issues faced by the current supply chain to help ensure that effective mitigations are in place. The DNO and SDA will continue to build on this knowledge and, through continuous collaboration with industry, set the strategic objectives for future years to optimise the way we manage the Nuclear Enterprise supply chain.

¹ This includes working with the Dreadnought Alliance, a joint management team between the SDA, BAE Systems and Rolls-Royce.
Yours sincerely,

[Signature]

STEPHEN LOVEGROVE