Dear Chair,

FOLLOW UP TO PAC EVIDENCE HEARING ON THE NUCLEAR ENTERPRISE

During the Public Accounts Committee oral evidence session on 2 July I undertook to write to the Committee about the Ministry of Defence (MOD) adopting a best practice approach in the supplier base.

As part of the Modernising Defence Programme (MDP) Workstream 3, assessing how MOD can improve on commercial capability and strategic supplier management, we are implementing a measurable and managed approach with MOD’s strategic suppliers in order to improve project delivery, drive improvements in contractual performance, and deliver sustainable benefits. The model, which follows the Cabinet Office Supplier Partnering approach, will be rolled out across all strategic suppliers; however, in line with best practice, we are prioritising implementation in phases.

This approach requires MOD-wide participation in new ways of working, built around new roles we are recruiting, which will be focussed on achieving exceptional performance from individual suppliers.

Defence Equipment and Support (DE&S) and the Submarine Delivery Agency (SDA) are currently focussing on improving their Tier 1 suppliers’ Project Control information such that the contractors and the Department can be better informed based on actual progress on projects. Focussing on the Nuclear Enterprise, the SDA continues to build on the introduction
of best practices designed as part of the DE&S Transformation Programme, increasing its resource and skills in the Project Controls area, and making greater use of contractor sourced data in decision making.

The SDA especially recognises the significance of the Government Furnished elements of the submarine programmes and has increased resource directly to manage the Government Furnished Equipment to the Dreadnought Programme. The SDA is doing this as a member of the Dreadnought Alliance construct, which better coordinates and shares responsibility for the Programme outcome with all Alliance members – SDA, BAE Systems and Rolls-Royce.

The SDA also understands its critical dependency on its sub-tier supply chain and the proportion of the MOD’s submarine spend, which flows to suppliers beneath the main contractors. Across key categories of equipment, the SDA is organised to look across the design, build, support and disposal life cycle to ensure consistency and commonality of approach. Best practice techniques are applied in relation to supplier qualification, segregation, and relationship management. We have acknowledged, however, that there is room for improvement. Accordingly, the SDA established in April 2018 a new Supplier Management team within its commercial directorate to improve its management of the sub-tier supply chain. Through this, the SDA aims to significantly improve its visibility of these suppliers and its understanding of risks to supply of material and services.

This improvement activity, along with the MDP, will include an evaluation of further best practice approaches within other industries and bring standard tools and techniques to our ways of working. It will also focus on standardising approaches, terms and conditions and requirements across the SDA and its Prime Contractors so that it is easier for small and medium-sized enterprises to work on the MOD’s submarine programmes.

Yours sincerely,

STEPHEN LOVEGROVE