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PERMANENT SECRETARY

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Dame Meg Hillier, MP
Chair of the Public Accounts Committee
Sent electronically

Dear Chair,

FOLLOW UP TO 4 FEBRUARY PAC ORAL EVIDENCE SESSION: DEFENCE EQUIPMENT PLAN 2020-2030

Following the Public Accounts Committee hearing on 4 February 2020, you asked the department to write to set out the impact of the Integrated Review, including a breakdown of Defence's investments and savings. My predecessor also wrote to you on the 17 December 2020 to commit to providing this detail.

The Integrated Review was published on 16 March 2020 and was followed shortly after by the Defence Command Paper on 30 March. In my response below, I have explained the measures we have taken and provided a more detailed breakdown of our equipment investments and savings.

Details of spending on all MOD equipment will be published in our annual Equipment Plan. We are currently supporting the National Audit Office (NAO) to review our plans and, once complete, we will publish the 2021 Equipment Plan report in the autumn, accompanied by the annual NAO report.

New funding from the Spending Review

On 19 November 2020, the Prime Minister announced an increase in Defence spending, the details of which were published in the Spending Review on 25 November 2020. The Spending Review increased the Defence Budget by £16.5Bn above the Government's commitment to increase spending by 0.5% above inflation each year of this Parliament. This is a cash increase of more than £24Bn over four years compared to last year's budget and average growth of 1.8 per cent above inflation between 2019-20 and 2024-25, weighted toward capital spending. Our plans include funding of £88bn for the Equipment

Plan over the four years of the Spending Review settlement, compared to £76bn allocated for the same period in EP20. Over 10 years we have funded £237bn, compared to £190bn over 10 years at EP20¹.

The funding has ensured that we can deliver the enhancements in capability we had planned. We have funded: the pressure in Defence's Equipment Plan, shown in last year's Equipment Plan report; reductions in the level of financial risk built in to our planning assumptions; a planned step up in spend in FY21/22 for programmes such as Protector, the Mechanised Infantry Vehicle, and Dreadnought; new capabilities added to the programme since the 2015 Spending Review, such as Type-31; and increased investment in our nuclear programme; We have funded significant new investment in the Equipment Plan. This includes major new capability investments like the Future Combat Air System and funding to accelerate our digital transformation. More detail on these areas is provided below. We have also maintained a funded contingency and, in later years, have funding set aside to address emerging capability requirements.

Outside the Equipment Plan, we have funded the 2019 pensions changes which the NAO referenced in their EP20 report, work to address our key infrastructure risks, and the government's manifesto commitment on childcare provision for Service Personnel.

As part of delivering a balanced and affordable programme of modernisation, we have also taken savings measures against older, expensive and less relevant capabilities. Our investments in modernised equipment and a rationalised estate will also support us to reduce operating costs.

Workforce

The Spending Review settlement recognised that the defence workforce of the future will be different and will continue to evolve in order to meet current and emerging threats. As the Command Paper sets out, competitive advantage no longer stems from mass alone. Rather, it flows from the talents our people possess, individually and collectively, and how we harness them. There will therefore be some areas of the workforce that we will need to grow, for example in support of the National Cyber Force and Space Command, and other areas where changes in the way we operate and advances in technology will allow us to reduce workforce numbers. Overall, we will harness technology, leverage data and transform our corporate services to develop a leaner and more highly skilled and capable workforce. Its size, shape and mix will need to constantly evolve as we modernise and adapt to get and stay ahead of the threat. In addition to workforce structural savings and investments, the Spending Review settlement also reflected the savings from the public sector pay policy announced by the Chancellor.

¹ Note that the 10-year figures cover different time periods, as MOD sets budgets for a 10-year planning window. The EP20 figure is for FY20/21 to FY29/30 and the new figure covers FY21/22 to FY30/31

Research & Development (R&D)

The Spending Review committed the department to spending at least £6.6Bn on R&D over the next 4 years. I am confident that the department will exceed this, with new investments supporting capabilities such as Future Combat Air System, Space and directed energy weapons. (See capability investments below.) We will set this out in more detail alongside our Equipment Plan report.

Infrastructure

Addressing our most pressing infrastructure risks was a key priority of the Spending Review and funding was secured to address risks in our most critical infrastructure, whilst maintaining a safe and compliant overall estate. Specifically, new funding has been allocated to:

- The Defence Estate Optimisation (DEO) portfolio to reduce and consolidate our estate and to modernise more of our infrastructure while maintaining alignment with wider Integrated Review/Spending Review outcomes.
- Accelerating the upgrade of infrastructure in Cyprus to meet updated Seismic Risk mitigation regulations;
- Starting the journey towards Net Zero 2050, with early deliverables including Ultra-Low Emission Vehicle charging points, Building Energy Management Systems and Demolitions.
- Increasing TLB funding for maintenance of the Defence estate, and to start to move towards Planned Preventative Maintenance for our most important and newest assets.

We continue to drive improvement in delivery of Infrastructure projects including through maximising the use of Modern Methods of Construction and technology and adopting Net Zero build standards.

Capability and equipment

We set out in the Command paper how we will transform our armed forces to adapt to the changing threat and our new tasks. The Integrated Operating Concept requires our forces to be credible and capable to deter, and if necessary, defeat our adversaries in conflict as well as to allow us to compete below the threshold of armed conflict. It also requires our armed forces to be integrated across domains and across government, and to deliver a more dynamic posture through persistent engagement. These requirements have driven our future capability plans and investment priorities. We have specifically prioritised over £300 million in the next four years to support our ambition to be more persistently engaged globally and our constant campaigning posture.

We are investing more in our armed force's capability to ensure they can deal with the threats we face now and in the future. We have taken a hard-headed and unsentimental view of those capabilities that will be less relevant to the changing threat. The changes we make will ensure our armed forces are more agile, more lethal, more integrated and able to adapt faster.

The tables in the Annex set out the main changes to the Equipment Plan as previously published following the IR. If not included here it is because investment will continue as previously published, or the system will come out of service to existing planned dates. The Equipment Plan is updated on an annual basis and any in year changes will be reflected in next year's report.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Williams', with a stylized flourish at the end.

DAVID WILLIAMS

Annex

Investments

Top Level Business	Capability	No of platforms/ systems	Dates/ In Service Dates (ISD)	Comments
Head Office	Future Combat Air System	N/A	N/A	Investment in the concept and assessment phase to inform decision on combat air at the next SR/IR. Some of this investment will support our R&D commitment and is in addition to existing commitments to the FCAS Technology Initiative. Overall, we will be spending over £2bn on FCAS.
Head Office Strategic Programmes	Integrated Air and Missile Defence - Sea Viper Enhancements	N/A	ISD 2025	Missiles and sensor upgrades to Type 45 Sea Viper system.
Head Office Strategic Programmes	Test & Evaluation (T&E)	N/A	N/A	Investment of over £60m in the next four years to develop the digital mechanisms and processes for Test and Evaluation of future technology. This programme will provide evidence for future decision on T&E at the next IR/SR.
Head Office Strategic Programmes	Directed Energy Weapons	N/A	N/A	This investment provides funding for concept demonstrators to inform programme decisions by mid 2020s. This programme is part of our R&D investment.
DNO	Nuclear Enterprise	N/A	N/A	We are investing in four new Dreadnought Class ballistic missile submarines.
Navy	Type 23 Frigate	3 General Purpose T23 Frigates will have their OSDs extended.	OSDs extended by up to 6 years from original.	We will extend three T23 OSD that have already had refits and retire early 2 of our T23s that need extensive refits. By altering the order of which these platforms go out of service, we maintain the best availability possible of the T23s whilst maximising Vfm.
Navy	Type 26 Frigate	8	ISD 2027 for first of class	Confirms investment beyond the three Batch 1 ships that are already on contract.
Navy	Type 31 Frigate	5	ISD 2027 for first of class	Confirms investment for full batch of five T31.
Navy	Type 32 Frigate	Up to 5	ISD early 2030s for first of class	
Navy	Type 83 Destroyer	N/A	N/A	Investment to develop the concept for the Type 45 replacement in the late 2030s.
Navy	Mine-Hunting Capability (MHC)	N/A	Mid 2020s	We will invest over £1bn in the next 10 years on up to 9 Mission Systems and associated units. The capability will incrementally be brought into service. Block 1 consists of three operational demonstrator systems, including a collaborative UK-France Maritime Mine Counter Measures (MMCM) programme, and is aligned with the Sandown class drawdown between 2021-2025.
Navy	Landing Ship Dock Auxiliary (LSDA) capability upgrade	1	ISD 2024	We will be upgrading a LSDA platform to meet the littoral strike requirements and to support the Future Commando Force. This will also inform the Multi-Role Support Ship design.
Navy	Multi-Role Oceanographic Surveillance (MROS) Ship	1	N/A	Funded through the shipbuilding pipeline.

Navy	Multi-Role Support Ship (MRSS)	Up to 6	N/A	Funded through the shipbuilding pipeline to replace our current amphibious ships in the 2030s.
Navy	Surface – Surface Guided Missile	N/A	ISD c2024	This procurement will replace the Harpoon missiles and be integrated onto T23 Frigates ahead of Future Cruise Anti-Ship weapon entering service with T26
Navy	Lightweight torpedo	N/A	Circa 2028	New lightweight torpedo to replace Stingray
Army	Boxer – Accelerate and increase volume	Up to c750	FOC 2030.	Procurement of 500 platforms was announced before the IR. Additional investment will accelerate early years delivery, increase the number procured and also improve the lethality of Boxer.
Army	Medium Lift multi-role Helicopter	N/A	Incremental from mid 2020s	The new medium lift helicopter will replace four current helicopter types. The exact numbers will depend on future requirements and commercial negotiations.
Army	New Ground Based Air Defence	Multiple systems	IOC 2027	Additional investment in more systems to meet the evolving threat.
Air	Radar 2 for Typhoon	N/A	Mid 2020s	Radar 2 will be integrated onto Typhoon tranche 3.
Air	A400M Additional Purchase	TBD	Late 2020s	Additional purchase of A400M is planned for the late 2020s.
Air	E7 Wedgetail	3	ISD 2023	We will invest in 3 new aircraft to replace the aging E3 platforms
Air	Air Platform Protection	N/A	N/A	Establish a portfolio to spiral development of APP building on existing capability and investment. Additional funding is programmed from mid 2020s onwards.
Air	Space Portfolio	N/A	Multiple	We are establishing a Space Command and Space Operations Centre. Equipment funding will deliver and cohere a number of capability demonstrator projects including Space ISR and C2 which are also linked to our broader R&D investment.
Air	Additional F35B	We are committed to 48 by 2025	N/A	We will expand our F35 number beyond 48 in the second half of the decade.
UK StratCom	Electromagnetic Warfare, Surveillance and Intelligence (EWSI)	N/A	Mid 2020s	To replace our current aging Land systems.
UK StratCom	Digital transformation	N/A	N/A	An additional investment of over £1Bn over 10 years across a number of programmes which will transform the current defences digital architecture into a single, secure and modern digital backbone. Further details are being programmed and will be available in the EP21 report.
UK StratCom	Synthetics	N/A	N/A	We will increase our investment in the Defence synthetics enterprise for to establish to cohere and modernise Defences modelling and simulation capabilities and to establish and enable a Single Synthetic Environment.

UK StratCom	Cyber	N/A	N/A	We have invested in the National Cyber Force and further in Defensive Cyber.
UK StratCom	Intelligence and Electromagnetic Activities	N/A	N/A	Investment in a series of programmes focussed on automating intelligence analysis, transmission of intelligence data at the speed of relevance and the governance of the Electromagnetic spectrum.
UK StratCom	Intelligence, Surveillance and Reconnaissance (ISR)	N/A	N/A	A rebalancing of existing overhead ISR capabilities and provision of ISR funding in the second half of the decade for future capabilities once identified by the Defence ISR Strategy
UK StratCom	SF pipeline	N/A	Mid 2020s	Creation of a dedicated funding pipeline to enable agile capability development for UKSF specific equipment from 2025.
UK StratCom	Support	N/A	N/A	Investing in Support Transformation to fund 8 programmes that will modernise Defence's logistic and engineering support capabilities, including all associated information systems, and deliver significant financial efficiencies.
UK StratCom	Persistent Engagement	N/A	N/A	Investment in Persistent Engagement will increase the UK's ability to pre-empt and manage crises before they escalate. This will be achieved through the delivery of 5 discrete programmes: Expand the Global Network, Global Secure Communications, Global Hubs, Persistent Engagement Enablers, and the Orchestration of Military Strategic Effect.

Disinvestment and deferrals

Top Level Business	Capability	No of platforms / systems	Dates/ In Service Dates (ISD)	Comments
Head Office Strategic Programmes	Brimstone missiles	N/A	N/A	We will continue to develop Brimstone for Typhoon and Protector but have decided to save the integration costs of putting Brimstone onto Apache 64E and instead buy JAGM.
Navy	Type 23 Frigate	Reduce to 11 by the end of 2023	Reduce by one in 2021 and the second in 2023	This decision is linked to extending the OSDs of three T23s.
Navy	Mine Countermeasure Vessels	6 Sandown class MCMs replaced by autonomous systems	Various	We will accelerate out of service of Sandown class ships and align OSD for Hunt class vessels with MHC capability.
Army	Warrior CSP	245	Phased retirement	We have chosen to terminate WCSP contract (the upgrade of 245 Warrior infantry fighting vehicles) before we advance the programme to the manufacture phase and instead invest in the more modern Boxer platform with lethality enhancements. There will be a phased retirement of the remaining Warrior platforms.
Army	Combat Vehicle Reconnaissance Tracked (CVR-T)	606	OSD by 2025	

Army	Puma	23	OSD tbc	To be replaced by the New Medium Helicopter from 2025
Air	Typhoon Tranche 1	30	2025	Typhoon tranche 1 will be out of service by 2025 to focus investment and support in Tranche 2 and 3 aircraft.
Air	E3 Sentry	Retire last 3 airframes	2021	Since 2017 the fleet has been reduced from six airframes to three. In the IR we decided to retire the last three airframes earlier than their planned OSD of 2025.
Air	Hawk T1	36	OSD tbc	
Air	C130J	14	2023	Capabilities will be transferred to A400M