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PERMANENT SECRETARY

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25 May 2023

Dame Meg Hillier MP
Chair of the PAC
Sent electronically

Dear Chair,

TYPE 31 GENERAL PURPOSE FRIGATE COSTS

Thank you for your letter dated 14 March 2023 in response to my Accounting Officer Assessment (AOA) of the Type 31 (T31) programme of 12 December 2022. You requested information relating to the total costs to the taxpayer of the T31 programme, detailing any costs specifically falling to the Department which are not covered by the contract with Babcock. I apologise for the delay in replying.

As I set out in my AOA, the contract with Babcock will procure five T31 general purpose frigates and the acquisition will act as the pathfinder programme for the National Ship Building Strategy. From the late 2020s, T31 will be at the heart of the RN's surface fleet, deterring aggression and maintaining the security of the UK's interests.

The approved programme budgetary level was uplifted in 2022 from £2BN to £2.2BN following a decision to invest in a UK-based combat systems integration and support facility. These total acquisition costs cover:

- The design and build contract with Babcock comprising of 5 ships, Combat Management System, Integrated Logistics Support, Initial provisioning spares, Initial Training, contribution to infrastructure modernisation, design licence fee, forecast inflation (2019) and outturn from 2017-19 Economic Conditions.
- Approximately £100M of GFX, including cryptographic equipment and Military Satellite communication systems.
- Other costs associated with the procurement including the Capability Insertion Period, Post Vessel Acceptance Date trials, Insurance spares, UK Combat System Integration Facility, Infrastructure and concept phase costs incurred up to the 2019 investment decision point.

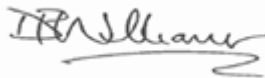
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The total acquisition costs do not include the through life costs to sustain, maintain and repair the ships over their service life, which are subject to a separate business case currently in progress. I expect this to be approved in 2024 and I will provide a supporting AOA at an appropriate point. Additionally, inflationary pressure that has accelerated in the last year is not currently reflected in the overall cost above. This is being recorded and governed through the MOD's financial planning processes and will be subject of further engagement with MOD approvals authorities.

As you may also be aware, the MOD has received a formal claim from Babcock relating to the T31 contract. This has been rejected in full and is being dealt with through formal contractual processes.

Type 31 remains, in my view, a satisfactory use of public resources and the costs described here will preserve confidence in the programme schedule to deliver assured capability at the planned In-Service Dates of the ships.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'D Williams', with a horizontal line underneath.

DAVID WILLIAMS