Dear Chief Executives,

COVID-19: AN UPDATE FROM THE MINISTRY OF DEFENCE PERMANENT SECRETARY

Following on from my letter of 27 March, I wanted to update you as MOD continues to develop its response to the crisis, including how we are supporting you as part of the wider government package financial and other measures.

Firstly, I must convey my gratitude for continuing to deliver essential defence outputs in these difficult and testing circumstances. I am delighted to see so many of you assisting the Government, and the NHS, by producing ventilators, Personal Protective Equipment and other equipment needed to help combat COVID-19. Please pass on my thanks to everyone supporting this effort; their efforts are hugely appreciated.

My senior team and I are in regular contact with many of you about the significant challenges, both operational and financial, which you are facing and it is imperative that we keep these lines of communication open in order to understand how the MOD can best assist.

We have recently published two Defence Procurement Policy Notes (DPPN) 01/20, setting out our commercial response to the current COVID-19 outbreak, and DPPN 02/20, which provides flexibility for MOD teams to maintain cashflow into the supply chain, and helps protect jobs during and after the COVID-19 crisis.

Through these DPPNs the MOD has taken urgent steps to support our suppliers by continuing to pay you as planned over the coming months, ensuring business and service continuity. My very clear expectation is that the whole of the defence supply-chain will
benefit from this approach, and that our direct suppliers will, in turn, safeguard their subcontractors, and particularly vulnerable suppliers including Small Medium Enterprises, by continuing to pay promptly and maintain cashflow.

Furthermore, I would also encourage you to view our Covid-19 Defence Furlough and Interim Payment Policy Note, which provides guidance on the furloughing of staff through the Coronavirus Job Retention Scheme and how this relates to the other support measures including the use of interim payments. We will continue to refine our processes to enable us to effectively address contractor relief, and the policy guidance will be kept under constant review as the situation develops and warrants further change.

I am pleased that there is already a strong, open and positive dialogue on these and other Covid related issues, including PPE, between the Department and Industry in the Defence Suppliers Forum (DSF): the Mod’s mechanism for strategic engagement with the Defence industry. These discussions include a focus on planning for when lockdown restrictions will be eased and how we can move forward together safely and effectively.

I would also emphasise how important it is that you and your sub-contractors keep in regular contact with the Department and take the earliest opportunity to flag any risks and issues that you are encountering, including financial fragility.

Delivery teams across the Department continue to consult and engage on future procurements as we recognise this is an essential and important element in protecting delivery of our Defence outputs, and it is important that we maintain a pipeline of future opportunities for our industry partners.

Finally, I must reiterate the key message from my previous letter: until we are informed otherwise, we must all continue to adopt the government’s social distancing measures and play our part in limiting transmission. I am very encouraged by the way the Defence industry has responded to the current situation and continues to meet the challenges we face together. Again, thank you for your support.

Yours sincerely,

STEPHEN LOVEGROVE