

Future spending at the Atomic Weapons Establishment: side-stepping the slump

On 9th September 2009 Quentin Davies MP, Under Secretary of State and Minister for Defence Equipment and Support, made the following written Ministerial Statement announcing future spending plans at the Atomic Weapons Establishment [note 1]:

“Further to the announcement on 19 July 2005, Official Report, column 59WS, volume 436, regarding the continuing programme of investment at the Atomic Weapons Establishment (AWE), I should like to provide an update to the House. This is the first opportunity I have had to announce that, on 30 July 2009, agreement was reached between the Department and AWE Management Ltd (AWEML) to extend the priced period of work, within the existing overarching 25-year contract, with AWEML to 31 March 2013.

“This work, providing important investment in skills and facilities at AWE, is valued at an average of around £1 billion per annum and represents the next period of priced work within the nuclear warhead capability sustainment programme. It is fully in accordance with the December 2006 White Paper “The Future of the United Kingdom’s Nuclear Deterrent” (Cm 6994).”

Although buried among the small print of Parliamentary minutiae and issued during the summer recess, this statement is highly significant for the following reasons:

1. It indicates a large increase in expenditure on Britain's nuclear weapons programme at a time when public spending programmes are facing detailed scrutiny and cuts.
2. It locks the government into a binding contract with a private company, thus committing the expenditure beyond recall.
3. It represents a commitment to expenditure well beyond the period of the current Comprehensive Spending Review – the three year programme which sets spending budgets for government departments – and has apparently been made outside the comprehensive spending review process.

A dramatic increase in spending at the Atomic Weapons Establishment

In 2005 the then Secretary of State for Defence, John Reid, announced a programme of investment and upgrades at AWE and stated that approximately £350 million over each of the next three years would be spent on this programme, with the aim of ensuring that AWE had the capacity to maintain Trident nuclear warheads [note 2].

In response to a parliamentary question from Nick Harvey MP on 11th December 2007, Des Browne (who by then had taken over as Defence Secretary) gave more detailed figures for expenditure at AWE (representing spending on both new investment and ongoing operational costs) [note 3]:

Expenditure at AWE over the period 2005/6 to 2007/8 had been:

	£ million at outturn prices
2005-06	493
2006-07	687
2007-08 (provisional)	799

Expected expenditure for the three years beyond this point was planned to be:

	£ million at outturn prices
2008-09	800
2009-10	900
2010-11	950

Quentin Davies' latest statement announces expenditure averaging around £1 billion per annum on investment alone at AWE. This represents a dramatic increase in spending over the two previous three year periods.

John Reid's 2005 statement mentioned that the purpose of the AWE investment programme was to maintain the existing Trident warhead stockpile throughout its intended in-service life. This qualification is no longer given in Quentin Davies' recent statement, which instead clearly indicates that the investment contributes to the programme to replace the current generation of Trident nuclear weapons which was launched with the government's December 2006 White Paper.

AWE 'future-proofed' against likely spending cuts

AWE is operated for the government on a contractorised basis by AWE Management Ltd, a private sector consortium formed between Lockheed Martin, Jacobs, and Serco. Lockheed Martin and Jacobs are both US-based companies, giving the US private sector a majority stake in the consortium.

The Ministry of Defence has a 25 year contract with the AWE consortium for managing, operating, and upgrading the Atomic Weapons Establishment. As this is a formal commercial contract, arrangements for contract payments are legally binding and cannot be revoked by the government once they have been agreed. By committing to this forward programme of work, the Ministry of Defence has locked the government in to an obligation to spend the money, which has now been promised to AWEML and cannot be included in

the round of public spending cuts which are widely expected to be required after the 2010 election.

The commitment is particularly noteworthy given that the government has announced that it is preparing a Defence Green Paper to inform future spending choices, and that all major political parties are committed to undertaking a Strategic Defence Review following the 2010 election [note 4]. The decision to commit to spending at AWE pre-judges the outcome of the Strategic Defence Review with regards to a nuclear warhead programme.

Nuclear weapons treated as a special case outside the scope of the government spending programme

Since 1997, government spending programmes have been determined through the Treasury's Comprehensive Spending Review (CSR) process, which sets firm and fixed three-year expenditure limits for each government department. The last CSR took place in 2007, and established government spending plans up to the year 2010-11 [note 5]. Departmental expenditure limits for this period were set in the April 2009 Budget, but not beyond [note 6]. In June 2009 the Secretary of State for Business, Innovation, and Skills, Lord Mandelson, announced that the spending review for the years after 2011 would be delayed until after the general election, stating: "We are not in position in June 2009 to be able to forecast what growth will be and what the performance of the economy will be in 2011" [note 7].

The £1 billion per annum AWE expenditure announced by Quentin Davies apparently represents spending over the financial years 2010-11, 2011-12, and 2012-13, extending two years beyond the current CSR period. The go-ahead for this three year spending commitment has clearly been given outside the CSR process, despite a comment from Des Browne in his December 2007 response to Nick Harvey that: "Spending plans for 2011-12 and beyond will be set as part of the Government's spending review process".

Announcing a spending commitment of this scale outside the CSR programme is highly unusual, if not unprecedented, and represents a commitment that the government has not been prepared to take for any other public service or investment programme. While politicians from all major political parties have recently been discussing the possibility of making savings from cancelling or postponing elements of the programme to replace Trident, it appears that the Ministry of Defence has been quietly taking steps outside the conventional government budgeting process to accelerate spending on Britain's nuclear warhead programme.

Notes

1. Written Ministerial Statement by Quentin Davies MP, 9th September 2009. Available at:
http://www.publications.parliament.uk/pa/cm/cmtoday/cmwms/archive/090909.htm#hddr_7
2. Written ministerial statement by John Reid MP, 19th July 2005. Official Report, Column: 59WS. Available at:

http://www.publications.parliament.uk/pa/cm200506/cmhansrd/vo050719/wmstext/50719m03.htm#50719m03.html_sbhd0

3. Nuclear Weapons: Written Answer, 11 December 2007. Official Report, Column 399W. Available at:
<http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm071211/text/71211w0012.htm>
4. 'Strategic Defence Review outlined'. Ministry of Defence news release, 7th July 2009.
<http://www.mod.uk/DefenceInternet/DefenceNews/DefencePolicyAndBusiness/StrategicDefenceReviewOutlined.htm>
5. 'Spending Review'. HM Treasury. http://www.hm-treasury.gov.uk/spend_index.htm
6. 'Budget 2009: building Britain's Future'. HM treasury. Table C11, page 241.
http://www.hm-treasury.gov.uk/d/Budget2009/bud09_completereport_2520.pdf
7. 'Mandelson: Spending review will be delayed until after the election'. Politics Home, 29th June 2009.
http://page.politicshome.com/uk/mandelson_spending_review_will_be_after_the_election.html