



Ministry
of Defence

THE UK'S MODERN
**INDUSTRIAL
STRATEGY**

DEFENCE INDUSTRIAL STRATEGY

Making Defence an Engine for Growth

CP 1388



Defence Industrial Strategy: Making Defence an Engine for Growth

Presented to Parliament
by the Secretary of State for Defence
by Command of His Majesty
8 September 2025



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This publication is available at www.gov.uk/official-documents

ISBN 978-1-5286-5879-9

E03396946 09/25

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK on behalf of the Controller of His Majesty's Stationery Office

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Ministerial Foreword



Rt Hon John Healey MP
Secretary of
State for Defence

The men and women who serve in our Armed Forces make extraordinary sacrifices to keep our nation safe. They are rightly respected here at home and abroad for their dedication and professionalism. Yet we know that when a country is under threat, its Armed Forces are only as strong as the industry that stands behind them.

Earlier this year, the government published the Strategic Defence Review (SDR) – our plan to make Britain safer: secure at home, strong abroad. The objective of our Defence Industrial Strategy is to ensure we have an industry capable of successfully implementing the SDR. In doing so, we will strengthen our national security through the strong deterrence provided by a strong industrial base whilst supporting economic prosperity so that every region and nation of the UK benefits from the Defence Dividend.

Our Defence Industrial Strategy will make Defence an engine for growth, backing British jobs, British industry and British innovation. The UK has one of the most advanced, innovative defence industrial

bases the world over. But we are in a new era of threat, which demands a new era for UK defence. To move to warfighting readiness to deter threats and strengthen security in the Euro-Atlantic, we will **REFORM** procurement, **INNOVATE** at wartime pace, and **GROW** our industrial base.

The commitments made in this Defence Industrial Strategy and SDR are supported by the largest sustained increase in defence spending since the end of the cold war: 2.6 per cent of GDP by 2027, an ambition to increase to 3 per cent in the next Parliament, as fiscal and economic conditions allow, and a historic commitment to spend 5 per cent on national security by 2035 alongside our NATO allies. With a promise to invest more, comes a responsibility to invest better. This strategy will use the levers in the Government's means and put in place policies to ensure that every pound spent on defence will make our Armed Forces stronger and the British public better off.

For too long, defence procurement has been burdened by waste, delay and complexity. Yet, today, we know whoever gets technology to their frontline forces the fastest, wins. Business as usual is not an option. Our new segmented approach to procurement sets ambitious targets to drastically reduce the timescales to get new projects on contract. As part of the biggest shakeup to the MOD in over 50 years, we have created the role of National Armaments Director. And to improve demand signals and demonstrate a clear shift towards long-term economic growth, we will reform the Acquisition Pipeline. Our Strategy commits to a five-year forecast of planned procurements, with the ambition to review and extend this.

Our new £250 million investment will generate new jobs and new opportunities and ensure the benefits of the defence dividend are shared across the UK. In a reformed partnership between industry and devolved and local governments, we are launching new Defence Growth Deals. The deals build on established strengths in these communities by improving skills, infrastructure and innovating SMEs.

The war in Ukraine demonstrates that innovation – both in speed and scale – is central to our fighting strength and to deterrence. Our Strategy outlines how we will use the newly established UK Defence Innovation and rapidly produce technologies which give our Armed Forces the advantage on the battlefield and it sets out the first of the innovation challenges we want industry to get after. The UK will be at the leading edge of defence innovation in NATO. We will support the sustained growth of artificial intelligence, autonomy, quantum, and space suppliers. And we are investing to transform and enhance the testing of cutting-edge technologies along with new measures to slash red tape.

Our Defence Industrial Strategy is designed to prioritise UK-based businesses to deliver the “Defence Dividend” from the Government's uplift in Defence spending whilst sustaining sovereign capabilities and operational independence. We will make it easier for British-based firms – including SMEs – to do business with the MOD.

This strategy sets out the requirement for a dynamic and innovation focused industrial base, that assures UK sovereignty, operational advantage and freedom of action. We will deliver this by strengthening the defence sectors essential for national security and supply chain resilience as well as those with the greatest economic growth potential.

We will greatly improve value for the British taxpayer when we turn to our allies and partners to enhance our war-fighting capabilities. Subject to consultation, the UK government will introduce an offset policy. This means whenever we invest in overseas suppliers, we will ensure that the British economy is strengthened in return through new jobs and novel technologies. This sits alongside our reformed approach to social value and comprehensive commercial review which will incentivise industry to make long-term investment in the UK.

In order to ensure the UK can take advantage of the growth opportunities in Defence, we must make sure we have the right skilled workforce. We will invest £182 million to strengthen the future skills of the workforce and equip our defence industry with the expertise and skills it needs. We will make it easier and faster for members of our Armed Forces and workers in other industries to move into the defence sector. We will establish new Defence Technical Excellence Colleges, promote the benefits of a career in industry to school pupils and ensure more apprentices and graduates are taking up defence-related courses.

When we export defence capabilities, we not only strengthen our shared security overseas but create high-skilled jobs at home. Improving Britain's export market offers a huge opportunity for economic growth. Through our Strategy, we will seize it. The new Office of Defence Exports means responsibility for defence exports has been unified under the control of the MOD. This creates a government-to-government exports offer which reflects what our allies and our industry need. Our Strategy sets out further reforms to boost British exports success.

Our Defence Industrial Strategy is the culmination of many months of engagement with Defence firms of all sizes, the investment community, trade associations, trade unions, and academia. Throughout the process, our aim has been to tap into the shared sense of endeavour between Government and the whole of the Defence sector of getting the best kit into the hands of our Armed Forces and supporting growth across the UK. We are aware this has set high expectations within the defence industrial base – and we are determined those expectations are now met.

The Defence Industrial Strategy will strengthen our security and grow our economy. With a clear plan backed by major investment, this Strategy outlines how our government and industry will now combine around a clear set of priority outcomes:

- 1. Making Defence an Engine for Growth**
- 2. Backing UK-based businesses**
- 3. Positioning the UK at the leading edge of defence innovation**
- 4. Developing a resilient UK industrial base**
- 5. Transforming procurement and acquisition systems**
- 6. Forging new and enduring partnerships**



Executive Summary

We are in a new era of threat, which means we need a new era for UK defence. The Government has announced the largest sustained increase in defence spending since the end of the Cold War – rising to 2.6% of GDP on defence by 2027, an ambition to reach 3% in the next Parliament when economic and fiscal conditions allow and a historic commitment to spend 5% of GDP on national security by 2035 with our NATO allies.¹

Alongside sustained investment must come serious reform and a fundamental shift in how the Ministry of Defence (MOD) maximises its potential to drive economic growth, delivering on the Government's central mission. The Government has introduced the deepest reforms to defence for over 50 years, including the creation of a new National Armaments Director to deliver UK growth and fix defence procurement, as well as bringing all defence export responsibility back into Defence to drive up our export performance. As one of the eight priority sector plans in the Government's Modern Industrial Strategy, the Defence Industrial Strategy (DIS) will accelerate this reform agenda and ensure that every pound spent on defence both makes our country safer and grows the UK economy. It will demonstrate how the 'defence dividend' of increased defence investment will be measured in good jobs in every nation and region of the United Kingdom.

We are entering a new era of global defence spending. In addition to this Government's commitment, spending across our NATO partners is increasing at an unprecedented pace. This presents a historic opportunity for the UK to benefit from the investment, collaboration, and export opportunities this increased spending brings. We must ensure the UK becomes the best place to export from, Europe's leading defence exporter and the most attractive

¹ [Spending Review 2025 \(HTML\) - GOV.UK ; https://www.gov.uk/government/news/uk-to-deliver-on-5-nato-pledge-as-government-drives-greater-security-for-working-people](https://www.gov.uk/government/news/uk-to-deliver-on-5-nato-pledge-as-government-drives-greater-security-for-working-people)

country in the world to grow a defence business. This Strategy's aim is to make the UK a **defence industrial leader by 2035** with a new partnership with industry, workers and our Armed Forces. Through this strategy, we will grow a more competitive, integrated, innovative and resilient defence sector. In doing so, we will make Britain secure at home, and strong abroad.

The Strategic Defence Review (SDR) vision

Innovation and industrial power are decisive factors in war. And they are therefore central to deterrence. The conflict in Ukraine has shown that a military is only as strong as the industrial base that stands behind it. Ukraine provides a stark reminder of the imperative of maintaining sufficient inventories of munitions and spares, the fast replenishment and resupply by industry, and a rapid, continual cycle of innovation between industry and the front line. Innovation and Research and Development (R&D) is also where the Ministry of Defence has the greatest potential to drive spillovers into the rest of the economy. The Strategic Defence Review vision is for, by 2035, the UK to be a *“leading tech-enabled defence power, with an Integrated Force that deters, fights, and wins through constant innovation at wartime pace”*. To deliver this, the SDR demands a new partnership with industry: developing a thriving and resilient industrial base, making defence an engine for growth, and creating a rapid, continual cycle of innovation between industry and the frontline. The Strategic Defence Review defines what we must do, and this Defence Industrial Strategy shows how to build a resilient, high-growth industry to deliver it.

Making defence an engine for growth

Defence is the cornerstone of national security, providing the underpinning stability that allows economic investment and activity to occur. But that's just the start. Defence supports over 460,000 jobs in the UK,² over 24,000 Ministry of Defence apprentices³ and £28.8 billion spent with UK-based business.⁴ Nearly 70%⁵ of defence jobs⁶ are outside the Southeast. The Defence Nuclear Enterprise alone supports a supply chain of over 3,000 businesses based across the UK, generating a current workforce demand of over 48,000, set to grow to around 65,000 by 2030.⁷ MOD is also a major investor in innovation and technologies that can drive productivity and growth across the economy.

Defence is uniquely positioned to use its buying power to support economic growth, given its significant market size, ability to purchase at scale through coordinated procurement, and a constantly evolving need for technology. Our investment must create opportunities for defence businesses, including start-ups and SMEs, to grow and thrive in the UK. By investing in the UK, these businesses can help us protect the UK's national security and drive innovation, skills and other improvements key to long-term economic growth and living standards. For the first time, we are prioritising frontier industries with high economic growth potential.

2 [MOD supported employment estimates 2023/24 - GOV.UK](#)

3 [Annual Report and Accounts 2023 - 24](#)

4 [MOD regional expenditure with industry 2023/24 - GOV.UK](#)

5 [MOD supported employment estimates 2023/24 - GOV.UK](#)

6 Jobs directly supported by MOD expenditure

7 [Defence Nuclear Enterprise 2025 Annual Update to Parliament](#)

These include military-specific subsectors, as well as sectors with civil and military applications where we will coordinate interventions across government to capture global market share.

Investment in defence is investment in jobs and growth in every nation and region of the UK. Building on the success of the Plan for Barrow, we are launching new regional **Defence Growth Deals** across the UK. These Deals, created in partnership with industry, local government and other regional organisations, will see investment in that area's sub-sector specialisms, harnessing their ingenuity and mass, while also launching specific interventions that help support that defence ecosystem and the places themselves, delivering long-term and sustainable regional growth across the UK. The first of these will be in Plymouth, and South Yorkshire, while we will work with the Devolved Governments to develop ones in each of Scotland, Wales and Northern Ireland.

We need the UK's world leading financial institutions to invest in UK-based defence companies, recognising the social value of these investments and moving away from a world in which defence is seen as unethical. To crowd-in this finance, we are developing a dedicated **Defence Finance and Investment Strategy**, supported by a new Defence Investors' Advisory Group who will bring their industry expertise to our central mission to boost high-growth, high-tech companies of the future and build the next unicorn defence company in the UK. Investment that drives economic growth and ensures national security can also contribute to the government's clean energy mission and to Net Zero 2050 through accelerating innovation in dual-use technology. Responding to the threat of climate change and environmental degradation will help to ensure that we are fit for the future, as we implement the SDR and shift to warfighting readiness.

We must work with the UK defence sector to boost skills, build rewarding careers and bring prosperity to all nations and regions. There is no defence industry without the people working in it with the skills and dedication to keep our nation safe. Drawing on the experience of the successful 'Destination Nuclear' campaign, we are partnering with industry to deliver a new defence skills mission – '**Destination Defence**'. We will boost defence skills across the country to train the welders, coders and engineers of the future by launching new **regional STEM initiatives**, establishing **Defence Technical Excellence Colleges**, and creating a new strategic relationship with higher education institutions through the **Defence Universities Alliance**. We will make it easier to find out what a defence career entails and how you can access it with a new **UCAS defence portal**, while a new **apprenticeship and graduate clearing system** will help boost defence supply chain workforces across the country. Finally, we will make it easier to transfer into, and across, defence mid-career by scoping the development of a **Defence Skills Passport**.

Backing UK based businesses

As a nation, we take pride in the professionalism and dedication of our soldiers, sailors and aviators. To ensure they have the world-class kit and equipment they need, we must grow a stronger, more resilient and more competitive defence industrial base here in the UK to meet the challenges of tomorrow.

This Government is committed to investing in and onshoring the necessary industrial capabilities we need for our sovereign national security and those we should foster and

support to boost the UK economy. UK-based businesses are at the heart of this strategy. That is why we are changing course, and we will now put in place policies to direct UK investment to grow productive high skilled jobs in UK based businesses. The new Military Strategic Headquarters will determine the military problem statements, while the National Armaments Director will work with industry to produce capability options that deliver the required military effect, produce the industrial base required to either design, produce and/or support that capability. Across the range of capabilities the UK requires for warfighting, this Strategy outlines our national security industrial priorities, where varied levels of autonomy in the UK is required: nuclear deterrence capabilities, nuclear submarines, ground combat systems, cryptography, combat air, shipbuilding, complex weapons and munitions; our supply chain priorities: steel, energetic material, batteries, semiconductors and rare-earth elements; and our frontier industries: combat air, complex weapons, directed energy weapons, next generation land and maritime capabilities, quantum technologies, drones and autonomous systems, space, AI, cyber, engineering biology, advanced connectivity technologies, and semiconductors. We will establish, maintain and sustain the necessary elements of these subsectors by investing through our new segmented commercial approach to the market, and interventions including end-to-end export support, regulatory reform, new skills investment and new Defence Growth Deals.

The forthcoming Defence Investment Plan will outline our investment priorities, taking into account our priority national security sub-sectors and the associated UK industrial capability.

The strategy sets out our commitment to revamping our procurement framework: delivering a **comprehensive review of defence contracting** to incentivise productivity and improve delivery, and an **offsets policy**, subject to consultation which ensures that those sub-sectors which are essential for our national security and growth benefit most from our procurement spend. This will ensure that defence investment supports a resilient and competitive defence sector in the UK and brings economic benefit to all nations and regions of the UK. We will also support our thriving ecosystem of defence small and medium sized enterprises (SMEs) through our new **Defence Office for Small Business Growth** and dedicated **SME Commercial Pathway** to boost opportunities and access, supported with greater investment by introducing a new target to increase our spending with SMEs by £2.5 billion by May 2028.

The new National Armaments Director will be responsible for ensuring that building a resilient industrial base and promoting exportability are explicit considerations when making procurement decisions developing options to meet military requirements. This will begin at the outset of the procurement process by closer working with industry to develop capability that meets the need of our Armed Forces and is optimised for the export market, rather than the Armed Forces buying exquisite and overly complex kit.

The UK will export its world-leading defence capabilities to allies around the world by setting up a new **Office of Defence Exports** to support UK industry to compete in the global market. This will include, for the first time, a **Government-to-Government exports offer** which reflects the modern reality that both our allies and our industry want to work in strategic partnership with the UK rather than simply be seen as customers and suppliers.

At the leading edge of defence innovation

The Government is committed to putting the UK at the cutting edge of defence innovation in NATO. This will ensure world leading capability rapidly gets into the hands of our warfighter to bolster our national security and it will make a powerful contribution to this Government's central growth mission by driving technological advancements and productivity in the defence sector and beyond; stimulating industrial development and investment in research; creating high quality jobs; and boosting export opportunities. The Spending Review confirmed that MOD's research and development budget will be over £2 billion in 2026-27 and will rise each year,⁸ this will be the baseline for the next 10 years.

The newly established **UK Defence Innovation (UKDI)** will ensure the Ministry of Defence puts into practice the lessons learned from Ukraine. Hardwiring innovation and pace into the defence enterprise; possessing radical freedoms and independence to deliver; providing the financial backing needed for success; and maximising the opportunities from dual-use technology, working across the UK's world leading innovation ecosystem to drive growth. Through UKDI, we will invest in our most innovative defence companies with a ringfenced annual UKDI budget of at least £400m. This will increase in future years, with a significant increase in the proportion of the Ministry of Defence's equipment procurement spent on novel technologies such as uncrewed and autonomous systems. This will be underpinned by world leading software including AI-enabled capabilities, which are developing at an extraordinary pace and will enable Defence to take leaps forward both in how it fights and the productivity with which it delivers. From the next financial year, the Ministry of Defence will spend at least 10% of its equipment procurement budget on novel technologies. We will also support the Prime Minister's target to reduce the administrative cost of regulation by 25% by taking a bold new approach to doing business and innovating in the defence sector in the UK, including a programme to transform our **Test and Evaluation** enterprise and targeted regulatory review sprints to identify improvements at pace.

A resilient UK industrial base

A secure and resilient United Kingdom is a precondition for the Government's central growth mission. Our national security requires a resilient and thriving UK industrial base, with assured supply chains; the plans and powers in place to surge our capacity as a government/industry partnership; and our largest, most complex programmes delivering to schedule and maximising cost efficiency.

The MOD will now conduct **regular wargames with industry** to ensure they are at the heart of our resilience planning; reform commercial processes to drive increased productivity and resilience into the defence industrial base and remove unnecessary regulation and other barriers; and consider whether legislative powers are needed to drive delivery of projects critical to national security and leverage the industrial base in times of crisis. All of this is to ensure we can ramp up production of key capabilities at any time. We will grow an economy and defence industrial base which can rise at any moment to meet any challenge. Together we will meet the threats of tomorrow.

⁸ [Spending Review 2025 \(HTML\) - GOV.UK](#)

This Government is **steadfast in our commitment to the nuclear deterrent** in the face of rising global threats and growing Russian aggression. This commitment is reinforced by our “triple-lock” on the deterrent, guaranteeing (i) the building of the four Dreadnought nuclear submarines in Barrow-in-Furness; (ii) that we will maintain the UK’s Continuous At-Sea Deterrent (CASD); and (iii) the delivery of all future upgrades to ensure the safety and effectiveness of our deterrent. To remove barriers to productivity, the Defence Nuclear Enterprise is also partnering across government to deliver the Plan for Barrow and National Nuclear Strategic Plan for Skills and is supporting the launch of the Prime Minister’s independent Taskforce on Nuclear Regulation, which published its interim report in August. We are making strategic choices and investments to secure long-term delivery of the deterrent, including committing to £15 billion investment in the sovereign warhead programme this parliament, supporting over 9,000 jobs.⁹

We will also strengthen our supply chains, investing £6 billion in munitions this Parliament, including £1.5 billion in an ‘always on’ pipeline for munitions, and building at least six new energetics and munitions factories in the UK, generating over 1,000 jobs and boosting export potential.

Fixing defence procurement

To keep our nation safe and realise the significant economic potential of the defence sector, we will deliver deep reforms to the Cold War era procurement system to reduce waste, improve delivery and support growth, while strengthening critical supply chains. This strategy sets out our approach to next-generation acquisition: increasing pace, cutting red tape, and attracting inward investment into a UK on the leading edge of innovation. It is a system built with our defence sector to allow us to produce and procure to meet the threats of tomorrow, as well as the needs of today.

To deliver this we will introduce a **new segmented approach to procurement**, along with associated timescale targets to enable MOD to tailor acquisition processes to the type of capability, supplier and risk involved. The segments will be:

1. Major platforms (such as tanks, frigates and aircraft) with a timescale target to go from an average of six to two years to contract.
2. Pace-setting modular upgrades (such as comms, sensors and weapons upgrades) with a timescale target to go from an average of three to one year to contract; and
3. Rapid commercial exploitation (such as uncrewed systems/drones and digital software) with a target of three-month cycles.

We will succeed in delivering this transformational approach, because we are backing it up with the deepest defence reforms for 50 years through the Defence Reform programme. For the first time, our National Armaments Director – and Chief of Defence Nuclear in the case of nuclear – will hold all the levers of procurement to oversee the end-to-end acquisition process and hardwire growth into everything we do. By doing this we will deliver

⁹ <https://www.gov.uk/government/news/uk-to-expand-submarine-programme-in-response-to-strategic-defence-review>

a bigger, better, and more resilient sector which attracts investment, delivers growth, and boosts UK prosperity.

Forging new partnerships

This is not just the Government's Defence Industrial Strategy, but a national endeavour: public and private; SMEs and primes; innovators and educators; trade associations and trade unions; all creating a thriving UK defence sector, with world leading, innovative capabilities. These efforts must be supported by the right institutions, helping government and industry work in lockstep to meet the challenges of the future. We have already taken the first step in driving a new partnership with industry, with the establishment of the **Defence Industrial Joint Council**, but we are also in the process of transitioning to a new operating model where we resolve defence challenges, and identify solutions, in collaboration with industry, and involve a more diverse range of stakeholders in our strategy and decision-making, including academia and trade unions.

The UK's strategic strength comes from our allies and, in a dangerous world, our unshakeable commitment to NATO means we will never fight alone. Our international partnerships and collaborations have generated some of the most impressive capability advancements and have transformed the way that conflicts are fought and won. We will deepen our relationship with the allies and partners who share our values, whether that's NATO, US, JEF¹⁰, EU, OCCAR¹¹, AUKUS, the Global Combat Air Programme or through our Five Eyes¹² partnership, we are all working to the same goals of a safe and stable world. World leading UK capability will be delivered through international collaboration, taking the right opportunities to co-research, co-develop, co-produce and co-support with allies and partners.



¹⁰ Joint Expeditionary Force

¹¹ Organisation for joint armament cooperation

¹² Five Eyes – anglosphere intelligence alliance comprising of Australia, Canada, New Zealand, the UK and the US.



Context

As the Strategic Defence Review makes clear, the UK is entering a new era of threat. Innovation and industrial power are central to deterrence, with the conflict in Ukraine providing a stark reminder of the imperative of maintaining sufficient inventories of munitions and spares, the fast replenishment and resupply by industry, and a rapid, continual cycle of innovation between industry and the front line. To support a return to warfighting readiness, the UK's defence innovation and industrial base must be able to adapt and surge to meet emerging priorities and demands.

The UK also faces a significant challenge to drive economic growth. Despite fundamental economic strengths, UK productivity has grown too slowly for more than a decade, and global economic competition has intensified. Security and prosperity have become inextricably linked and intertwined; this demands a new approach and serious reform. As we increase the share of GDP dedicated to defence, we must maximise the potential for the defence industry to drive long-term economic growth and productivity, so the Defence dividend is felt all across the UK, while meeting the new imperative for a strengthened British industrial base as we return to warfighting readiness.

While the global context is challenging, there are substantial prizes to be won. The military imperative to stay at the technological cutting edge is also where there is the greatest economic potential for spillovers to the wider economy. This Government is committed to increasing defence spending to 2.6% of GDP by 2027, the largest sustained increase since the end of the Cold War, with an ambition to increase to 3%¹³ in the next parliament as fiscal and economic conditions allow and a historic commitment to spend 5%¹⁴ of GDP on national security by 2035 alongside our NATO allies. Our European allies are doing similarly – between 2021-2024, EU member states' defence expenditure rose by more than 30% reaching an estimated €326 billion in 2024 and expected to rise by more than another €100 billion in real terms by 2027.¹⁵ Rising global defence spending represents a substantial opportunity for the UK to secure investment, international collaboration and for export wins, but we can only grasp that opportunity if our industrial base can compete and win in a competitive global marketplace.

The defence sector is a huge source of pride for the UK – from shipbuilding in Scotland, missile manufacturing in Northern Ireland, land vehicle development in Wales, combat aircraft manufacturing and submarine building in the North-West of England, through to cyber in Manchester and AI in the North East. We have a world-class production and manufacturing ecosystem, which provides high-quality, cutting-edge armaments, components, and technologies for our Armed Forces and our allies. It also supports over 270,000 industry jobs across the UK, with every £1 of defence spending felt in every part of the UK.¹⁶

But as the Strategic Defence Review points out, the nature of warfare is changing, with less emphasis on exquisite, crewed platforms and a greater emphasis on drones, autonomous systems, networked capabilities and AI, and so the composition of our defence industrial base must adapt and transform to stay at the cutting edge. Today, lots of the best innovation is found in the civil sector, where technical talent and investment capital congregate, and greater risk appetite drives rapid progress. The increasing prevalence of dual-use technologies has widened the net of potential suppliers that can contribute to MOD outcomes and benefit from increased investment in defence. There is a deep range of partners outside MOD that we must work to bring in beyond defence primes, including technology and innovation startups and scale-ups, SMEs, and private investors.

With global threats increasing, the new Defence Industrial Strategy must succeed. To do so, we must acknowledge the problems in the defence sector which has held back growth in the past and led to poor outcomes for UK Defence. And we must set out to fix them. As the sector plan for defence in the Modern Industrial Strategy, this Strategy sets out how this Government will back our defence industry in new ways and take the actions necessary to transform our approach and become a **defence industrial leader by 2035**.

13 [Spending Review 2025 \(HTML\) - GOV.UK](#)

14 [National Security Strategy 2025](#)

15 [EU defence in numbers - Consilium](#)

16 [MOD supported employment estimates 2023/24 - GOV.UK](#)



Vision

The Strategic Defence Review vision is for, by 2035, the UK to be a “leading tech-enabled defence power, with an Integrated Force that deters, fights, and wins through constant innovation at wartime pace”. This Strategy will deliver the industrial component of that vision.

We must ensure the UK gets the maximum benefit from the increase in UK and global defence spending, international collaboration, export opportunities, and developing new areas of comparative advantage, to strengthen our national security and support this Government’s mission to boost economic growth. The UK must become the best place to export from and the most attractive country in the world to grow a defence business in, with a defence sector that is **more competitive, more integrated, more innovative and more resilient**. This is why our vision is to become a defence industrial leader by 2035.

A **more competitive** defence sector is one that wins contracts and partnerships in the global marketplace as Europe’s leading defence exporter; has a thriving skills base, attracting the best talent and procures in new ways, significantly reducing the average time taken for the delivery of equipment and capability. It embeds collaboration, exportability and industrial resilience at the heart of decisions; increases private investment so the UK remains one of Europe’s leading destinations for venture capital¹⁷ in defence, closing the gap with the US by 50%; and supports the breadth of the UK defence sector to succeed, including increasing spending on SMEs by £2.5 billion by May 2028 with an aspiration to go further and deliver the next defence unicorn company in the UK.¹⁸

A UK defence sector that is more integrated with our international partners ensures we maximise opportunities to co-design, co-develop, co-produce, and co-support on

¹⁷ [NIF report Defence Security and Resilience](#)

¹⁸ Unicorn status is defined as a privately owned business valued at more than US\$1 billion

capabilities where we are collectively stronger together; with an increased number of significant international defence and security partnerships involving the UK by 2035; and a real terms increase during the next parliament in the five-year average value of defence exports orders according to DBT data. It also means being more integrated with our defence industry, who are critical to delivering the capabilities our armed forces need, with a new Defence Industrial Joint Council and enhanced strategic partnerships, which will increase the number of research and innovation outputs.

A **more innovative** defence industry is one that can respond to the changing nature of warfare and battlefield advantage, through exploiting data and software and maximising opportunities for defence procurement, exports, innovation and R&D to drive UK science and emerging technological advantage, including in clean technology. It will deliver the benefits from 10% of MOD equipment budget spent on novel technology and an increased number and scale of deep tech and dual-use suppliers in the UK. R&D spend is critical for driving broader growth and should continue to be prioritised as part of wider defence spending. The Spending Review confirmed that MOD's research and development budget will be over £2 billion in 2026-27 and will rise each year in line with the uplift in defence spending. This will be the baseline for the next 10 years.

Our national security is defended by our Armed Forces, but they are only as strong as the defence sector which equips them. We know aggression is aimed at industry, our supply chains, our know-how and our people, not just our Armed Forces. We will deliver a **more resilient** defence sector by changing the mindset in MOD to recognise the strategic need for resilience, embedding it at the heart of everything MOD does, and reducing supply chain vulnerabilities in the access to critical inputs to the defence sector. This includes investing an additional £1.5 billion in an 'always on' pipeline for munitions.

A more competitive, integrated, innovative and resilient defence sector will ensure the UK defence industrial base in 2035 reflects the changing nature of warfare as laid out in the Strategic Defence Review. The industrial base must be capable of supporting the transition to a 'high-low' mix of equipment, for example the Royal Navy's 'Atlantic Bastion' concept and plans for hybrid carrier airwings, to the Army's 'Recce-Strike' model for land fighting power, to the RAF's deployment of the Future Combat Air System. To do this, we will:

- Prioritise our national security subsectors and frontier defence industries (see Section 1.3).
- Retain and improve our ability to design and build Major Modular Platforms in the UK and these platforms will have exportability built into their design to maximise revenues for our defence industry.
- Foster a competitive, dynamic market with pace-setting spiral and modular upgrades to increase UK advanced manufacturing and build the digital architectures.
- Use the power of the new UKDI and the Novel Technologies ringfence to pursue Rapid Commercial Exploitation to build a vibrant and competitive defence tech ecosystem, crowding in private capital by demonstrating clear pathways to scale for innovative SMEs and startups.
- Increase our industrial productivity to ensure industry is ready to scale and sustain innovation and production as required, using reformed and enhanced commercial levers.



Strategic Framework

The Government's Modern Industrial Strategy confirms defence as one of the eight priority sectors for economic growth. This Defence Industrial Strategy is the sector plan for defence and will help deliver the Modern Industrial Strategy's objectives to drive growth and support Net Zero, regional growth, and economic security and resilience.

1.1 Challenges

Through extensive engagement with industry, we have tested and expanded on the problems proposed in the Defence Industrial Strategy's Statement of Intent.¹⁹ This Strategy seeks to overcome systemic challenges currently facing the defence sector and bring down key barriers to growth. These challenges are:

- **Strategic incoherence:** Our investment focus, global strategy, and economic strategy are currently misaligned. Our strategies and processes do not factor in economic growth considerations coherently. To project leadership in NATO, we require greater industrial resilience and further alignment of NATO standards, procurement, information sharing, and interoperability.

¹⁹ Published on [GOV.UK](https://www.gov.uk) on 2 December 2024

- **Inefficient spending and private sector investment:** We need greater defence and economic output for every pound spent. The defence industrial base continues to be driven by peaks and troughs of capability cycles resulting in a ‘feast and famine’ approach to investment. This is insufficient to sustain and grow key capability areas, creates uncertainty, fails to unlock private sector investment, and treats exports like an afterthought.
- **Lack of competition:** Competition is beneficial both for the MOD and the economy as a whole, driving innovation and efficiencies and providing greater value for every pound spent on defence. An uncompetitive defence market will mean our companies do not keep pace with the latest innovations, do not provide value-for-money and fail to compete internationally against allies and adversaries who seek to seize the opportunities of increased global defence spending.
- **Falling behind on exports:** Exports are essential to sustain a resilient defence sector. Currently MOD’s inward-facing procurement culture drives outcomes where exporting is an ‘optional extra’, rather than vital to sustaining a resilient defence industry with HMG support steered towards them.
- **People in defence:** Solving the skills shortage is a whole economy task but is a critical challenge for defence. Shortages in critical defence industrial skills, particularly in STEM, are constraining our supply chains, limiting investment across the UK economy and risking our ability to remain at the forefront of technological innovation.²⁰
- **Pace of innovation:** With persistent fragmentation across the commercial and innovation landscape, the MOD has struggled to prioritise science and technology spending and to exploit innovation for operational advantage. This means disruptive technologies developed by innovative UK companies often do not move to prototype development, and the number of successful spinouts is low. This constrains the economic growth and national security benefits that innovation brings.
- **Lack of long-term partnerships and delivery:** Previous defence industrial strategies did not do enough to embed partnership and genuine collaboration into Defence’s institutions and governance, leaving industry without a clear, long-term demand signal and ultimately reducing investment, slowing research and development.
- **Investment bottlenecks and barriers to entry:** Access to finance, including being able to open a bank account or secure a loan, can be a problem for smaller defence suppliers. The absence of potential scale in defence remains a barrier to many early-stage tech investors. Other barriers to entry affecting SMEs and small start-ups include complex, opaque procurement processes, prolonged decision-making and innovation cycles, a lack of long-term strategic certainty, and fragmented access points and support mechanisms.

²⁰ [Trends in International Arms Transfers, 2023](#)

1.2 Priority Outcomes

To become a defence industrial leader by 2035 and deliver the vision set out above we will deliver six priority outcomes:

- 1. Making Defence an Engine for Growth:** Increased investment in priority sub-sectors, places and towards resolving skills challenges, in partnership with Mayoral Strategic Authorities and the Devolved Governments, and private investment 'crowded in' to the defence sector.
- 2. Backing UK based businesses:** Increased defence spending is directed towards UK suppliers and priority defence sub-sectors, with the aim of making the UK defence market as competitive as possible. Capability collaboration and exports are increased, growing and sustaining the UK industrial base.
- 3. UK at the leading edge of defence innovation:** Harnessing the UK's technology ecosystem, pace and scale of innovation are increased, barriers to innovation are reduced, tech companies are supported to scale up, and investment in research and innovation is long-term and protected.
- 4. A resilient UK industrial base:** UK deterrence and defence is enhanced, in turn strengthening NATO, and the foundations for a thriving UK economy are secured through resilient supply chains, increasing inward investment and improved industry productivity.
- 5. Procurement and acquisition systems are transformed:** waste is reduced, productivity is increased and SMEs are connected and empowered.
- 6. Forge new and enduring partnerships:** to improve delivery institutions and industrial partnerships and invest in powerful international partnerships and collaborations.

To support these outcomes, we will **prioritise national security sub-sectors and frontier defence industries key to our growth and security**. We will develop clear visions for each and tilt our business environment interventions towards them. For the first time, the Defence Investment Plan process will explicitly factor in economic growth considerations and set a long-term procurement demand signal to give businesses and investors confidence to invest.

1.3 Approach

Three key design principles have shaped this strategy:

1.3.1 Shaped by the sector

This strategy is guided by the views and experiences of stakeholders across the defence sector. We had an exceptional response to the public consultation with 200 responses – from not only our critical defence primes, trade associations and trade unions, but also innovative SMEs, technology leaders, world class universities, financial institutions, and interested members of the public. Industry participation in numerous workshops, ministerial roundtables, and policy dialogues have fundamentally shaped the interventions set out in this Strategy, including those where we have set an ambition headmark, but signalled that further industry engagement on the practical development and implementation is required. There is a clear and consistent sense of the scale of opportunity, potential and ambition that exists within the sector. This document reflects the barriers to growth that stakeholders raised with us and sets out how we will work as MOD, and in collaboration with the sector, to overcome these barriers and deliver a UK defence sector that is truly thriving and resilient.

1.3.2 A whole of society approach

The war in Ukraine has shown that, when faced with extraordinary and urgent threats or conflict, defence is an all-of-society challenge. The UK will continue to support Ukraine, demonstrate leadership in NATO and develop our defence industrial base to one which is best-in-class both militarily and economically. This recognition of the importance of a whole society approach is also vital to the Defence Nuclear National Endeavour, the collective effort required to support a strong and thriving future for the UK's defence nuclear industry. We need to look beyond traditional defence companies to redefine the industrial base, reflecting the deep range of partners and expertise both with our traditional defence sector but also those in adjacent sectors.

We are therefore redefining the UK defence industrial base to include:



Academic institutions, including apprenticeship providers, further education colleges and universities;



UK-based companies, including both those who serve only the defence market and those who provide 'dual use' goods and services to both civilian and defence markets;



Banks and other financial services companies, whose capital and expertise we need to invest and grow the defence sector;



Goods and services firms in insurance, logistics, law, warehousing;



Technologists and technology firms, whose expertise, innovation and software is critical to modern capabilities;



Trade unions and their members, who are the workforce without which delivering this strategy would not be possible.

This holistic approach to the defence sector will be both at the heart of our new partnering approach and reflected in our new Defence Industrial Joint Council (DIJC). We will proactively bring together groups from across the sector to identify and solve some of the most difficult national security challenges and to drive growth. We will derive substantial global competitive advantage through this broad approach, which will see business, academia, technologies, financiers and workers coming together in the defence of our country and its core values.

1.3.3 The defence sector as a strategic resource

The National Security Strategy is clear that as the threat environment worsens, a dynamic defence and innovation-focused industrial base that assures UK sovereignty, operational advantage and freedom of action, will be more important than ever. This Government is committed to strengthening the defence sectors essential for national security and supply chain resilience as well as those with the greatest economic growth potential. Interventions in this Strategy are intended to create the business environment needed for the UK defence industry to thrive and grow in these areas. The priorities below will directly inform the Defence Investment Plan and segmented commercial approach to 2035.

National Security Priorities. There are priority industrial capabilities we need to meet national security and operational independence requirements. There are sub-sectors where strategic imperative requires full, or majority, industrial capability to be UK-based. These include **nuclear deterrence capabilities, nuclear submarines, and cryptography.** There are others where varied levels of autonomy in the UK is required to conduct military operations and protect sensitive technologies, such as: **combat air, shipbuilding, ground combat systems, complex weapons and munitions.** Across these, we will work closely with business to ensure the necessary elements of assured design, development, production, maintenance and support capabilities in the UK, and closely with our partners to deliver the best capability while ensuring UK industrial resilience. These priorities will inform the Defence Investment Plan and application of our reformed commercial model.

Supply chain priorities. The conflict in Ukraine has provided a stark reminder of the importance of resilient supply chains and security of supply. We need to better understand our supply chain vulnerabilities, where we need to bolster businesses in the UK, and strengthen our approach to managing critical supply chains to guarantee continued access. An example of this Government's commitment to action can be seen in its acquisition of Octrice Semiconductors. Areas where action is needed, in partnership with the sector, to strengthen UK and allied capability include: **steel, construction, energetic material, batteries, semiconductors** and **rare-earth elements.** These will be the focus of the Defence Supply Chain Capability Programme.

Durham-based Octrice Semiconductors bolsters UK defence supply

In September 2024, the Ministry of Defence acquired a semiconductor foundry in Newton Aycliffe, County Durham. The future of the facility, and the over 100 jobs and specialist skills it supports in the North East of England, was safeguarded by the Government after its previous owners were looking to sell or close the site. This factory, renamed Octrice Semiconductors UK, is the only secure facility in the UK with the skills and capability to manufacture gallium arsenide semiconductors. These types of specialist semiconductors are used in a number of military platforms, including fighter jet capabilities. It was deemed crucial for our national security that this facility remains available for UK defence. Semiconductors are vitally important for the functioning of almost every electronic device we use in modern life and are equally as important in military platforms.

Economic Growth Priorities. For the first time, we are considering sub-sectors with high economic growth potential – our frontier industries. The interventions in this Strategy seek to reduce barriers to growth in these priority areas which also meet our military requirements. These are areas which can contribute most to increasing the overall productive capacity of the UK economy – in particular: areas which have synergies with, and spillover potential to, civilian markets; can crowd-in private investment; have existing strong export and collaboration potential or where the UK can feasibly develop comparative advantage in the future; and where market dynamism drives innovation, efficiencies and productivity gains. These include **combat air, complex weapons, directed energy weapons and next-generation land and maritime capabilities**. Dual-use sub-sectors include **quantum technologies, drones and autonomous systems, space, artificial intelligence, cyber, engineering biology, advanced connectivity technologies and semiconductors**.

Interventions in this Strategy are intended to create the business environment needed for the defence industry to grow and thrive. The Defence Investment Plan will set out in more detail how we will support the UK's long-term economic growth through our investment choices. It will outline the MOD's spending plans in line with the SDR and SR outcomes and layout clearly our capability plans for the next decade. It will be deliverable and affordable, consider infrastructure alongside capabilities, enable flexibility to seize new technology opportunities, and maximise the benefits of defence spending to grow the economy.





Implementation

2.1 Summary

Previous defence industrial strategies have failed where ideas are prioritised over implementation. This Strategy puts implementation and effective delivery at its heart, overseen by the National Armaments Director with support from the new Defence Industrial Joint Council. It is also being delivered in tandem with the most significant transformation of defence in 50 years. It is these reforms that will allow us to drive delivery and successful outcomes.

The radical Defence Reform programme was implemented on 1 April 2025, grouping the department under four leaders, reporting to Ministers, with much clearer accountabilities. These changes create a strong organisational leadership structure with clear accountabilities for delivery, and means we are already putting the plans and powers in place to deliver this Strategy, including an accountable Director General for each of the actions in this strategy (Annex A).

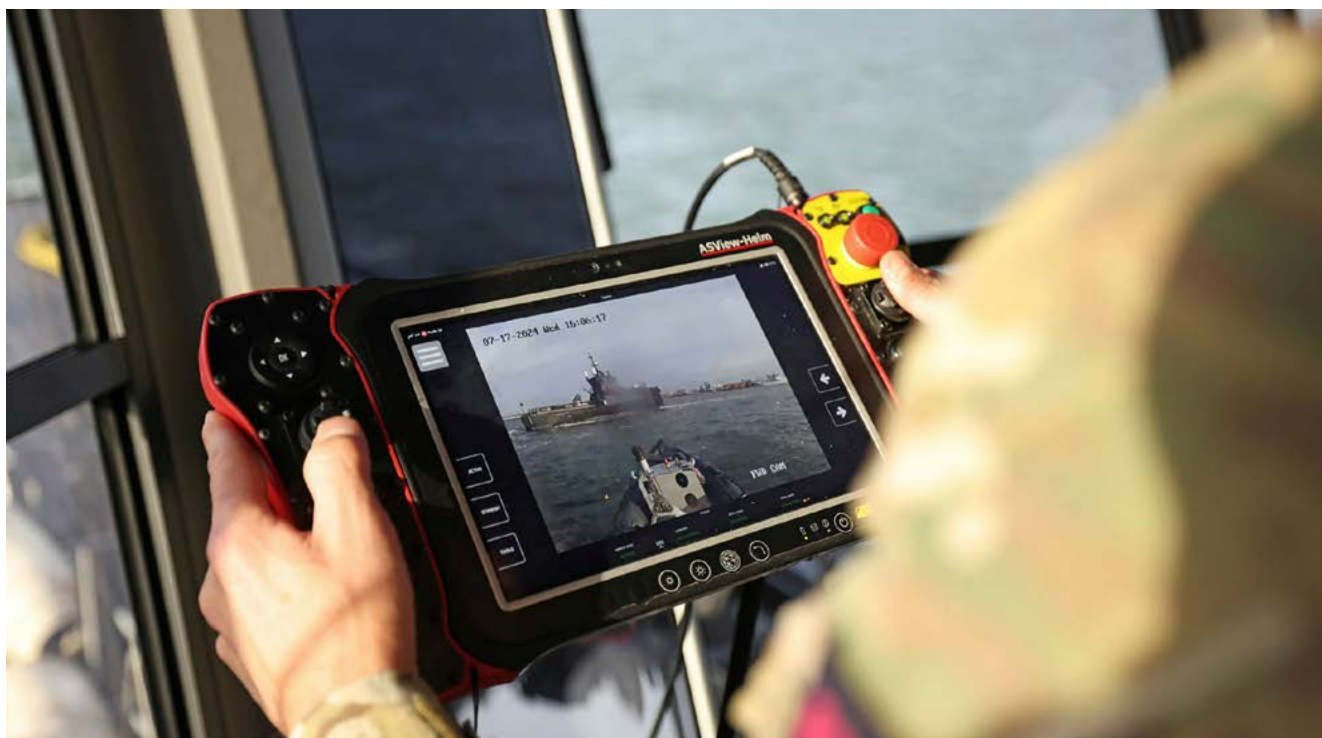
The Department of State, led by the Permanent Under Secretary (PUS), as Accounting Officer, will play a central role in coordinating the delivery of the Defence Industrial Strategy, ensuring alignment with government growth policy and value for money in its implementation. DG People and DG Transformation will work with the Department for Education to deliver the ambitious skills package set out in this strategy. The Ministry of Defence's Chief Scientific Advisor sets the applied science and technology demand signal for the National Armaments Director Group to deliver. DG Finance will, in coordination with HM Treasury, lead the work across all four areas to deliver a Defence Investment Plan by 2025, laying out the priorities and portfolios of investment. Creating enduring portfolios under the National Armaments Director and Chief of Defence Nuclear will set the

conditions to execute faster; and our implementation plan will be aligned to the Defence Investment Plan to ensure clear agreement of funding to deliver the plan.

The **Military Strategic Headquarters**, led by the Chief of the Defence Staff (CDS), will design force structure and set the problem statements, which allow for exports and innovation. Under the new model of capability decision making, the military are now focussing on flowing up warfighting plans from the Single Services to be integrated within the Military Strategic Headquarters. These aggregated 'operational problem statements' flow to the National Armaments Director who works collaboratively with UK-based industry and with allies to develop capability that meets the need of our Armed Forces and is optimised for the export market.

An integrated **Defence Nuclear Enterprise**, cohered by the Chief of Defence Nuclear (CDN), will strengthen our strategic partnership with the nuclear industry, enabling long-term investment and driving productivity. Delivering the nuclear deterrent is a National Endeavour, involving partnership between central government, industry, local government, and local communities. The financial nuclear ringfence allows a focus on delivery and outcomes, with the Chief of Defence Nuclear acting as the clear point of accountability for the ringfence. The Defence Nuclear Enterprise will continue to work as an Enterprise – Team DNE – as part of One Defence and embrace the platform of Defence Reform to strengthen its ability to deliver the critical mission.

The **National Armaments Director (NAD) Group**, with full visibility of the end-to-end procurement process, will allow us to make impactful interventions much more easily, empowered by the new £11 billion per year 'invest budget'. One of the top priorities for the NAD is to drive progress on the delivery of the Defence Industrial Strategy, providing clear leadership accountability (see Annex A for detail) for much of this Strategy's actions, which are found later in this document, and will drive the mindset shift needed to support a resilient UK defence industry.



2.2 Metrics

Our Vision sets out the measures of success for delivering a more competitive, more innovative, more resilient and more integrated defence sector. To assess the progress against the priority outcomes of this strategy, we will consider the below indicators among a broad range of data points. We will report on economic impact and performance against these metrics as part of yearly Modern Industrial Strategy update and progress will be overseen by the Defence Growth Board.

By 2035 we will make Defence an engine for growth:

- (1) Proportion of MOD spend on R&D, and levels of privately funded R&D
- (2) Regional distribution of MOD spend with UK industry
- (3) Completion of defence-specific and defence-relevant training
- (4) Levels of VC investment in UK defence companies
- (5) Number of successful defence scale ups and defence IP spun out
- (6) A defence competition index, to be developed as part of the DIS implementation plan

By 2035 we will back UK based businesses:

- (1) MOD spend with UK-based businesses
- (2) MOD spend with SMEs & number of SMEs engaged
- (3) UK defence export data, including UK share of global defence export market
- (4) Reduction of regulatory burden for defence suppliers

By 2035 we will ensure the UK is at the leading edge of defence innovation:

- (1) MOD spend in the 'Rapid Commercial Exploitation' procurement segment
- (2) Number of SMEs and non-traditional suppliers involved in MOD innovation programmes.

By 2035 we will have a more resilient UK industrial base:

- (1) Measures of defence industry business outlook
- (2) Trade data for critical inputs
- (3) Proportion of companies with business continuity plans and contracts with mitigation plans in place

By 2035 we will transform procurement and acquisition systems:

- (1) Average procurement cycle time to delivery
- (2) Proportion of suppliers registered on the central procurement platform

By 2035 we will forge new partnerships with international allies and industry:

- (1) Number of new or enhanced international agreements with provisions for defence industrial collaboration
- (2) Joint government-industry R&D investment in collaborative programmes
- (3) Frequency of relevant domestic industry and international engagement

Data on the defence sector is limited due to the challenges in defining the sector and the dual-use nature of many firms. These data limitations make it difficult to understand and monitor change in the defence sector. Through the lifetime of this Strategy, we will change the way we collect data, in collaboration with the Office for National Statistics; with the Competition and Markets Authority on monitoring competition and supply chain structures in the defence industrial base; and with industry, who have the best sense of our supply chains. We want to increase the sector's contribution to growth. As we improve the data available and establish regular, reliable datasets, we will focus in on a handful of the most telling data to measure our progress, including on comparative advantage, business investment, private sector R&D spending and Defence wages.

2.3 Plan through to 2035





Making Defence an Engine for Growth

3.1 Summary

Vision: Barriers to growth are identified and overcome, and public and private investment are tilted towards high-tech, high-growth subsectors. Defence maximises the benefits of its spending to local areas, while skills challenges across the supply chain are resolved.

Economic growth is this Government's number one mission. Growth is the only way to raise living standards for everyone and fund our public services and defence. As well as growing the economy as a whole, this Government is determined to boost regional growth across the UK. Defence has a key role to play in achieving these objectives.

Defence already contributes to the UK's economic prosperity. Investment in deterrence and defence creates the stability in which the UK economy can prosper – there is no sustainable economic growth without peace. Defence offers rewarding and meaningful careers in all areas of the UK, supporting over 460,000 jobs in the UK, over 24,000 apprentices, and with nearly 70% of direct defence jobs outside the South-East, including in Scotland, Wales and Northern Ireland.²¹ Trade Unions play a vital role in fostering this highly skilled and resilient workforce, which is essential for driving growth. The Defence

²¹ [MOD supported employment estimates: 2023/24 - GOV.UK](#)

Nuclear Enterprise alone supports a supply chain of over 3,000 UK-based businesses and generates a current workforce demand of over 48,000, with demand set to grow to around 65,000 by 2030.²² Investment in R&D and equipment programmes has kept the UK at the forefront of modern technologies and techniques, while this Government is committed to making the UK a leading defence exporter, boosting growth at home by supporting allies abroad. This has begun with the landmark Type 26 frigate export deal with Norway, our biggest ever warship export deal by value, which will boost the UK economy by £10 billion and sustain 4,000 jobs across the UK.²³

But we must do more. As defence spending rises to 2.6% of GDP by April 2027, with an ambition to reach 3% of GDP in the next Parliament as economic and fiscal conditions allow and a historic commitment to spend 5% of GDP on national security by 2035 alongside our NATO allies, we must take a fundamentally different approach to realise defence's untapped potential to further boost the productive capacity of the UK economy. Achieving the Strategic Defence Review's vision of a tech-enabled, integrated force that innovates at wartime pace aligns closely with where defence spending can best support long-term economic growth. The Ministry of Defence is uniquely positioned to use its buying power to support innovative and high technology sectors, given its significant market size, its ability to purchase at scale through coordinated procurement, and a constantly evolving need for technology.

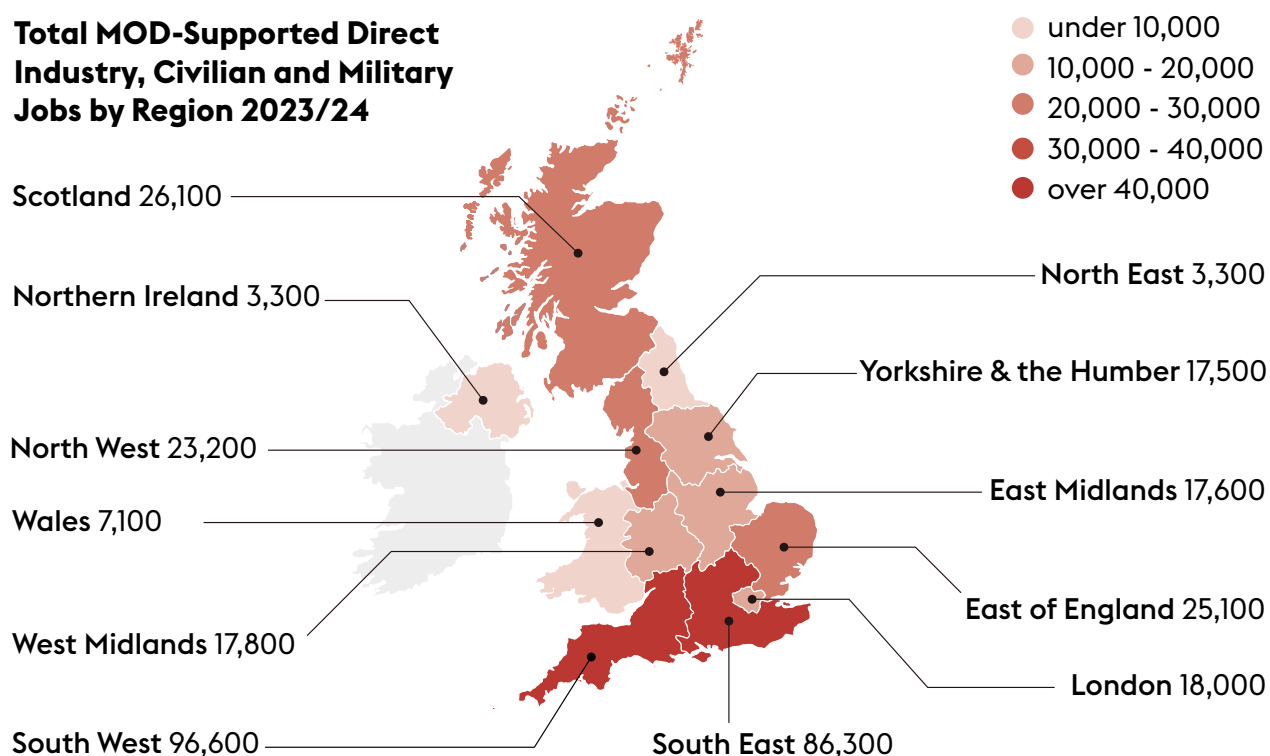
To unleash this untapped potential, we will weight defence spending towards capital and prioritise R&D and innovation, with Defence's R&D budget at over £2 billion in 2026-27 and rising each year.²⁴ We will ensure taxpayer-funded research and defence investment is targeted towards our priority problem sets, and science and technology experts and innovation voices have space at the top table in MOD to shape the strategic vision and support delivery. We will capitalise on private sector interest in defence and growing defence stock to unlock private capital and expertise, including bringing down the barriers to investment and developing better partnerships with financial institutions. We will develop Defence Growth Deals focused on priority sub-sectors and based on strong local-national partnerships, combining national and regional funding with expertise to develop local strengths and stimulate place-based growth. We will also create a pipeline of skills and creative talent to help the sector continue to develop cutting-edge capabilities for defence, now and in the future, while developing the foundations for economic growth. Investing in defence is investing in our collective future – future skills, future places, future opportunities.

22 [Defence Nuclear Enterprise 2025 Annual Update to Parliament](#)

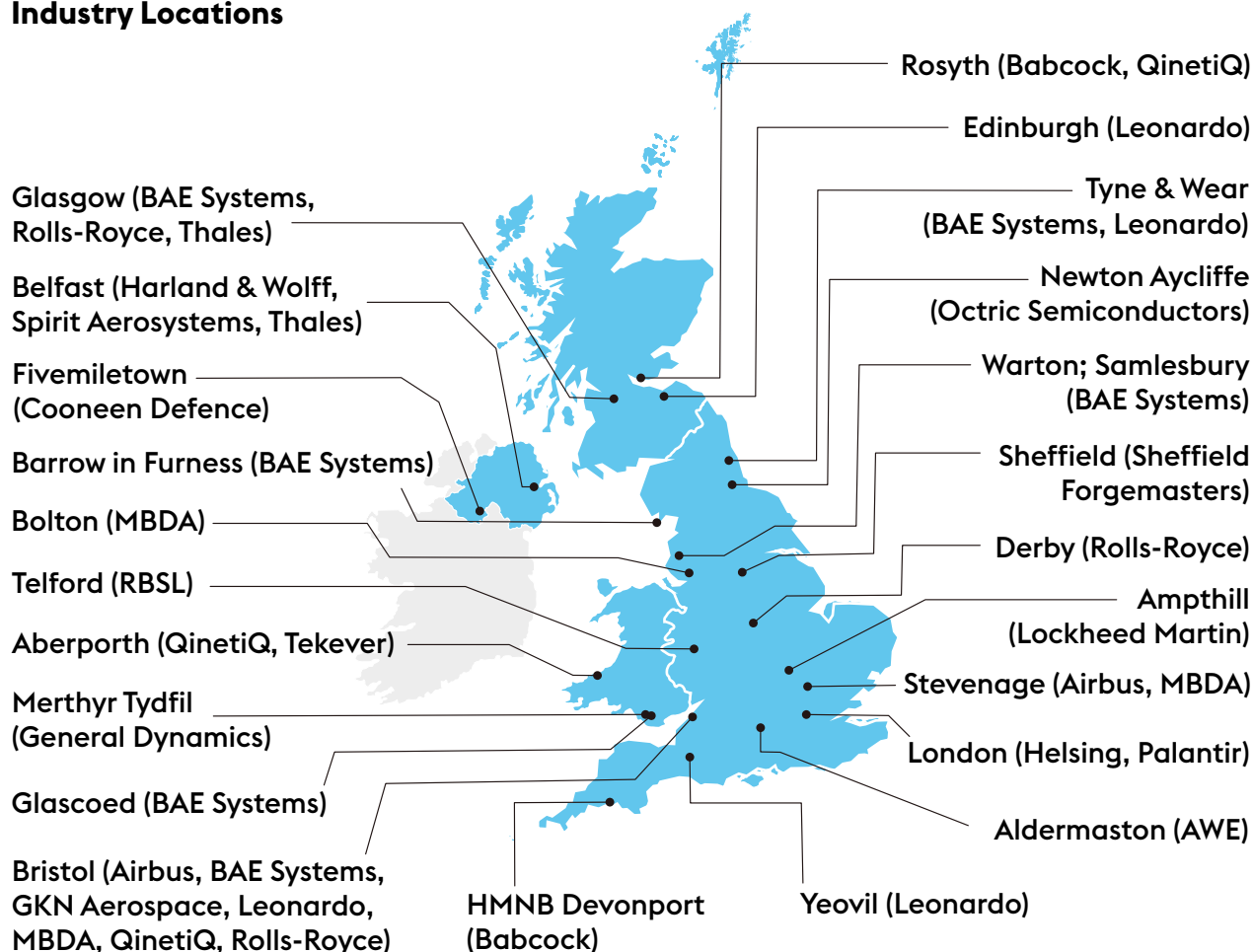
23 <https://www.gov.uk/government/news/boost-for-uk-growth-and-security-as-norway-selects-uk-warships-in-10-billion-partnership>

24 [MOD departmental resources: 2024 - GOV.UK](#)

Total MOD-Supported Direct Industry, Civilian and Military Jobs by Region 2023/24



Selected UK Defence Industry Locations





3.2 Actions

3.2.1 Outcome: Supporting regions and our defence industry across the UK

Economic growth is the number one mission of this Government. We will deliver the aim of higher living standards in every part of the UK by the end of this Parliament. We know geographic concentrations of interconnected companies and institutions in a particular field hold advantages in productivity, innovation and new businesses, driving economic growth both within a region and for a country more broadly.²⁵ This is illustrated by the emergence of Regional Defence and Security Clusters (RDSCs) across the UK, while we have seen success with the holistic approach taken with the Plan for Barrow initiative. In this map, we have identified some of our key defence clusters across the UK. We will work with businesses, devolved governments and local authorities to ensure that every region's potential is realised, building on good examples of similar partnerships in the South West and North East.

Case Study: Plan for Barrow, collaboration in action

The Plan for Barrow recognises the critical importance of Barrow-in-Furness for maintaining the UK's nuclear deterrent and our national security. 'Team Barrow' – a partnership between the Government (led by the Ministry of Defence and Ministry of Housing, Communities and Local Government), Westmorland and Furness Council, and BAE Systems – will address historical underinvestment and high levels of deprivation, including through more than £200m of government investment over the next ten years. Team Barrow is a model of cross-government collaboration in action. It is not just being delivered by the Ministry of Defence and the Ministry of Housing, Communities and Local Government working in partnership with local leaders; interventions from other Government departments are critical to the revitalisation of the town. The departments for Transport, Education, Business and Trade, Work and Pensions, and Health and Social Care are all playing a crucial role through funding or supporting initiatives. These include improved transport connectivity, supporting development of additional homes and new public spaces, revised education offers, support to local businesses, and plans to meet skills requirements. The Plan for Barrow will help to regenerate and revitalise the town to the benefit of our national security, the local community, and the local economy.

25 [Industrial Strategy Technical Annex](#)

High-Growth-Potential Frontier Industry Clusters



1 The Central Belt (Faslane, Glasgow, Edinburgh, Rosyth)

- World-renowned shipbuilding, including Type 26 and 31 frigates.
- A national leader in satellite manufacture, launch and downstream applications.
- One of the UK's largest Quantum, Photonics and Semiconductor clusters, anchored by key assets including NMIS, Fraunhofer CAP, and the National Robotarium.

2 The North East

- Strengths in manufacturing, engineering, fabrication and digital technologies with a growing data, innovation and cybersecurity focus.
- Strong advanced material electronics sector, with Octric Semiconductors and a Compound Semiconductor Applications Catapult.
- A fast-growing space cluster, soon to be supported by the new North East Space Skills and Technology Centre.

3 Belfast

- Recognised as a leading cyber security hub, augmented by Queen's University Belfast's Centre for Secure Information Technologies. Home to a concentration of innovative defence firms, including Thales, Raytheon, Spirit AeroSystems, and Harland and Wolff.

4 The North West

- A key region for the manufacture of fixed-wing military aircraft, shipbuilding and maintenance via Cammell Laird and production and support of complex weapon systems.
- Concept-to-delivery manufacturing, digital, and cyber strengths with unique full platform and system testing capabilities.

5 South Yorkshire

- A key hub for the development and engineering of high integrity, precision materials for the defence sector, including at MOD-owned Sheffield Forgemasters.
- Home to the University of Sheffield's world-leading Advanced Manufacturing Research Centre. A growing defence cluster bolstered by BAE Systems' new artillery factory.

6 East and West Midlands Belt

- Key Defence manufacturing centres, such as Rolls-Royce Raynesway and RBSL Telford, enabled by world-class assets including MIRA Technology Park and the MTC Coventry.
- Data, AI, communications and cybersecurity strengths driven by the Lincoln ISTAR cluster and Cyber Valley.

7 The Oxford to Cambridge Growth Corridor

- Strategic RAF sites Wyton and Brize Norton anchor a key cluster for defence and dual-use innovation.
- The UK's leading region for computing, data science, space innovation; home to world famous universities and the Harwell Campus, digital primes, OEMs and the National Centre for Geospatial Intelligence.

8 South Wales

- Regional cyber security and autonomous systems expertise bolstered by the Universities of South Wales and Cardiff and Airbus' Cyber Innovation Hub.
- Companies such as Space Forge are working in cutting-edge manufacturing, secure connectivity and cybersecurity, whilst General Dynamics produce the world-leading Ajax armoured vehicle.

9 West of England, Cheltenham and Gloucester

- Home to several leading space and aerospace companies, including Airbus and Boeing, with renowned universities and the National Composites Centre driving cross-sectoral innovation.
- A strong cyber sector will be bolstered by the Golden Valley development adjacent to GCHQ.

10 Greater London

- Home to world-leading research in quantum computing, including at UCL's 'Q-Biomed' and at innovative startups including Phasecraft, Quantinuum and Post-Quantum.
- UK's largest concentration of data and AI industry with cutting-edge disruptors Hadean, Palantir and Helsing.
- Hosts High Value Manufacturing and Digital Catapults.

11 Portsmouth and the Solent

- A key maritime hub around HMNB Portsmouth. QinetiQ's National Maritime Systems Centre and the National Oceanography Centre are at the forefront of marine science and technology, including on autonomous and robotic underwater systems.
- BAE Systems and Airbus are key employers in the defence and space sectors.

12 Plymouth

- R&D strengths in cutting-edge maritime technologies and drones, at the National Centre for Coastal Autonomy, SMART Sound Plymouth, the Maritime Autonomy Centre and the University of Plymouth.
- A key defence ecosystem built around Plymouth & South Devon Freeport and the largest naval base in western Europe.

3.2.1.1 Partnerships with regional and devolved leaders. Partnership working with the Devolved Governments, Mayoral Strategic Authorities (MSAs) and other local government organisations will be central to this. MSAs in England will deliver ambitious 10-year Local Growth Plans. These statutory, locally owned, long-term plans will set out how each MSA in England will use their powers and funding to drive growth in their region. We will establish regular strategic dialogues with relevant MSAs to maximise the synergies between the initiatives set out in their plans and national policies to create the right conditions for that region's local defence sector to flourish. We will also work in partnership with the Devolved Governments to drive growth in Scotland, Wales and Northern Ireland. This includes addressing barriers and realising opportunities in sub-sectors and high potential clusters, guided by links between this Defence Industrial Strategy and their plans for growth. This partnership will reflect the devolution settlements, recognising that while defence and security policy is reserved, other policy areas critical for defence, such as skills, are devolved.

3.2.1.2 Defence Growth Deals. Central to our regional growth initiatives will be the development of Defence Growth Deals across the UK. These will be directly targeted towards the region's strengths in priority sub-sectors, leveraging defence investment to build up wider complementary strengths, such as in other Industrial Strategy sectors, to maximise agglomeration benefits. Taking the lessons learned from Team Barrow, these Defence Growth Deals will also stretch beyond defence-funded initiatives to encompass wider government-funded interventions tailored to the needs of the region, such as skills, housing, deregulation and planning. This holistic, nuanced and targeted approach will not only enable the growth of the local defence ecosystem but also ensure its long-term sustainability and attractiveness for private investment in that region. It will also be closely tied to any new offsets policy and reforms to social value application.

The first wave of Defence Growth Deals will be launched this year in **Plymouth, South Yorkshire, Northern Ireland, Scotland and Wales**. The Defence Growth Deal in Plymouth will focus on developing the city's emerging marine autonomous industry while also putting in measures to support the Government's broader investment into the area. In South Yorkshire, we will further leverage the region's strengths in the research, development and engineering of high-grade components and materials critical to the next generation of maritime, land and air capabilities. In Northern Ireland, the Defence Growth Deal will build on commitments made in the *Safeguarding the Union* command paper to leverage Northern Ireland's cyber security clusters, academic centres of excellence, established R&D programmes and STEM pipeline to generate military and security capabilities. In Scotland, where growth industries such as next generation maritime capabilities, space, quantum, semiconductors, photonics, advanced connectivity technologies, and high value manufacturing benefit from a nexus of leading universities and key national assets, the Defence Growth Deal will harness existing and emerging strengths across defence and dual-use sub-sectors, both concentrated and diffuse. In Wales, the Defence Growth Deal will focus on harnessing a range of the country's sub-sectoral strengths, including in autonomous systems. Development of these Defence Growth Deals will be done with the devolved governments and local authorities, industry, academia and other key stakeholders.

We will also work with Mayoral Strategic Authorities and other local government bodies across England where there is a significant defence industry presence to assess what interventions and initiatives are required to enable the growth and sustainability of their regional defence ecosystem.

Defence Growth Deal: unlocking Plymouth's potential to drive growth and strengthen national security




Plymouth plays a fundamental role in securing the UK's defence and security, supporting the continuous at sea deterrence and working to protect critical underwater infrastructure. Recognised as Britain's 'Ocean City', it is home to the UK's first National Marine Park and a cluster of world-class marine businesses and leading research institutions. No other port in the country has the diversity of operations at scale as His Majesty's Naval Base Devonport, which is the largest naval base in Western Europe. Plymouth is a globally significant marine autonomy cluster with a crucial role to play in critical onshore naval capability, as well as significant growth potential to kickstart jobs, boost innovation and dual-use technology advancement, and support local infrastructure.

The scope of the Defence Growth Deal in Plymouth will include: strengthening local skills initiatives, with a particular focus on STEM outreach and in fields including electrical engineering, renewable energy systems, nuclear operations and autonomy; driving innovation through the Advanced Marine Technology Hub for dual-use capability innovation, marine science, and critical national infrastructure support in the University of Plymouth; and support to, and investment in, local infrastructure to support the defence ecosystem, this will include a coherent and comprehensive transport strategy housing planning to support demand for the growing workforce and shipyard investment. It will build on the substantial investment already going into Plymouth, including this Government's £4 billion investment into HMNB Devonport and investment into Helsing's new UK Resilience Factory. The Defence Growth Deal will be a partnership between this Government, industry and local government.



3.2.2 Outcome: Higher private investment and growth in the defence ecosystem

Crowding-in private investment is vital to unleash the full potential of the defence industry. This Government has put money behind the mission to becoming a defence industrial leader by 2035, but we must also create the conditions to make the sector a more attractive investment for private capital. With the changing threat environment and this Government's commitment to raising defence spending, there has never been a better time to invest in defence²⁶:

		
Venture Capital Investment	NATO Spending Surge	Stock Market Performance
In 2024, European defence and security related tech start-ups raised \$5.2 billion in venture capital funding, a rise of 24% year-on-year.	In 2025, NATO expects that all 32 member countries will spend at least 2% of GDP on defence, up from 3 countries in 2014.	In August 2025, the UK FTSE All-Share Aerospace and Defense Index was about 70% higher compared to twelve months earlier. The index was also more than five times higher than in August 2020.

From harnessing AI and quantum technologies to dual-use technologies and clean tech, the modern defence market is growing beyond just our world-leading weapons and battlefield hardware. Not only does investing in defence offer economic value, but it is also the right thing to do. Our return on investment in defence is not just to guarantee national security, a national obligation, but also to generate economic prosperity and social stability. During our industry consultation, we heard loud and clear that better financial support is essential to crowd-in private investment. This must look like investment to our start-ups, growth to our scale-ups, and long-term funding and support to our primes. Promising UK firms, especially those between start-up and scale-up, tell us they struggle with stop-start contracts and revenues. We need to become more expeditionary in finding the firms with the technology and ideas to drive technological change and productivity into our defence sector and empowering their success. Our goal will be to halve the gap with US VC funding into defence and to grow the next UK-based defence tech unicorn.

26 Venture capital investment: <https://www.ft.com/content/6c21daac-1a07-4fe2-bd32-7237a8285717>
NATO Spending surge: https://www.nato.int/cps/en/natohq/topics_67655.htm (accessed 12/08/2025)
Stock market performance: Financial Times; data accessed 12/08/2025

3.2.2.1 A Defence Finance and Investment Strategy developed by early 2026. This will look at the entire spectrum of defence companies, from start-ups through to primes, and provide recommendations to the Defence Secretary on how barriers to investment in defence can be removed while making the sector more attractive for private investment, including venture capital, private equity and pension funds. In particular, the Defence Finance and Investment Strategy will review: the existing financing options available for the defence sector and whether changes could be made to make access easier for companies while also incentivising private investment; alternative funding models to draw in private finance for defence programmes and projects, which will be targeted towards the sub-sectors outlined in section 1.3 and build off existing initiatives in the National Security Strategic Investment Fund (NSSIF); how the MOD can make better use of contracting to incentivise investment into UK-based defence companies, looking at foreign comparators such as the US; defence's perception as an "unethical investment" and what can be done to change this; and barriers companies face when applying for private market finance and what can be done to reduce those. Further detail on the Defence Finance and Investment Strategy, including terms of reference, will follow later this autumn.

This Strategy will also set out how the Ministry of Defence can establish partnerships with financial institutions. A new Defence Investors Advisory Group will be established, comprising venture capital and private equity investments and other key financial services industry stakeholders, who will be instrumental in the development and delivery of the Defence Finance Investment Strategy.

3.2.2.2 The National Wealth Fund's Statement of Strategic Priorities from the Chancellor indicates that the National Wealth Fund should consider investments in dual-use technologies to better support the UK's defence and security and to consider the role it can play in the wider defence sector. Following legislation, the National Wealth Fund's investment scope will expand to capital-intensive projects, businesses or assets to ensure it can effectively support the Modern Industrial Strategy. The Government will introduce legislation as soon as Parliamentary time allows.

3.2.2.3 British Business Bank Industrial Strategy Growth Capital will support investment and growth in the Modern Industrial Strategy sectors through an additional £4 billion of investment. The package has been designed to provide the support each sector requires and to increase economic resilience. This includes a significant scaling up of the capacity to make equity investments in scale-up businesses. It will also entail investing in and building capability of specialist fund managers and investing in private debt funds providing firms with growth capital. The British Business Bank will also introduce tailored market approaches and offer large equity investments of £40-60 million to strategically important, capital-intensive businesses. These investments will flow from a rigorous process of identifying and addressing market gaps, drawing on relevant industry resources. The process will be coupled with strong monitoring, reporting and governance mechanisms to ensure the sector is supported through the stages of the investment cycle.

3.2.2.4 UK Export Finance (UKEF) offer enhanced. As part of the Modern Industrial Strategy, the Chancellor announced a £3 billion increase to UK Export Finance's Direct Lending capacity, bringing it to £13 billion, of which £3 billion is already ringfenced for defence. This scales up UKEF's ability to support defence, which already benefited from a boost as part of the Spring Statement 2025. UKEF will be able to use this capacity to unlock further opportunities for UK defence exports, such as missiles, aircraft and armoured vehicles overseas, increasing the competitiveness of the UK's defence industry and allowing UK exporters to grow their business through sales to our allies. We will bring forward legislation to increase the maximum size of UKEF's financial portfolio, ensuring it remains competitive with leading export credit agencies around the world. This will enable UKEF to significantly scale up its offer for defence exports where demand for large-scale, state-backed financing is growing rapidly. The Ministry of Defence must continue evolving its approach to ensure UK defence exporters remain competitive on the world stage, including by exploring new ways it can better support larger transactions more effectively than it does today.

Case Study: UK Export Finance defence support as a catalyst for growth

With its extensive defence sector relationships and a financing offer well-tailored to the structure of large defence projects, UKEF's domestic and international finance support acts as a catalyst to help drive demand for UK exports overseas, helping UK based businesses to seize new opportunities and build out domestic export capability. This increases the resilience and competitiveness of these businesses, ensuring healthy, competitive UK supply chains to meet the needs of our Armed Forces. UKEF support for major defence export contracts helps to enable production of key military products in the UK, positioning the UK to benefit from increased European defence spending in the future, which sits within the objectives of the Defence Industrial Strategy. Many of UKEF's largest ever transactions in recent years have been in defence, including nearly £10 billion²⁷ of support for the Polish air defence programme in 2024/25, over £2.8 billion of defence commitments to Ukraine and £5 billion to export Typhoon aircraft and associated equipment and services to Qatar.²⁸

3.2.2.5 The new Defence Office for Small Business Growth improves access to finance.

One of the key missions of the Office, announced in March 2025, will be to support defence SMEs access Government funding, including the recently announced uplift for UKEF, along with private investment. It will work across government to achieve this, making the most of the initiatives and support announced in the Governments long-term plan for support for small and medium-sized businesses published in July, as well as working with HMRC to amend current SME non-disclosure agreements to enable better access to R&D credits.

²⁷ [UK Export Finance Annual Report and Accounts 2024 to 2025](#)

²⁸ [UK Export Finance Annual Report and Accounts 2024 to 2025](#)

3.2.2.6 Increased inward investment from overseas companies that boosts the UK's defence industrial capability and enhances the UK's defence export portfolio. The UK is already a country internationally recognised as a good place to do business, with a high number of the world's leading defence companies already here. They have chosen the UK not just because we are a significant investor with a track record as one of the top defence spenders, but because they recognise that, with a UK-based business, they get better access to our world leading R&D facilities and universities, access to a highly skilled workforce, market recognition of the Ministry of Defence as a customer, and the support of HMG when exporting from that UK base. This Defence Industrial Strategy will make the UK an even better location for those global businesses to invest in.

We will use our global network to find the highest-growing global companies in both defence and defence-adjacent industries, such as advanced manufacturing and biosciences. A whole-of-government approach will ensure those companies understand why the UK is the right place for their factories, investment and people. We will bring to bear our business support, exports support, innovation capabilities and facilitate links with the UK's world leading scientific base. This will not just boost prosperity and growth, but ensure we have sovereign access to the best ideas and innovations.

3.2.3 Outcome: Increased investment and support to resolving skills gaps and to developing high skilled, well-paid defence jobs

Skilled workers are essential for defence, from ensuring operational effectiveness through to driving innovation, building resilience, and maintaining our national security. Defence provides good, well-paid jobs across all nations and regions of the UK. Competition in both industry and the nature of warfare means it is more important than ever that we attract, retain and develop a highly skilled workforce. Skills developed for technologies today will quickly become obsolete.



The interventions set out in this Defence Industrial Strategy will help equip the UK workforce with the knowledge, skills and expertise needed to meet the new era of threat set out in the Strategic Defence Review and the demands of a rapidly evolving defence sector. In collaboration with devolved and local governments, industry, higher and further education providers and trade unions, we will deliver the skills the defence industry needs to foster growth and help protect our nation.

Skills England will play a crucial role in this work, providing the authoritative voice on current and future skills needs to inform Government and support economic growth, gathering evidence and insights to help analyse and demonstrate skills needs at national, regional and local levels. They will mobilise employers and other partners to meet national, regional and local skills needs, developing and refining education and training products. This will include occupational standards that form the basis for apprenticeships, T Levels and technical qualifications to meet industry needs, and help respond to national priorities and local labour market needs. We will also work with the Devolved Governments, through the Defence Growth Deals, to assess defence skills needs in Scotland, Wales and Northern Ireland respectively and agree how we can take forward action to address these.

Trade Unions have a long history in Britain's defence industry and they are critical to its future. Our unions are on the front line of workers voices and rights. Trade Unions will be central to training the next generation of defence workers and upskilling the existing workforce, with Unite, Prospect and GMB being central to this effort. This is why, for the first time, we have brought unions into the heart of decision-making in the Defence Industry Joint Council.

3.2.3.1 Defence Technical Excellence Colleges to improve the quality and quantity of training. We are introducing Defence Technical Excellence Colleges (DTECs), which will specialise in technical education for post-16 learners in priority sub-sectors. These will build on the success of leading Further Education (FE) colleges to become specialist training hubs, working in partnership with other education providers and local and national employers to ensure their training is tailored to regional and sectoral industry needs. DTECs will directly align skills provision to employer need to ensure that demand is met. Employers have, for instance, pointed to the need to step up supply of key craft skills such as precision soldering. We will establish five DTECs in areas with deep specialisms in defence and where there is a large demand for skilled workers. Revenue and capital funding will build capacity and capability for specialist teaching and curriculum development, while also putting in place specialist equipment and facilities for cutting-edge defence skills provision. We will work with industry to identify where DTECs are best placed to address capacity challenges in the FE sector, taking account of the potential for employer investment and where they should be aligned to existing skills academies sponsored by industry.

3.2.3.2 Stronger entrance pipeline to defence careers. We will invest in our young people across the UK so they can acquire the skills they need for a long, sustainable, and valuable career in the UK defence industry. Defence programmes like the Future Combat Air System (FCAS) are already inspiring and supporting future STEM professionals, innovators and leaders. The Team Tempest industry partners report they have recruited 3,000 graduates and apprentices since 2022, providing the opportunity to work on a range of combat air programmes and platforms, including sixth-generation combat aircraft development through FCAS. But we need to go further to ensure sufficient investment goes into courses that give learners pathways into defence. We will launch regional STEM initiatives where there is a large defence presence, working in partnership with industry and other national and regional STEM organisations. These initiatives will coordinate and maximise STEM engagement activities in those regions, inspiring the next generation of workers to pursue careers in STEM. We will work with industry to identify where these initiatives should be targeted to ensure they have access to the workforce of tomorrow where the need is greatest. Given the STEM challenge is national and cross-sector in nature, we will continue to work closely with other Government departments to ensure alignment of STEM requirements and initiatives, such as Tech First.

We will work with industry to advertise and create awareness of training opportunities and careers within defence. As part of this, we will explore a partnership with the University and Colleges Admissions Services (UCAS) to promote defence careers and the routes into them. This follows the success of a similar campaign used in partnership with the NHS. To complement this, in partnership with industry, we will launch a new Apprenticeship and Graduate Clearing System ensuring those who narrowly miss out on a defence prime graduate and apprenticeship schemes, which are typically oversubscribed, have the opportunity to work elsewhere in the defence sector. This will help plug the workforce gaps highlighted above, particularly for SMEs.

We will also continue to support and promote industry-led skills initiatives, such as encouraging returners with STEM backgrounds back into the workforce, for instance those returning from full-time caring responsibilities. As a sector-wide challenge which requires a sector wide response, we encourage our industry partners to continue to invest in our young people and their future careers in defence. This will be recognised in our reformed application of social value.

We have some of the best universities in the world – 17 in the top 100 – and the higher education sector will play an important role in providing us with the defence sector workforce of the future.²⁹ As we outlined in the Modern Industrial Strategy, we plan to invest in cutting-edge teaching and university facilities to increase places on defence-related courses, including engineering and computer science. Alongside this, we will establish a Defence Universities Alliance (DUA) to form a more strategic relationship between defence and the higher education sector. The DUA will build on existing connections between the sectors to support careers in the defence sector and encourage ethical defence and security research. We will work closely with Universities UK and universities across the UK to establish the DUA, recognising that the relationship between the sectors is critical in supporting the UK's national security and economic growth.

²⁹ [The UK's Modern Industrial Strategy](#)

3.2.3.3 Improved mid-career access to defence jobs. We need to create pathways and opportunities for those who could make a mid-career transition into the defence sector, through reskilling and upskilling. Through consultation with industry, employers have highlighted the benefit of short courses to support ongoing career progression, for instance through the development of digital skills. Alongside Skills England, we will continue to engage with businesses and the Department for Education to support the sector's requirements.

The competitiveness of our high growth sector rests on the ability to access skills and talent. For both employer and employee, we need to better navigate the sector's skills system to create opportunities and build economic resilience. Working with industry, we will scope the development of a Defence Skills Framework. Building on the Ministry of Defence's industry benchmarked Pan-Defence Skills Passport, and Zig-Zag Careers, the digital record of an individual's skills would enable smoother identification and transfer between the Armed Forces, defence industry and those looking to enter from neighbouring industries. It will provide critical industry insights, enhance visibility into workforce skills, identify skill gaps, and support recruitment streamlining and career pathways; enhancing collaboration with industry partners for more efficient and resilient defence operations. An initial framework, operating concept and pilot opportunities will be scoped thorough sector-wide consultation in 2025, supported by industry-early adopters.

We will continue to strengthen our support offer to veterans and their family members, supporting their recruitment, retention and progression throughout their civilian careers. Building on the excellent work of the Career Transition Partnership, supporting service leavers into employment, we announced the expansion of support provided under Op ASCEND³⁰ in February 2025, which has already equipped over 3,000 veterans and family members with the tools needed to make their next career move over the last 12 months. We are also working across Government and industry to enhance the support available to veterans with enterprise and entrepreneurial ambitions, helping them launch and grow their own businesses. These enhancements will be underpinned by our continued partnership with business and trade bodies through the Veteran Industry Engagement Programme, funded by the UK Government and delivered by Mission Community. Alongside the Defence's Employer Recognition Scheme, we're ensuring UK business fully harnesses the unique skills and value veterans bring.

30 [Latest OP ASCEND figures reported by Forces Employment Charity](#)

The Department for Work and Pensions (DWP) will help defence recruit the workers they need in the locations they need them. Through over 600 Jobcentres and a high street presence that is unique among HMG departments, DWP provides employment support to millions of people across the UK, many of whom hold degree level qualifications.³¹ DWP will support some of its customers directly into high-skilled Industrial Strategy-sector jobs and others into those more junior roles that are both a vital section of the workforce pipeline and a vital rung on an individual's career ladder. To support defence, as well as the wider economy, DWP will broaden the range of employers it supports through the new Jobs and Careers Service, including employers requiring specialist skills and talent. DWP have also launched Inactivity and Youth Trailblazers to help the economically inactive and young people into work or training. They will help achieve the inclusive growth we all want to see spread across the UK.

3.2.3.4 Flexible and relevant defence skills offer. We will raise awareness of high-quality, well-paid jobs in defence and ensure defence careers are seen as attractive, rewarding and at the forefront of technological innovation. Negative perceptions of the defence sector are impacting the take up of rewarding, highly skilled and well-paid jobs. Following the successful 'Destination Nuclear' campaign, the Government is supporting a new "Destination Defence" campaign, working collaboratively with ADS and the defence sector to promote the breadth of exciting roles available across the sector and promote opportunities for people across the country to take a leading role in keeping our nation safe. We will work with the Department for Education to build upon existing careers education, information, advice and guidance infrastructure for disseminating key messages and updates. This will increase defence careers information available to new learners.

3.2.3.5 Supporting a national conversation on defence and security. As set out in the Strategic Defence Review, the Ministry of Defence will play its part in the Prime Minister's launch of a national conversation on defence and security. This includes working with the Department for Education to promote understanding of the Armed Forces among young people in schools and expanding in-school and community-based cadet forces across the country by 30% by 2030, alongside a greater focus within the cadets on developing STEM skills and exploring modern technology. We will also give the Defence Academy and other defence training centres greater commercial freedoms to operate and, by 2026, the Defence Academy should establish a plan for inviting company leaders, from FTSE 100 companies and wider, onto defence courses as appropriate.

³¹ Jobcentres - Committees - UK Parliament



Backing UK Based Businesses

4.1 Summary

Mission: Increased procurement spending is directed towards UK-based suppliers and within priority defence sub-sectors. Strategic export benefit and revenue is increased. A dynamic and competitive marketplace at home drives the UK back to being Europe's leading defence exporter.

Our world class defence industry is a key strategic resource for the UK, and we should be immensely proud of the role it plays in ensuring our national security and that of our allies and partners, through the provision of battle-winning equipment. As we know, national security is a pre-condition for economic security, investor confidence and social stability. It is also true that our Armed Forces are only as strong as the defence industry that stands behind them. Our defence industry is therefore the bedrock on which the sovereign capabilities and operational independence of our Armed Forces rests. That in turn underpins our national security and our ability to deter our adversaries, including by contributing to shared deterrence by arming nations who share our values. We must place championing, nurturing and sustaining our defence industry at the heart of everything we do within the Ministry of Defence and Government more widely; and we must drive the UK back to being Europe's leading defence exporter by fundamentally reforming our approach through a new Office of Defence Exports.

To become a defence industrial leader by 2035, we must invest in our UK defence industry, as recommended in the SDR, without losing the benefits of competitive procurement. Closing the sector from the benefits of competition and innovation would hinder the UK's defence and fail to achieve the potential in the sector. The best way to incentivise companies to be UK-based is to create a dynamic and meritocratic defence market that rewards winners, crowds in private investment, and makes us competitive on the global stage. A thriving and resilient UK defence industrial base, producing world leading capability, not only guarantees our own security and prosperity, it will make us an even better partner and ally abroad. Investing in the UK's national arsenal is investing in NATO's collective warfighting capabilities.

4.2 Actions

4.2.1 Outcome: Robust Offset Policy in place, subject to public consultation

Offsets are a mechanism for securing secondary benefits when undertaking defence capability imports from overseas suppliers. Offset policies can be an effective way to create opportunities for firms to enter global supply chains, boosting the domestic industrial base, creating jobs and supporting economic growth. Exploring options for a new offset policy was strongly supported by our industry consultation. We have seen offsets work effectively to boost the economic benefit from procurement spend in other countries, for example Australia, Norway and the Republic of Korea.³² Learning from their success, we will build a model to attract inward investment that works for the UK.

Learning from Australia – balancing sovereign Development and Building strategic partnerships

Australia's approach to offset has been evolving since it was established in the 1970s, from an early voluntary scheme to a formalised offset approach to the flexible, lightly regulated policy we see today. Australia has successfully prioritised balancing the desire to generate domestic supply chain and economic benefit with the safeguarding of key strategic relationship. Their approach to offsets sits alongside a wider raft of policies to support and promote the benefits of working with Australian suppliers for major overseas procurements. Striking a balance between sovereign development and building strategic partnerships, Australia's policy, alongside other measures, acts as a strategic enabler for partnerships with key allies in defence. The resultant approach has been credited with driving the development of a niche defence aerospace segment within which overseas Original Equipment Manufacturers undertake development work in-country; a prominent example being Boeing Australia's development of the

³² Consultation with RAND Europe subject matter experts

MQ-28 Ghost Bat, Australia's first 'sovereign' UAS and marking the country's return to combat air production after a long hiatus. Australia's involvement in AUKUS further augments the strategic benefit of the flexible approach.

4.2.1.1 UK offset regime launched, subject to full consultation, in the first half of 2026 to boost UK investment, growth and employment. The aim of a UK offset would be to ensure secondary benefits are achieved from MOD's procurement spend, including development of industrial capacity, domestic competition and economic growth. Key components of a successful regime include: clear outcomes (aligned to our priority sub-sectors); flexibility in application to decide which procurements fall within scope; multipliers to drive investment to priority areas and sub-sectors; the nature and level of obligation (direct or indirect; job opportunities; workshare or content; tech transfer); and a robust implementation regime, including penalties for underperformance. We recognise there are both benefits and risks of an offsets regime and that this policy must be explored and developed in partnership with the defence sector, therefore we are launching an extensive consultation with experts to review and test options for a new offsets regime.

4.2.2 Outcome: Improved procurement framework focused on jobs and skills; technology and innovation; export potential; and UK supply chain development

4.2.2.1 A social value model that works for defence: any new offset policy must sit alongside reformed application of the social value model. The current application isn't optimised to our purposes, it drives behaviours designed to meet contracting requirements, rather than those designed to drive growth and prosperity, disincentivises long-term partnerships, and injects uncertainty and instability into the procurement processes. Consultation responses were clear that the principles of social value are sound, and it is an important vehicle for delivering increased growth and a better defence sector, but its implementation and application is characterised by imprecision, inconsistency, and limited industry engagement on the criteria. We know change is needed to support our SMEs and UK industry, and we know our companies have the tools and the ambition to support us on our growth mission. We must ensure the right tools and mechanisms are in place to both incentivise and support our businesses. We will adopt a new approach to applying social value to incentivise industry to support DIS objectives with delivery of social value occurring in the UK to the greatest extent possible. This work will be complete by the end of 2025 so that changes can be enacted for the start of the 2026-27 financial year.

4.2.2.2 Improve monitoring of defence sector competition and supply chain structures. We will commission the Competition and Markets Authority to support us in monitoring competition and supply chain structures in the defence industrial base. This will enable HMG to track the state of competition in the defence sector and the impact of policies, including those to increase participation from SMEs and non-traditional suppliers. The Ministry of Defence will share regular data, including on procurement and acquisition, with the Competition and Markets Authority to facilitate this, and the Competition and

Markets Authority will work with the Ministry of Defence to identify where data could be improved to support better monitoring in the future.

4.2.3 Outcome: Improved SME offer increases entry and access to investment

Small and Medium-Sized Enterprises (SMEs) are at the heart of our vibrant and flexible defence industry and are key to our ambitions. They form a vital element of the UK defence supply base, providing innovation and agile solutions to defence requirements, and contributing significantly to our national prosperity through high-skilled and highly paid jobs, R&D, dual-use technology whilst contributing to the economic prosperity of all four nations of the UK. But consultation responses were clear – SMEs still face too many barriers preventing them from participating fully in the defence sector. As defence spending rises in the UK and globally, we will significantly increase our support to SMEs, helping small businesses and start-ups with big ideas to grow into national powerhouses then global leaders.

4.2.3.1 Defence Office for Small Business Growth. As part of our reforms to the Ministry of Defence, a new office will be established by late January 2026 to help SMEs and start-ups to access the defence supply chain and scale up to meet defence challenges and maximise growth. The Office will help the Ministry of Defence implement procurement strategies that provide opportunity for SMEs to win work within the supply chain; help prime suppliers provide a more consistent and supportive experience for SMEs within their supply chains; provide better access to opportunities through equality of information and market engagement (a delivery route for industry's request for a stronger demand signal); improve advice and support to SMEs on export matters; better cohere UK Defence Sector Supplier Development and scale up support across Government, trade associations and prime suppliers; and support SMEs to gain access to financial and growth capital. All of this will streamline and cohere SME support into a single place, making access easier and simpler, and increasing the opportunities for SME participation. The Office, combined with SME representation on the Defence Industrial Joint Council (DIJC), will work to ensure the SME voice is present in the implementation of this Strategy.

4.2.3.2 A bold SME Action Plan and new Commercial Pathway. We will publish a new SME Action Plan in autumn 2025, detailing how we will deliver improved engagement with SMEs. It will be developed in close consultation with industry, and we will harness insights from across the Ministry of Defence and wider Government. A bespoke commercial pathway will also be established for SMEs as part of our broader acquisition transformation, including harnessing opportunities presented by the Procurement Act. Through this pathway, Defence will increase the number of opportunities for SMEs, and make our contracting processes simpler, less onerous and faster. It will consider specifically how to support SMEs operating in dual-use subsectors covered in this strategy and the other Industrial Strategy sector plans, to maximise growth spillovers across the economy. This new package of dedicated support for SMEs will help stimulate the right market conditions for SMEs and start-ups to win contracts and become more competitive.

4.2.3.3 SME spend targets set. As the defence market grows in the UK and across NATO allies, this brings opportunities for SME growth, through greater dynamism and competitiveness domestically and in the export market. To support this, the Ministry of Defence will increase spending with SMEs by £2.5 billion by May 2028. This increase would equate to a 50% increase in the value of work delivered by SMEs compared to FY 23/24.³³ As the Ministry of Defence seeks to increase spending with SMEs, we will do so in a way that supports companies to grow and scale up. We will help incentivise growth and recognise high-potential suppliers by extending the definition of SMEs that we use to measure SME spend in defence. Where suppliers outgrow the Procurement Act definition of an SME, we will continue to count spend with them for a period of three years, allowing us to recognise the value of successful suppliers, their contribution to UK defence and put their growth on a firm footing. In addition to measuring MOD SME spend, we will also start to measure SME growth at a market and company level to capture export successes and companies successfully outgrowing their SME status.

4.2.4 Outcome: Easier for UK-based firms to do business with MOD

4.2.4.1 Reducing electricity costs. From 2027, a new British Industrial Competitiveness Scheme will reduce electricity costs by around £35-40/MWh up to 2030 and support thousands of businesses. The scheme will benefit manufacturing electricity-intensive frontier industries in the Industrial Strategy, and foundational manufacturing industries in their supply chains, such as chemicals. Eligible businesses will be exempt from paying the costs of the Renewables Obligation, Feed-in Tariffs and the Capacity Market. The scheme will bring GB electricity costs more in line with other major economies in Europe, and level the playing field for British businesses. Eligibility will be determined following consultation, which will open shortly, with a review point in 2030.

4.2.4.2 Improved support to UK-based businesses drives better and more cost-effective results. By April 2026, the Ministry of Defence will have developed a package of measures designed to support our industrial partners to supply and collaborate with the Ministry of Defence, driving better and more cost-effective results. We will work with stakeholders in the sector to develop this package and explore how regulation can be improved and streamlined to help build and develop UK comparative advantage in the key sectors of the future. The Defence Safety Authority will also work even more closely with the Regulated Community to reduce uncertainty across the defence regulatory system, improving transparency and performance and providing guidance to safety risk owners. As technology rapidly evolves the Defence Safety Authority will identify appropriate opportunities to exploit its existing freedoms, whilst maintaining a close eye on future capabilities and adapting accordingly.

³³ This covers MOD's direct and indirect contracting with SMEs

4.2.4.3 Expedited Planning Permission. The Government's new and updated routes for securing planning permission introduced into the Town and Country Planning Act 1990 by the Levelling-up and Regeneration Act 2023 (LURA 2023) came into force on 1 May 2025. This updates and sets out the Crown Development route and Urgent Crown Development route. Appropriate authorities can use these, by or on behalf of the Crown, to request and justify, on a case-by-case basis, that planning permission for nationally important infrastructure projects can be expedited via the Crown Development or Urgent Crown Development route. These will speed up delivery of eligible defence development including industry, whilst meeting the criteria set out in the accompanying written ministerial statement and procedural guidance. The Ministry of Defence and Ministry for Housing, Communities and Local Government will issue updated procedures to enable the use of the routes and will identify a pipeline of projects over the next 5-10 years which may be eligible.

4.2.5 Outcome: Improved Export Offer boosts growth and strategic benefit to the UK

The UK has world leading armed forces and a world leading defence industry, but domestic procurement alone will not sustain the defence capabilities needed to secure the UK. Exports and capability partnerships strengthen our international relationships, promote interoperability, enable the defence sector to grow and operate at scale and support high quality jobs across the UK, and are a valuable tool in degrading the influence of hostile states. Nothing shows this Government's commitment to this mission more than the new £10 billion deal to supply Norway with warships, which will support 4,000 UK jobs, including more than 2,000 in Glasgow.³⁴

We have also seen real success in exporting to Ukraine, when the whole of Government and industry gets behind a single vision. But we are facing increased global competition from existing and new companies, strongly supported by their respective governments. The UK's lack of a coherent and coordinated offer in support of its own industry hampers our ability to realise the full potential of the global market. At a time when NATO nations and the EU are boosting defence spending, it is crucial for UK-based defence companies to remain competitive. We must not lose the economic benefits that can be gained from exporting world-leading UK capability to allies across the world. This Strategy will ensure UK-based defence companies are able to benefit from the growing European defence market. We will deliver the transformation needed to drive British defence exports and supporting the Government's ambition to ensure the UK again becomes Europe's leading defence exporter.

34 <https://www.gov.uk/government/news/boost-for-uk-growth-and-security-as-norway-selects-uk-warships-in-10-billion-partnership>

Case study: Lightweight-Multirole Missiles – Supporting Ukraine and boosting the Northern Ireland economy

In March 2025, the Prime Minister announced a £1.6 billion deal to supply thousands of advanced air defence missiles to Ukraine. These lightweight-multirole missiles (LMM) will be manufactured by Thales in Belfast, and the agreement builds on a previous contract in support of Ukraine signed the previous year. Through this export, we have enhanced the capability of Ukraine to defend itself, with the missile deployed as part of its air defences and proven to be incredibly effective in protecting civilians and critical infrastructure from Russia's aggression. Simultaneously, this export has provided a major boost to the UK economy, supporting hundreds of existing jobs and tripling Thales's production capacity, benefiting companies in their supply chain across the UK. This increased domestic capacity will benefit Ukraine, the UK and other key partners and allies and their requirements for a world class air defence system.

4.2.5.1 Transformational new Office of Defence Exports supported by, for the first time, a bespoke Government-to-Government export offer. UK requirements alone will not sustain the resilient defence industry we need, so we need a new approach. The Government has already taken radical steps to address this establishing a new National Armaments Director who is – for the first time – responsible for leading export campaigns on behalf of the Defence Secretary. Under this leadership, we are bringing together responsibility for and delivery of defence exports under a single ministerial accountability, by integrating the relevant parts of UK Defence and Security Exports (UKDSE) into the Ministry of Defence from the Department for Business and Trade. We will provide world-beating service to industry and customers through our new Office of Defence Exports, which will be properly resourced with commercial, legal and project management professionals. Centralising all export-related activity under the National Armaments Director will enable the pursuit and delivery of exports and collaboration and allow proactive pursuit of export and capability collaboration opportunities that best retain the key strategic capabilities we need in the UK.

The Office of Defence Exports will provide a bespoke Government-to-Government export offer and improve support to campaigning by bringing together existing expertise and recognised processes with industry with a new cadre of specialist support and creative approaches to broadening the existing offer. It will be a whole-of-Government effort, bringing all levers of Government to support the success of UK export campaigns. This strengthened offer will clearly articulate the styles of export and support that industry and partner nations will receive by procuring in the UK to industry and partner nations; and improved coordination will enable more innovative approaches to financing, ensuring a competitive footing within the market backed by in-house thinking. To match existing practices from international partners, the UK will also charge a management fee to ensure the expertise required to deliver exports at pace is secured early on to enable a proactive and competitive approach to any opportunity.

As part of uplifting and transforming our support to defence companies to help seize the growing exports opportunities, the Office of Defence Exports will support UK suppliers to better showcase their products and will revitalise the UK approach to international exports exhibitions by becoming part of the Government's GREAT campaign. We will also review our overseas footprint to ensure the right expertise is in the right places to champion our defence companies.

4.2.5.2 Procure to export. As part of our new approach to defence exports, from now on, the Ministry of Defence will place international collaboration and export considerations at the start, and heart, of defence procurement. When the Ministry of Defence commissions any new capability, a key strategic factor in its decision-making will be its responsibility to nurture and grow the UK's defence industrial base and support that through exports. At the start of the procurement process, the Ministry of Defence will seek to identify partners to collaborate with, or export to, driving down development costs and increasing industrial certainty and stability of export orders. Equipment should be designed with the export market in mind (e.g. to NATO standards) whilst protecting any UK capability advantage (e.g. sensors, defensive aid suites). Our segmented approach to procurement for major platforms will minimise bespoke capabilities and develop long-term relationships that will incentivise exportability.

We will create the incentives needed to embed exportability in the Ministry of Defence's culture. Greater weight will be placed on exportability and other growth considerations throughout the procurement process: from developing options with industry, to setting the requirements going out to tender, to requiring at a minimum that all major procurements³⁵ contain an assessment of export potential, alongside other criteria in the final decision. We will work with industry to develop these options and specifically with the Defence Industrial Joint Council to identify other ways to improve defence export performance. The National Armaments Director will hold Portfolio Directors to account for the contribution of portfolios to growth metrics and will report on overall defence procurement contribution to growth metrics, including for export performance.

4.2.5.3 Adapted export licensing and strengthened enablers. It is essential that our export controls keep pace with the changing technological context and threat picture, so that they support the UK's defence and security industry while upholding our international non-proliferation and other international legal obligations. We are working to improve the performance and efficiency of the export licensing system as a service to business that enables responsible exports to support UK growth. Our aim is to create a modern, responsive, transparent and predictable service that is easy to navigate for exporters. We are refining processes, upskilling staff and improving the customer experience, including by introducing a new process to enable exporters to apply for licences during the bidding process and before a signed end-user undertaking is completed. This is designed to give greater predictability to exporters and overseas customers. We will continue to develop our new digital licensing platform, LITE, with further licence types and additional functionality being introduced. We will also commit to

³⁵ Major procurement is defined as Category A programmes, currently defined at the threshold of £400m for equipment capability programmes. Export potential assessment will also be considered across all procurement decisions below £400m where appropriate.

increased engagement with exporters about licensing requirements earlier to support their understanding of the process.

Our export controls give effect to a range of international obligations and commitments that endeavour to prevent the proliferation of weapons of mass destruction and conventional arms. The international architecture is however struggling to keep pace with the changing world order as well as with the rapid pace of technological change globally. Many of the international export control regimes, including the Missile Technology Control Regime (MTCR) and Wassenaar Arrangement, are struggling to adapt owing to continued Russian obstruction and their effectiveness has reduced as they are no longer able to achieve consensus. We will work with our allies and partners to ensure that the multilateral export control regimes remain fit for purpose. Where necessary we will identify and promote new approaches to protect our shared interests and obligations.

Case Study: NAREW – Poland-UK collaboration delivering world-leading capability

The “Narew” deal with Poland is a landmark programme and huge step forward in the UK-Poland defence relationship. This £4 billion+ deal is being delivered by MBDA and PGZ, directly supporting hundreds of jobs across the UK and Poland, the expansion of key MBDA sites such as Stevenage and Bolton, and the industrial growth of PGZ. It is providing Poland’s armed forces with a world-leading ground based air defence system of over 1,000 Common Anti-Air Modular Missiles – Extended Range (Camm-ER) and over 100 iLaunchers. Narew not only bolsters the defence of NATO’s eastern flank, but also brings significant economic benefit to both defence industries through an unprecedented “transfer of technology and knowledge” agreement, which proved decisive in Poland’s choice to partner with the UK. The Narew deal can be attributed by a close alignment of strategic objectives between industry and governments, and close relationships from the ministerial level through to established working-level dialogues that enabled trust and transparency. It is a testament to what can be achieved by an example of an effective government-to-government approach to defence exports, looking beyond transactional exports to building a long-term partnership on industrial cooperation and military capability development built around air defence.

4.2.5.4 UK Export Finance bolsters the defence sector. In April 2025, UK Export Finance (UKEF) announced a £20 billion uplift in its overall finance capacity to £80 billion allowing it to provide more support to UK exporters (including those affected by trade tariffs).³⁶ UKEF's financing offer supports the UK's defence sector, building our international footprint and diversifying our defence industry's role in supporting key allies. In addition, facilitating the supply of UK defence equipment overseas is beneficial for the UK's allies, enabling them to build their capability and expertise to defend themselves from military threats. UKEF can also provide vital support for the working capital requirements of both large and small UK-based defence companies, which are scaling up their capital expenditure, for example building new manufacturing facilities, to meet the ongoing demand. Support is also available to overseas defence companies looking to set up operations in the UK (to benefit from UK R&D and sector expertise) and become an exporter. Finally, UKEF offers Export Insurance to facilitate trade in higher-risk jurisdictions, which is heavily utilised by big defence companies. UKEF is increasingly being asked to finance very large, strategically important defence transactions.

Case Study: Nottinghamshire Aerial Data Capture Firm Takes Flight with UKEF Backing

Based in Nottinghamshire, DEA Aviation has secured two rounds of financing backed by UKEF to expand its intelligence, surveillance, and reconnaissance (ISR) and export operations. DEA conducts ISR and search and rescue missions around the clock for international government and agency customers, providing real-time intelligence that aids in events related to border and illegal activity protection. Since the initial investment, the workforce at DEA has increased by 10%, now employing over 220 people worldwide, primarily consisting of highly skilled engineers, pilots, sensor operators, systems architects, and software developers located in Nottinghamshire.

³⁶ <https://www.gov.uk/government/news/new-trade-strategy-to-protect-and-boost-british-business>



At the Leading Edge of Defence Innovation

5.1 Summary

Vision: Increased pace and scale of innovation, barriers to innovation reduced, and investment in innovation is increased and targeted towards priority sub-sectors.

The nature of warfighting is changing, and we must maintain an advantage over our adversaries. Embracing innovation within the defence sector is not only a choice, but a strategic imperative needed to maintain competitive advantage, enhance national security and drive economic growth. Innovation is at the heart of the Strategic Defence Review, as part of the vision it sets out that we must be able to deliver constant innovation at wartime pace. Defence must recognise innovation is a capability in its own right and develop a thriving, resilient defence innovation and industrial base which is able to adapt and surge to meet emerging priorities and demands.

We will leverage both the security and economic benefits of dual-use technologies³⁷, to share the benefits beyond just the defence sector and into the economy as a whole; stimulate industrial development and investment into research and novel technologies; create high quality jobs and regional prosperity; identify opportunities for novel business sectors to engage with defence; boost export opportunities; and contribute to the Government's clean energy mission.

Across the world, defence innovation is taking place with unprecedented pace. In Ukraine, innovation is now measured in days and weeks rather than months and years. We risk falling behind an ever-accelerating technological frontier if we do not revolutionise our approach. Our support to Ukraine has involved many examples of speed and agility, such as the development and delivery of British-made StormShroud drones. We must set ourselves up to draw lessons and inspiration from Ukraine as we overhaul our processes, our technologies and our talent. This Strategy sets out how we will bring down the barriers to growth, embed innovation into the defence enterprise, leverage our powerful international partnerships and alliances, and foster our diverse UK defence sector to capitalise on the ingenuity and world leading capabilities we know are out there, in places like Farnborough and Swindon to put the UK at the leading edge of defence innovation.

Case Study: British-made Stormshroud, factory to frontline at unprecedented pace

In May 2025, the Prime Minister announced the British-made 'StormShroud' drone had gone into operation, putting into practice a number of lessons learned from innovation in Ukraine. This groundbreaking, first-of-its-kind drone will make the RAF's world-class combat aircraft more survivable and more lethal. It is a step change in technology development, revolutionary in its tactics, and represents unprecedented pace in delivery from factory to frontline. Delivered in 12 months, StormShroud capitalised on research and development by the RAF's Rapid Capability Office, bringing together expertise from the RAF, Defence Science and Technology Laboratory (Dstl) and industry. Enabled by Defence Safety Authority regulation, they collaboratively developed, tested and integrated defence prime Leonardo UK's experimental payload with an operationally proven uncrewed aircraft made by Tekever in West Wales, exploiting a growing manufacturing footprint in the UK. To meet the operationally demanding timelines associated with a UCR, and the fact small UAS are developing at an unprecedented pace, it was necessary to take lessons from both Ukraine and the Middle East and do things faster. Both defence and industry had to change their approach to risk, often challenging each other to deliver in a way that maintained a searing focus on time. The success of StormShroud has proven when the Ministry of Defence and industry truly partner together, we are able to overmatch adversary development life cycles and rapidly deliver battle-winning capability to the warfighter.

³⁷ Dual use technologies refers to goods, software, or technology that can be used for both civilian and military purposes and are an area of significant growth opportunity for the UK.

Case Study: Future Combat Air System unlocking the full potential of the defence sector– A System of Systems

Against a backdrop of geopolitical uncertainty and a rapidly evolving national security environment, the pace of change of the physical threat, electronic and cyber warfare, and digital technology means that we need solutions that are highly integrated with existing and future systems across all domains. The UK's Future Combat Air System (FCAS), with the Global Combat Air Programme (GCAP) at its core, is accelerating the development of novel technologies and techniques to outmatch our adversaries for decades to come. A system-of-systems, FCAS will combine crewed and uncrewed platforms with cutting-edge effectors and a secure, seamless network across air, sea, land, and space. Digital first and data-driven, FCAS is a catalyst for digital transformation in defence, stimulating investment in model-based systems engineering, artificial intelligence, machine learning, and digital engineering technologies and skills with spillover benefits for the entire economy. Collaborations between Government, industry and our internationally recognised research universities are already creating new, game-changing technology. From advanced manufacturing capabilities, including augmented reality, additive manufacturing, and collaborative robots, that are revolutionising how we will build aircraft of the future, to the development of world-leading electrical generation technology with the ability to improve energy security and climate resilience, FCAS is unlocking the full potential of the defence sector as an engine for growth and strengthening our national security.

5.2 Actions

5.2.1 Outcome: Ministry of Defence adopts a bold new approach to science, innovation and technology, and embeds these at the heart of defence

For too long innovative companies and start-ups have struggled to engage with, and see a pathway to scale, through a slow and confusing Ministry of Defence innovation and commercial landscape. This has limited the growth of the UK's defence technology sector and constrained the wider economic and national security benefits that innovation, particularly dual-use capability, can deliver. Our consultation highlighted persistent fragmentation across the defence commercial and innovation landscape, disconnected funding streams, slow procurement cycles, and a lack of consistent demand signal. Fixing this and delivering a more ambitious approach to innovation requires organisational change. The extant and future Defence Innovation Enterprise will continue to partner with Dstl's expert technical workforce in their exploitation of the Ministry of Defence's science and technology investment and in the pursuit of innovative solutions.

5.2.1.1 New UK Defence Innovation (UKDI) transforms defence's innovation ecosystem.

This organisation, formally launched on 1 July 2025, has been set up with a clear vision to accelerate the delivery of cutting-edge innovative capabilities so the UK is both secure at home and strong abroad. Economic and industrial objectives will shape UKDI's mission, and key priorities include solving critical capability gaps, fostering collaboration with SMEs and non-traditional defence suppliers to promote civilian-military technology spillovers, and applying the lessons learned from recent operational experiences, such as Ukraine, to increase pace and efficiency.

UKDI's Strategic Objectives:



Deliver Innovative Capability at Pace. Rapidly exploit internal and commercially available technology to enhance military capability and deliver battle-winning operational advantage.



Drive Economic Growth. Increase Defence spending's impact in the UK technology sector to drive economic growth through increased production, export opportunity and job creation.



Grow the UK Technology Sector. Provide the confidence for SMEs, start-ups, academia, non-traditional defence suppliers and VCs to invest in technology development for the benefit of Defence.



International Influence. Enhance the UK's global influence and strategic partnerships, with a particular emphasis on NATO and AUKUS. To contribute to deterrence by demonstrating the UK's ability to credibly deliver capability at pace.

Crucial to UKDI delivering its mission are its clear mandate, accountability, and ruthless focus on prioritising pace and dual-use technology, all developed in close collaboration with the Department for Business and Trade (DBT), Department for Science, Innovation and Technology (DSIT), and the wider innovation ecosystem.

For the first time ever, UKDI will bring together all innovation efforts in the Ministry of Defence under a single organisation. It will be a single point of coherence for industry to engage with the Ministry of Defence on innovation challenges and opportunities, with a streamlined operating model and consolidating existing structures into a single coherent system that can identify and manage end-to-end pathways to successful delivery. This includes strengthening and embedding coordination between the Ministry of Defence, DBT, DSIT, UK Research and Innovation (UKRI), UKIC and others, to reduce duplication, align investment and support a whole of government approach to innovation. It is at the heart of the new Ministry of Defence operating model being established through Defence Reform with independence from defence procurement bureaucracy and increased procurement freedoms to bring innovative ideas and solutions quickly from factory to the frontline.

UKDI will be led by an empowered CEO, reporting into and a standing member of the Defence Growth Board. The role holder will be responsible for delivering the objectives of faster pull-through and a growing technology sector, working across Defence and wider government and ensuring UKDI aligns with industry and international partnerships such as NATO, AUKUS and GCAP. They will be a key voice in the wider options and commissioning process, to spread the modern culture of UKDI to wider defence decision-making. We will recruit the best candidate, with first-hand experience of technology, innovation, commercialisation and industry. They will be held accountable for embedding economic growth as a guiding principle and key objective within UK innovation, directing and encouraging investment against our highest priority national security and growth driving sectors. We will bring industry expertise into the organisation to delivering this new approach, including through external recruitment, and by drawing on expert advice from a Defence Innovation Advisory Panel and key industry leaders.

UKDI will have radical freedoms and independence to deliver. This includes independence from standard MOD procurement rules. It will:

- **Exercise new authorities and freedoms to operate differently.** UKDI will be empowered to fail fast, recognising the value in learning from experience, with the authority to stop or change UKDI funded projects or programmes across the organisation and reallocate funding and resources to ensure an efficient focus on priorities and value for money. UKDI will invest in structures to support business growth and to increase investment into SMEs, start-ups, and non-traditional defence suppliers to support a diverse and agile supply chain and ensure delivery of pioneering capability to national security and defence, whilst supporting the UKDI strategic objectives on the technology sector and economic growth. UKDI is empowered to take greater commercial and capability risks than traditional programmes to ensure delivery at pace and to deliver UKDI strategic objectives.
- **Have the financial power to drive meaningful change.** We are backing up the establishment of UKDI and our commitment to innovation with an ambitious ringfenced budget of £400 million, which will increase over future years. We are increasing the proportion of the Ministry of Defence's equipment procurement spend spent on novel technologies, such as quantum technologies, uncrewed and autonomous systems and AI, and especially where investment is likely to help us meet our objectives of better capability and increased growth. The Ministry of Defence is committed to spending at least 10% of its equipment procurement budget on these sorts of novel technologies from 2026. Through our investment in UKDI, we will back high-growth, high-tech UK defence firms to create high skilled jobs and deliver cutting-edge military technology at a quicker pace to our Armed Forces.

This approach is designed to deliver both military and economic value and foster cutting-edge solutions that benefit the UK's defence and security, while driving innovation and growth in other sectors critical to the Modern Industrial Strategy. We will aim, through our investment and clear prioritisation of defence's most pressing capability problems, to give academia, industry and the venture capital and private finance community the confidence to invest in relevant areas to leverage both public and private investment to make sure our collective effort is having the most impact possible. UKDI will work closely with science and technology experts across the Ministry of Defence and wider Government to ensure a coherent approach. This will include, but not be limited to, DSIT, UKRI, DBT, HMT and national security-focused Government departments.

5.2.2 Outcome: Increased UK technological advantage and 'pull-through' of technology into commercial viability (including clean technology and dual-use technology)

At the heart of our drive for innovation is the requirement to promote and invest in dual-use technology. One of the greatest strengths of the defence sector is often the instruments we have designed to provide an advantage on the battlefield (radar, sonar, the satellite, jet engines, GPS and drones) to become the foundation for progress in wider society. This is also true of wartime research and skills, developed within the defence sector, offering significant contribution to civilian life. Building skills within civil industries and academic research is a core part of defence resilience, while defence expertise and focused, long-term investments drive progress within industry and academia – benefitting the whole of the UK.

We must accelerate, wherever possible, development and adoption of dual-use technology to drive economic growth and exports, regional prosperity and contribute to the government's clean energy mission. This requires a clearer demand signal from UKDI, improved access for businesses to innovation funding and advice, and a more deliberate approach to investment and prioritisation of high-growth, high-tech dual use capabilities. This will be done in concert with wider technology initiatives, for example, combining with the National Quantum Technologies Programme to develop and pull through quantum technologies in areas like position, navigation and timing.

5.2.2.1 UKDI will establish and maintain a defence innovation portfolio informed by clear prioritisation of effort. This will be informed by military capability requirements and growth opportunities and regularly communicated across Government and industry to unlock private investment in support of these priorities and promote coherent shared approaches to tackling priority defence and security problems. Greater transparency throughout this approach is essential to grow a world-beating defence technology ecosystem. We will develop this prioritisation jointly with DBT and DSIT, with input from the intelligence community and industry.

5.2.2.2 UKDI will drive pace and agility of defence innovation. The UKDI Rapid Innovation Unit (UKDI RIU) will enable defence to innovate at ‘wartime pace’ by leveraging commercially available dual-use technology to address the MOD’s most urgent capability requirements. Under direct control of UKDI, the RIU will have the autonomy to respond rapidly to emerging opportunities and threats, enabled by greater financial, commercial, and procurement freedoms. This would be achieved through the governed application of supporting innovation models, pre-tender frameworks, first customer funding, below market rate loans, equity investments, seed grants, and direct business mentoring. Aligned with the US Defence Innovation Unit (DIU) and working with NATO and other international partners, UKDI RIU will tackle Military Strategic Headquarters or command-originated problems that demand quick solutions, fostering bilateral and multilateral innovation through collaboration and resource sharing. It will also engage with UKDI partners across Government, including academia, to deliver innovative solutions for defence and security challenges, utilising both proven and direct procurement methods to integrate technology from traditional and non-traditional suppliers, including SMEs, into defence solutions.

The RIU is already delivering on its core mission to deliver innovation capability at pace, including through live innovation challenges where we are inviting the best solutions from industry, making use of novel technology and AI. To create an open environment to share our requirements and discover the most innovative solutions, we are working hand-in-hand with industry. Examples of live challenges are:

- 1. One-way effectors.** Enhancing UK and allied capability through a number of new competitions into the sovereign UK supply chain to create long-range, cheap and mass-produced One-Way Attack Drones.
- 2. Novel Uncrewed Aerial Systems (UAS)** including first-person view (FPV) drones and crewed platform ‘mules’. Supporting both the UK and Allies, we are launching a number of competitions, including on First-Person View Drones and Small UAS for mass production and have already instigated a first stage industry collaboration to shape our understanding of what might be possible to develop large and long-range drones capable of fast-flight and carrying heavy payloads to support and bolster our existing fleet of crewed aircraft across Defence.

5.2.2.3 Improved industry access to innovation funding and advice. Access points, commissioning bodies, and information channels are currently too fragmented, dispersed and difficult for industry to navigate. We therefore miss opportunities for economic growth, innovation adoption and supplier engagement, particularly with SMEs and non-traditional suppliers. Within 12 months, UKDI will review existing digital marketplaces and innovation collaboration platforms to ensure coherence and a simple, end user-friendly route into the MOD’s science, technology and innovation system for industry and academia to promote effective collaboration. If necessary, we will develop a new digital capability to enable rapid, real-time connections between the Ministry of Defence, key Government departments, academia, industry and the broader sector to work on shared problems and drive integrated solutions to the UK’s most pressing defence and security challenges. We will use best practice from existing systems and work closely with national bodies, such as UKRI, to support cross-

pollination and benefit from the cutting-edge technologies delivered by the defence sector, associated academic fields and wider government.

In addition to improved access, we must also enhance strategic partnerships to accelerate the pace of innovation. We know improved, intelligent partnerships are required between Government, industry and academia to leverage collective technology and supply chain expertise to identify innovative products earlier, support R&D pull through, and realise the economic and military benefits of innovation. We will seek new opportunities for university partnerships on priority dual-use capabilities and technologies; build effective networks between the 140 defence funded PhDs and other research programmes to target problems head on; and establish new partnerships with industry. The first of these is between MOD and the High Value Manufacturing Catapult (HVM Catapult).

Case Study: High Value Manufacturing Catapult harnesses national innovation

The Ministry of Defence has announced a new alliance with the High Value Manufacturing Catapult (HVM Catapult) to leverage its world-leading research and development capabilities and further accelerate industrial transformation in support of the UK's national security and economic growth objectives. The Ministry of Defence will establish the alliance this year and enhance its engagement with the Innovate UK Catapult Network and wider UK ecosystem on a range of strategic projects, securing access to world leading capabilities to deliver innovation at pace. Initial areas for exploration by the alliance encompass UK sovereign energetics, uncrewed air systems, industrial resilience, technology pull through and prototype warfare, manufacturing scale up for SMEs and digital engineering, manufacturing and through life support. We will leverage this Government's commitment to the biggest increase in defence spending in a generation to deliver a step change in the UK defence industrial capability with the spillover benefits of innovation and skills feeding into the broader economy.

5.2.2.4 Mutually reinforcing the Modern Industrial Strategy approach to dual-use technology exploitation. Many of the priority growth sub-sectors are dual-use and, by fostering innovation and expanding market opportunities for these, defence will be able to support UK growth as well as protecting national and economic security. The Ministry of Defence has already seen significant success in accelerating dual-use technology development and pull through – for example, in clean technology, as well as through significant support from the Defence and Security Accelerator (UKDI-DASA)³⁸ and the establishment of NATO DIANA and the NATO Innovation Fund.

38 [12_05_25_-_DASA_Impact_Report_2025_Final.pdf](#)

Case Study: UKDI-DASA supports the next generation of dual use technologies

UKDI-DASA is one way the Government supports defence firms to create the next generation of dual-use technologies. Since 2016, UKDI-DASA's mission has evolved beyond simply finding and funding innovation to supporting the businesses behind the innovation. UKDI-DASA has built a defence and security ecosystem linking up MOD and Partners Across Government (PAG) challenges with a network of innovators, including all but a handful of UK universities. By working with industry, academia, investments and Government, UKDI-DASA is helping to reach the full breadth of the defence supply base to develop our innovation ecosystem. Alongside their critical contribution to national security, UKDI-DASA is also ensuring business growth is factored in. Their recent Impact Report highlights how UKDI-DASA funded innovators have gone on to receive an additional £592m total equity investment and added 1,842 jobs since 2016, while generating nearly £974m in Gross Value Added (GVA) between 2019 and 2023. In 2024 alone, UKDI-DASA funded firms raised £174m. These figures show the significant benefit of defence innovation activity in support of UK defence and security and supporting UK prosperity.³⁹

Advances in dual-use military technologies can drive productivity in other sectors and, vice versa, the success and scale up of dual-use technology entrepreneurs can translate to greater advantage on the battlefield. To drive these positive spillovers, we will improve military-civil coordination across Government, including through the new Civil and Military Industries Forum as set out in the Modern Industrial Strategy. Working in close collaboration with DBT and DSIT, we will improve data sharing arrangements across dual-use programmes and priorities; collectively identify priorities for dual-use capability acquisition and investment; and review dual-use interventions across the Modern Industrial Strategy. UKDI and others across the science, innovation and technology ecosystem will work with funding bodies across HMG and beyond to consider wider benefits of funded research, ensuring effective value for money and fostering a healthy domestic research environment. We will facilitate greater industry participation in dual-use activities, bringing in senior external experts from across dual-use industries and through DBT and DSIT officials' support to the Defence Industry Joint Council, including non-Government institutions such as the British Standards Institute.

³⁹ https://assets.publishing.service.gov.uk/media/6823094cf16c0654b1906159/12_05_25_-_DASA_Impact_Report_2025_Final.pdf

Case Study: Cardiff based SME driving cutting edge British space innovation

Space Forge, an advanced materials SME based in Cardiff, is building the world's first returnable and reusable in-space manufacturing platform. This manufacturing work includes semiconductors, which are crucial components of radars and frontline battlefield communications systems. These technologies have the potential to increase the operational advantage of our defence space capabilities. Through the Defence Technology Exploitation Programme (DTEP), MOD has awarded Space Forge a £499,000 grant as part of a collaborative project with Northrop Grumman. The Space Clusters Infrastructure Fund (SCIF), administered by the UK Space Agency, awarded Space Forge almost £8 million in 2024. This significant investment will enable the first-of-its-kind National Microgravity Research Centre – driving advanced material research and production. In May 2025, Space Forge raised £22.6m, with the NATO Innovation Fund leading the round alongside World Fund, the National Security Strategic Investment Fund (NSSIF) and the British Business Bank. Space Forge is an example of cutting-edge British innovation with dual-use applications, based in one of our high-potential innovation clusters.

5.2.2.5 Using AI to secure battle-winning advantage. The SDR is clear that the UK must pivot to a new way of war. It must continually harness new technology and think differently about what conventional 'military power' is and how to generate it. It is through dynamic networks of crewed, uncrewed and autonomous assets and data flows that lethality and military effect are now created. A shift towards greater use of autonomy and artificial intelligence (AI) within the UK's conventional forces should be an immediate priority, providing the UK with greater accuracy, lethality, and cheaper capabilities and fundamentally changing the economics of Defence. MOD must begin the development of AI enabled capabilities by engaging and collaborating with the industrial base to identify game-changing solutions. MOD will spend £4 billion on uncrewed and autonomous military systems over the course of this Parliament, and since the SDR was published we have already announced a procurement plan worth up to £180 million for digital decision capabilities to enable scalable operations involving autonomy, including using AI and machine learning to speed-up decision-making. We have also engaged the market on a variety of transformative autonomous capabilities, sending a clear demand signal to our industrial base of our ambition in this space. Further detail on MOD's plans for investment in AI enabled capabilities will be set out in the Defence Investment Plan.

5.2.2.6 Accelerating energy innovation and resilience. To accelerate innovation and adoption of dual use technologies, we will establish the Defence Energy and Capability Resilience Centre of Excellence (DECX). This will unite the Ministry of Defence, industry, academia and research to harness opportunities for operational advantage and resilience from emerging energy technologies and circular economy approaches. DECX will build our technological edge and support the development of key sovereign industrial capabilities for the UK whilst supporting our Armed Forces to operate in new ways in changing environments. We will explore opportunities to work with industry to be an innovation test bed for trials and experimentation that accelerates technology development for the Ministry of Defence's needs. We will be a demanding customer, setting out challenges to industry that make clear specific use requirements, further building investor confidence in the defence market for dual use energy and circular economy technology. The Ministry of Defence will also investigate opportunities to leverage modular nuclear reactor technologies, both to meet direct energy needs and to prove its potential for wider use in support of the Government's Clean Energy Superpower Mission. We will work with industry to develop an approach to energy which builds resilience and increases the security of critical supply chains.

5.2.2.7 Use of defence estate to meet energy demands. The Ministry of Defence is considering how its estate could help meet the forecast increase in power demand by Defence. Having recently concluded an Estate Energy Review, we are looking at private energy generation, and is exploring the potential contribution that energy projects on the estate, such as Small Modular Reactors and renewables, could make to reduce the energy overheads for MOD and support the Government's Clean Energy and Growth Missions, including through development of AI Growth Zones.

5.2.3 Outcome: Defence's science, innovation and technology ecosystem is modernised and improved, reflecting our ambition for the sector.

5.2.3.1 MOD is set up for success in science, innovation and technology. There is a distinct difference between seeding early-stage scientific research (from basic principles to lab testing) and shaping the commercial sector through collaboration and contracts. Success in these two undertakings depends on different ways of working, skills, partners, and networks. We will therefore, in addition to launching UKDI, evolve the current Dstl and Defence Science and Technology teams and enhance their focus as a gateway to academia and research institutions across the UK and allied countries, leveraging Government-funded, world-class S&T more effectively to make it worthwhile for universities to invest in long-term capacity and capability building. Dstl will prioritise a small number of national security issues where sovereign ownership and skills are crucial, and Dstl will partner with ARIA and UKRI to drive generation-after-next innovation. Dstl collaborates extensively with academia in the delivery of MOD's research programme, and we will further strengthen our engagement, focussing on sovereign capabilities, critical S&T skills development and high-growth, dual use technologies to meet the ambition of the SDR and DIS, ensuring that the MOD remains an intelligent customer for Science and Technology.

5.2.3.2 Streamlined process of scaling innovative digital solutions. Our new Defence Tech Scaler pilot will provide a streamlined, scalable, and accessible platform for collaboration. Focused initially on software, data and AI providers, with scope for expansion, it establishes an end-to-end process for scaling innovative solutions across the supplier ecosystem, from emerging SMEs to established major suppliers. Going beyond a simple commercial framework, it integrates technology, finance, cyber, commercial and strategy functions, creating a coherent, supportive environment for suppliers. For the first time, new entrants and SMEs will have a clear roadmap to scale within the MOD, outlining the requirements they must meet while offering valuable support such as clearance sponsorship, access to MOD data, service executive guidance, and a badge of accreditation. Defence Tech Scaler represents a significant step forward in how the MOD engages with industry, enabling rapid access to innovation and fostering a more prosperous and collaborative defence ecosystem.

5.2.3.3 Building AI capabilities and leveraging technology for delivery. As outlined in the National Security Strategy, AI's development poses era defining risks and opportunities, necessitating a national security agenda for AI. 'Transformative AI' systems in particular are expected to drive the large-scale automation of knowledge work, with profound impacts on all aspects of UK society, defence and security. The use of AI in Defence has grown exponentially, with projects maturing from proofs of concept to capabilities. MOD will create a protected Defence AI Investment Fund to accelerate the adoption of artificial intelligence across Defence, prioritising the most promising use-cases, and facilitating a more strategic approach to AI adoption. MOD's AI work will support and leverage wider government AI initiatives, focusing on building national capability, accelerating adoption, and advancing understanding of the national security risks and opportunities AI presents in the defence sphere. This will be done by striking a balance between self-reliance and cooperation, working closely with DSIT's Sovereign AI Unit, which is securing the UK's future as a strong sovereign AI nation. Within MOD, this work will be led by the Defence AI Centre, collaborating with the Sovereign AI Unit to invest in new opportunities to develop sovereign AI capabilities, and secure UK strategic advantage in AI. This in turn will support the implementation of the AI Opportunities Action plan by encouraging the growth of the UK AI sector and supporting the emergence of national champions.

This activity will be supported by DSIT investment of up to £12m in UK Data Sharing Infrastructure Initiatives from April 2026. Learning from international practices, including the Common European Data Spaces, these will promote effective and more coordinated approaches to governance, legal considerations, regulations, data interoperability, security, and trust. MOD is also taking forward the defence recommendations of the Government Chief Scientific Adviser (GCSA) and National Technology Adviser (NTA) following their Review to explore the barriers hindering the adoption of transformative technologies.

5.2.4 Outcome: a streamlined regulatory environment enables innovation and capability delivery

The Prime Minister has set a target to reduce administrative costs of regulation to business by 25% and the SDR commits to reducing the burden of Defence Standards and Conditions by at least 50%. Our regulatory system around defence must be updated to create a regulatory environment fit for the current era of threat, it must be as permissive and simple as possible, removing barriers limiting faster delivery, scale up, and innovation at wartime pace.

5.2.4.1 Targeted regulatory sprints in priority growth sub-sectors and emerging technologies. Beginning in Autumn 2025, MOD will run a series of targeted sprints to review the regulatory environment governing key capability areas, with a particular focus on those with the highest growth potential. The first of these will focus on Autonomous Systems. These will make recommendations for how to create a more permissive regulatory environment which fosters UK comparative advantage in key sectors of the future, and will consider recommendations for updating regulation, information sharing with industry, and streamlining regulatory authority interfaces. The sprints will build on the success of innovative test and evaluation (T&E) environments and will make recommendations to the Defence Industrial Joint Council. The Defence Reform and Efficiency Plan (publishing in Autumn) will outline the scope and focus of these reviews and the reform required to meet the SDR target.

5.2.4.2 Regulatory reform supports regional defence industrial strength. MOD's commitment to creating a more permissive regulatory environment will be an essential part of the new Defence Growth Deals. Relevant approvals organisations, local authorities and T&E stakeholders will be closely involved in the design and implementation of the Deals, with a particular focus on T&E innovation and exploring planning flexibilities or expedited routes for faster and simpler defence industrial development. In Plymouth, for example, we are already bringing together the Defence Maritime Regulator, Maritime Coastguard Agency and Naval Base Commander, alongside the existing Smart Sound Plymouth platform, to exploit further opportunities for innovative T&E in maritime autonomy, including dual-use capability.

5.2.4.3 Test and Evaluation (T&E) Transformation. Too often limited access to T&E resources and complex end-user processes act as a barrier to pace, particularly for SMEs and new entrants. To modernise our T&E environment we are making investments through our T&E transformation programme that will enable the Defence enterprise, including companies of all sizes. To make it easier for everyone to find the T&E resources they need, we will launch an online Test and Evaluation marketplace in 2026. This digital platform will help T&E users identify and connect with suitable facilities, capabilities and support services from across the public and private sector, and from our international partners. This will include MOD's T&E ranges across the UK, including sites in Scotland and Wales, which we will seek to make more accessible to SMEs by exploring and addressing barriers to access.

To support smaller firms, for whom geographically remote and highly capable test ranges may be prohibitively expensive, we will invest in more mobile test technologies. These will be available commercially and should enhance the capability of local and 'pop-up' test sites. The initial focus of this investment will be on enabling testing for uncrewed systems, one of our priority growth sub-sectors.

To ensure UK equipment is fit for the future, we are piloting the provision of a high-fidelity virtual test range, focused on the evaluation of UK equipment in the most demanding operational environments. This will pave the way for an industry toolkit and test network, allowing UK companies to rapidly test, innovate and integrate systems in-house, using Defence's most demanding operational use-cases. In addition, T&E Transformation is exploring how best to meet MOD and Industry's shared need for secure supercomputer capability and secret connectivity, lowering the barriers to T&E exploiting advances in semiconductor and artificial intelligence technology.

To improve the long-term productivity and capacity of both MOD and commercially operated UK test ranges, we are launching a 'Range of the Future' programme at the Defence Science and Technology Laboratory this year. MOD will work with SMEs, range operators and regulators to derisk T&E technology and make ranges more available, affordable, and capable of supporting the next generation of Defence capability. We will boost this effort by inviting industry to propose solutions to T&E Challenges run through UKDI-DASA, with a new challenge to be launched in November 2025. Finally, we will also consider where existing facilities and assets already exist that are led by other parts of government but could be of direct value to defence. The next generation of technologies tested in many facilities are inherently dual-use and could be critical both to the resilience of the UK's public networks and to defence communications.

5.2.4.4 Improved access to T&E resources and exploitation of existing freedoms. Defence T&E benefits from the legal freedoms afforded to MOD, offering significant potential for regulatory innovation, agility and flexibility, whilst maintaining fundamental standards on safety and assurance. However, delays and inefficiencies still exist because access to information about the T&E system and existing freedoms is not widespread. Therefore, we are launching a Regulatory Solutions Hub (RSH), to provide better access to the T&E system for civilian and military end-users to access and connect innovators with effective solutions quickly. This will be supported by an engagement campaign with stakeholders through the DIJC and the Defence Office for Small Business Growth. The RSH will partner with the Regulatory Innovation Office to share best practice and identify opportunities for civilian-military spillovers.



A Resilient UK Industrial Base

6.1 Summary

Vision: the defence industry is protected and resilient to malign activity; resilient to supply chain shock and disruption; able to adapt and surge to meet emerging priorities and demand; and underpins and enables operational independence.

UK deterrence is enhanced through: a strong transatlantic and European defence industrial base underpinning NATO's ability to deter and defend; a nuclear enterprise that goes from strength to strength, underpinning the nuclear deterrent; a defence industry that is able to adapt at pace and surge to meet any emerging threat; and a thriving defence sector that is resilient to shocks, threats and disruption.

Our Armed Forces are only as strong as the industry that equips and sustains them. The Strategic Defence Review is clear that, for deterrence to be credible in the new era of threats, we must increase national warfighting readiness so that, if needed, the UK can transition to scale for and sustain a war against a 'peer' adversary. Our defence industry is crucial in this effort to ensure the resilience of our supply chains, the strength to resist threats or disruptive events, and the ability to scale-up and surge capacity as needed at any time to meet any potential threat. The ability to innovate at wartime pace is another essential component of industrial resilience. Ukraine and the Red Sea have shown us that the way to deter large platforms is not always with equally large platforms.

Small and novel commercial products, which have gone from factory to frontline in a matter of weeks, have often delivered the greatest successes. It is vital that we embed the lessons learned from these modern conflicts, strengthen the resilience and prosperity of our thriving UK industrial base, assure our critical supply chains, champion.

This Strategy sets out how we will strengthen the resilience and prosperity of our thriving UK industrial base, assure our critical supply chains, champion innovation at wartime pace, and put in place the plans and powers required to surge our capacity as a government-industry partnership, to ensure we are able to meet any future threat at any time. This complements the approach of the forthcoming UK Government Resilience Strategy, which will set out our long-term approach to strengthen national security and drive whole of society resilience, particularly across our Critical National Infrastructure and supply chains.

6.2 Actions

6.2.1 Outcome: The readiness and resilience of the UK defence industrial base is a priority for the Ministry of Defence and Industry

The Strategic Defence Review is clear that the Government must have, if needed, the means to prepare and respond as threats to the UK or its allies escalate. Essential to this is ensuring readiness and resilience is a top priority for the Ministry of Defence, with the commitment and resources to deliver it. We need an organisational approach that is ambitious and has industry collaboration at its heart. Our defence industry is a strategic asset that we must protect.

6.2.1.1 New organisational approach and a collaborative endeavour with industry.

Today's strategic context demands that industrial readiness and resilience are among the highest priorities for Defence. We are responding to this and setting up MOD to pursue these objectives with clarity and purpose. Defence industrial resilience will be a core deliverable for the NAD, who will provide a clear point of accountability to Government and to the public. Relevant teams in the National Armaments Director Group will work with colleagues across Defence to develop new policy, strategy and plans that make the pursuit of enhanced defence industrial readiness an active effort, moving away from previous passive approaches. We will deliver this approach in collaboration with industry, embedding it as 'business as usual' by leveraging new engagement mechanisms, including the Defence Industrial Joint Council (DIJC). Activity will include the identification of barriers to rapid scaling and the exposure of key vulnerabilities and will play a critical role in developing the solutions and interventions required to improve the resilience of defence supply chains. We will also start regular engagement with firms in adjacent industries, to build understanding of the role of these first in defence readiness, for example with car manufacturers.

Last year, for the first time, the MOD hosted the first dedicated, joint Ministry of Defence-industry wargame. This was an invaluable exercise and emphasised the critical role the defence industry would play in any future conflict. We will embed the lessons learned from this wargame to ensure industry is at the heart of our resilience planning. To continue to benefit from the expertise and ingenuity of our leading industry and innovators, we will develop regular industry wargames as part of a structured programme of scenario testing exercises. We will also establish a scenario planning capability within the National Armaments Director Group, which will cohere across the programme of exercises to build robust evidence and ensure insights are incorporated into Ministry of Defence policy, activities and plans.

6.2.2 Outcome: UK defence industry can adapt at pace and surge to meet any emerging threat

6.2.2.1 Flexible capacity is maintained in key production lines. We will ensure defence is an engine for growth across the UK by investing in our munitions capability, to maintain the production, innovation, skills and investment levels needed to lay the industrial foundation for production to be scaled up at speed if needed. We will invest £6 billion in munitions this Parliament, including £1.5 billion in an ‘always on’ pipeline and building at least six new energetics and munitions factories in the UK. We will provide a steady drumbeat of investment to industry, sustaining a thriving defence industry that generates growth and jobs, while strengthening the UK’s commitment to NATO. We will also build new state-of-the art, UK-based factories for energetics production, creating a scalable, responsive manufacturing capability for energetics materials and products in the UK, aligning this with our support to the war in Ukraine.

6.2.2.2 HMG must have, if needed, the means to prepare and respond as threats to the UK or its allies escalate, and, crucially, before crisis becomes war. MOD will work across Government to implement the SDR’s recommendations to improve national readiness. Important areas of focus will be on ways to make the scaling of defence production easier, including de-regulating where we can and learning lessons from our most important allies, for example the formation of a new reservist force focused on the best and the brightest from sectors like advanced manufacturing and software engineering. We will develop proposals to reduce the burden of Defence Standards and Conditions and reform regulations, to make scaling of defence production easier, and to intervene more deeply in the sector as a last resort. We will also pursue new agreements with defence, and defence-relevant, firms to establish routes to surge their workforce to support a rapid scale-up of defence outputs. We will examine closely the legislative powers in the USA (including through the US Defense Production Act) and France to leverage their defence industrial bases in times of crisis. MOD will engage with industry on options by the end of the year.

6.2.2.3 Scalability and resilience of production regularly assessed for all major procurements. The ability to monitor and demonstrate the scalability and resilience of defence industrial production is a key part of our deterrence of potential adversaries. We will ensure that, between the Ministry of Defence and our major suppliers, we gather the information we need to generate confident assessments of our ability to scale

and sustain production. We will reinforce existing defence conditions (DEFCONs) on business resilience to ensure suppliers are conducting the assessments and providing the information required, supported by enhanced guidance, advice and monitoring across the end-to-end supply chain. We will introduce a new Supplier Resilience Maturity (Self) Assessment framework and tool, and work with our most important suppliers to review these assessments on a regular basis, including considering how defence suppliers could support the resilience of other Modern Industrial Strategy sectors with overlapping inputs. To do this, we will draw on analysis from the new Supply Chain Centre on strategic inputs to Modern Industrial Strategy sectors, including with a focus on the supply chain sub-sectors set out in Section 1.3. Finally, we will explore options for an ‘inventory management clause’ that would set requirements for stock levels and tracking and reporting of inventory.

6.2.2.4 Best practice on surge capacity and resilience is shared between the UK, allies and partners. Most of the threats we face are ones we share with our close allies and partners. It is essential we support each other to enhance our collective preparedness. This is built into AUKUS and the Global Combat Air Programme, both of which are developing trilateral supply chains to enhance collective resilience. We will push for greater working-level international collaboration on defence industrial readiness, including through greater international involvement in wargaming and planning exercises, and ongoing alignment of strategy. We will incorporate supply chain resilience considerations into our approach towards international defence industrial policy by default. We will build on existing forums, like the UK-US Bilateral Countering Weapons of Mass Destruction (C-WMD) Leadership Group where we have identified common C-WMD industrial base challenges – mapping our respective supply chains and collaborating with the US to build resilience into a high-risk area.

6.2.3 Outcome: defence industry is protected and resilient to malign activity, shocks and disruptions

6.2.3.1 Strengthen supply chain data and enhance resilience. We must also take a long-term strategic approach to the way we manage our critical and cross-cutting supply chains. Our transformation of the procurement and acquisition landscape will be coupled with a sensible approach to supply chain management, delivering market stability, supply chain resilience and growth. The Defence Supply Chain Capability Programme will drive a step-change improvement in how the Ministry of Defence understands, designs and manages our industrial ecosystem to deliver a resilient, adaptive and collaborative end-to-end defence supply chain. This step change will involve shifting our approach to managing supply chain risk from a reactive to a proactive end-to-end approach, supported by enhanced digital enablement. We are implementing a new approach to Category Management within the National Armaments Director Group to build resilience and security of supply into our most critical supply chains. This will allow us to better manage disruption to our front line and improve our ability to shape markets, creating enhanced access to industrial capabilities where operational sovereignty and freedom of action are crucial.

6.2.3.2. Building Resilience of Critical Raw Materials for UK Defence. Across global markets, demand for Critical Raw Materials (CRM), including Rare Earth Elements (REE), continues to rise, driving competition for access to virgin materials. A circular economy approach presents a key opportunity to secure future supply and enhance resilience. This can reduce our reliance on third parties and supply chains which are potentially vulnerable to disruption. Working with industry to develop our ability to apply circular economy's principles on Defence Critical Raw Materials, we will: unlock new domestic and export opportunities of high-value materials; develop cutting-edge technologies in robotics, automation, and less polluting processing (including chemicals); generate employment in both high-skilled R&D roles and broader industrial operations; and increase reshoring, nearshoring and friendshoring opportunities for critical materials' processing.⁴⁰

In addition, by investing in advanced recovery and refining processes and advanced manufacturing, we will also position the UK as a global leader in critical mineral recovery and reclamation, enhancing both industrial competitiveness, national security and growing UK skills that are attractive within a global market.⁴¹ We have developed a Sustainable Circular Economics Concept Note for Defence⁴² and are already working with industry on a decision support framework, applicable across capabilities, platforms, sub-systems and components, and is examining how the sector can mitigate supply chain risks. Action is also already underway to bolster our ability to use out of service material as feedstock for critical components and other uses. This includes the 'Tornado to Tempest' project, which has demonstrated the potential of recycling surplus assets containing strategic metals such as titanium into feedstock for additive manufacturing to make new parts, including for the MOD's FCAS programme.

6.2.3.3 Defence procurement. As well as prioritising UK-based businesses, a new policy approach to social value and launch of an offset policy, subject to consultation, will allow Defence to use its significant procurement levers to promote resilience in defence supply chains. Supply chain resilience will be a key objective in the design of any new offsets policy and will also be one of the key objectives the Ministry of Defence will prioritise in the application of social value, alongside growth.

6.2.3.4 Security and resilience risks to the defence industry operations are managed collaboratively. The smooth running of daily life and the economy depends on critical national infrastructure and the continuity of essential services. We are working in even closer collaboration with key suppliers to deliver an enduring security posture, enhanced threat reporting and increased mutual awareness of critical national infrastructure. This will ensure that we are more comprehensively identifying and managing industry-specific critical national infrastructure dependencies. This supports the delivery of data-driven strategies and policies to bolster industry resilience. Critical national infrastructure mapping will also enhance the Ministry of Defence's understanding of its supply chain to deliver the policy and activities to alleviate risk and increase resilience.

40 Refuse, Rethink, Reduce, Reuse, Repair, Refurbish, Remanufacture, Repurpose, Recycle, Recover Energy (Van Buren et al., 2016, cited in the [Sustainable circular economics for Defence concept note - GOV.UK](#))

41 [Defence Advanced Manufacturing Strategy - GOV.UK](#)

42 [Sustainable circular economics for Defence concept note - GOV.UK](#)

6.2.3.5 Economic security in the defence sector assured. The UK's open and outward-looking economy is a source of great strength, and it will remain open to safe foreign investment to drive growth across the UK, including in the defence sector. However, below the level of armed conflict and in an era of strategic competition, adversarial nations are strategically employing investments and economic measures in security-sensitive sectors of the economy to harvest critical technologies, gain access to pioneering innovation and R&D efforts, access or influence our CNI and create supply chain dependencies leaving us exposed to disruption. The MOD has a dedicated team focused on economic security, and we are further developing our capacity to identify and counter a wider range of economic security threats, including those related to research collaboration, employment of defence and technical experts from the UK, procurement, exports, and the use of business partnerships and technical support contracts that include the transfer of specialist defence knowledge. We are also continuing to strengthen collaboration and information sharing with our closest allies to this end and develop economic security and resilience planning in collaboration with other parts of government and industry.

Case Study: Energy and Circular Economy Technology as a Strategic Capability

Russia's War in Ukraine shows how energy has been weaponised: through targeting of energy infrastructure and control of fossil fuel supplies. Learning the lessons from Ukraine, we must adopt a different approach to energy in defence, as a key strategic capability to drive operational advantage and build resilience. The future battlespace will have a greater energy demand, including through direct energy weapons, AI and cyber capabilities, as well as a requirement to generate an increasing proportion of energy at the point of use. To operate effectively it will be vital to harness emerging opportunities for power generation, storage and distribution from more diverse sources and new technologies, enabling increased lethality, resilience and self-sufficiency and agility. Trialling technology including modular nuclear reactors, sustainable drop-in fuels, smart microgrids, batteries, and hybrid and electric drive vehicles has the potential unlock advantages over a conventionally powered force and ensure that we remain relevant and interoperable, with partners and allies facing the same capability choices. In a rapidly transforming energy landscape, building resilient supply chains will also be a critical enabler of advantage and will mitigate new dependencies and security risks. This includes harnessing opportunities through circular economy technology, developing our ability to recover and reclaim Defence Critical Raw Materials.



6.2.4 Outcome: long-term delivery of the nuclear deterrent is secured through strategic investment and the triple-lock

6.2.4.1 'Triple-lock' on the nuclear deterrent guaranteed: (i) building four new nuclear submarines in Barrow-in-Furness, supporting high-quality, high-status apprenticeships and jobs, with the supply chain benefits being felt right across the country; (ii) maintaining our continuous at-sea deterrent – securing protection for both the UK and NATO allies; and (iii) delivering all future upgrades needed for those submarines to patrol the waters and keep our country safe.

6.2.4.2 Strategic investment in capabilities and programmes. Delivering the deterrent is a complex, challenging and long-term endeavour, including some of the largest and most technologically advanced programmes government has ever undertaken. The Defence Nuclear Enterprise's industrial base, therefore, not only plays a vital role in our national security, but also highlights the prowess of UK industry, innovation, science and engineering. Among the hundreds of projects and programmes required to deliver the deterrent are: two submarine programmes in build (Astute and Dreadnought) and one in design (SSN-AUKUS); development of a replacement UK sovereign warhead; in-service maintenance; submarine dismantlement; and infrastructure recapitalisation across the estate. In addition, we are making the strategic choices and new investments necessary to secure long-term delivery of the deterrent. This includes the Government's announcement for: (i) investing £15 billion in the sovereign warhead programme this Parliament, supporting over 9,000 jobs;⁴³ (ii) expanding our industrial capacity to build up to 12 SSN-AUKUS – our next generation of attack submarine – through the AUKUS partnership with Australia and the US;⁴⁴ as well as (iii) establishing a Nuclear Fuels Programme to explore options to re-establish a nuclear fuel cycle for reactor fuel for defence use.⁴⁵

6.2.4.3 The Defence Nuclear Enterprise continues to realise significant benefits for the wider UK economy. The Defence Nuclear Enterprise and the programmes it operates represent a substantial and sustained investment into UK industry and provide a consistent, long-term demand signal to our industrial partners. The Defence Nuclear Enterprise supports a supply chain of over 3,000 UK-based businesses and generates a current workforce demand of over 48,000, with demand set to grow to around 65,000 by 2030.⁴⁶ Projected to spend over £100 billion through UK suppliers over the next ten years, and with multi-billion-pound spending on research and development, the Defence Nuclear Enterprise will continue to generate significant benefits for the wider UK economy including by expanding investment and jobs in key locations, particularly the North-West and South-West of England, and West of Scotland. On average, an individual working in the defence nuclear sector earns a wage premium of approximately 20% above the national average wage.⁴⁷ This DNE wage premium reflects the often highly specialist and in-demand nature of the work.

⁴³ [UK to expand submarine programme in response to Strategic Defence Review - GOV.UK](#)

⁴⁴ [UK to expand submarine programme in response to Strategic Defence Review - GOV.UK](#)

⁴⁵ [Written statements – Written questions, answers and statements - UK Parliament](#)

⁴⁶ [Defence Nuclear Enterprise 2025 Annual Update to Parliament](#)

⁴⁷ Based on a MOD survey of the main defence nuclear industry organisations

6.2.5 Outcome: Barriers to productivity are removed across the Defence Nuclear Enterprise

6.2.5.1 Delivering the Plan for Barrow. To remove some of the structural obstacles to productivity, we are delivering the Plan for Barrow in partnership with the Ministry of Communities, Housing and Local Government (MHCLG) and other Government departments, which will provide long-term support to Barrow-in-Furness – the home of nuclear submarine building in the UK. In addition, we will utilise the experience From the Plan for Barrow to facilitate delivery of the Defence Growth Deal in Plymouth that will be launched this year, wherein His Majesty’s Naval Base Devonport plays a fundamental role in supporting continuous at sea deterrence.

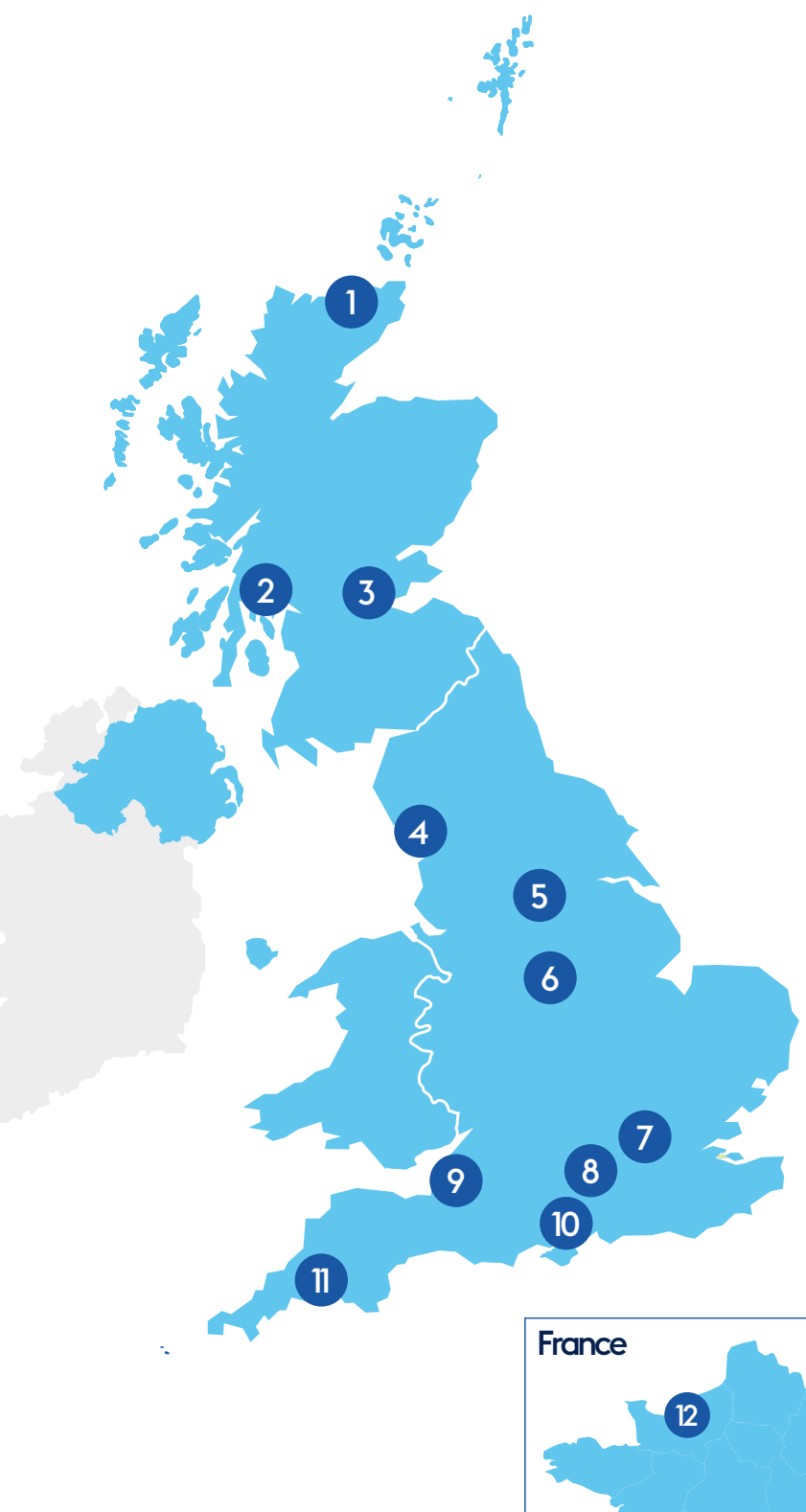
6.2.5.2 Aligning civil and defence nuclear activities and capabilities in areas where there are clear benefits. The UK stands at a pivotal moment in its nuclear journey, with both civil and defence nuclear sectors undergoing significant investment, driving growth across the UK. We will deliver our shared nuclear vision, as set out in The UK’S Modern Industrial Strategy (CP 1337); where there are clear benefits we will align civil and defence capabilities and coordinate investments on key areas that serve both nuclear enterprises, such as future fuels, computation and simulation, and materials science.

6.2.5.3 Delivering the National Nuclear Strategic Plan for Skills. Working with industry and the Department for Energy Security and Net Zero (DESNZ), we have launched the National Nuclear Strategic Plan for Skills (NNSPS) to grow the nuclear workforce and will continue to play our role in its delivery. Through the NNSPS, we are aiming to double defence nuclear apprentice and graduate intakes, creating 22,000 apprenticeships and 9,000 graduate roles over the next ten years. In addition, 20 nuclear fission PhD students are being funded as a direct result of the NNSPS, supporting a pipeline of future subject matter experts.⁴⁸

6.2.5.4 Delivering regulatory reform and ensuring efficiency. Alongside internal Defence Nuclear Enterprise work to simplify and improve our nuclear regulatory arrangements and processes, the Prime Minister has launched an independent Nuclear Regulatory Taskforce. This is examining where the regulatory framework across the civil and defence nuclear sectors can better support delivery, whilst ensuring high standards of safety and security. The Taskforce published its interim report in August, identifying six areas of opportunity for a reset: risk management and proportionality; complexity of the regulatory and planning landscape; enabling delivery in the planning regime; capacity, capability and culture, international harmonisation; and insufficient understanding of the cost of delays. We will also utilise the Government’s new and updated routes for planning permission to secure expedited permission for nationally important infrastructure projects as part of the Defence Nuclear Enterprise. Finally, to incentivise the performance demanded by our major strategic programmes, we will – alongside the broader review of the SSCR framework – evaluate the potential profit margins available for Single Source Contracts.

⁴⁸ [Defence Nuclear Enterprise 2025 Annual Update to Parliament](#)

Defence Nuclear Enterprise: Key sites



1 **Vulcan Nuclear Test Establishment**

Test facility for Pressurised Water Reactors (site being decommissioned)

250



2 **His Majesty's Naval Base Clyde**

Home to the Submarine service, including the SSBN operational base, RNAD Coulport, and the Submarine Centre of Excellence

5,000



3 **Rosyth Dockyard - Babcock Intl.**

Alongside Devonport, Rosyth dismantles and decommissions out-of-service submarines

850



4 **BAE Systems Barrow**

The build site for all the UK's nuclear-powered submarines, including the future SSN-A build

13,500



- 5 Sheffield Forgemasters**
Produces large scale high-integrity castings and forgings from specialist steels used for submarine reactor cores

700 


- 6 Rolls-Royce Submarines**
Main construction and development site for our submarines' nuclear reactor cores

4,000 


- 7 Ministry of Defence Main Building**
Home of the Defence Nuclear Organisation, and headquarters of the DNE



- 8 AWE Nuclear Security Technologies**
Designs, manufactures, maintains, and disposes of nuclear warheads

9,500 


- 9 Submarine Delivery Agency**
Delivery of our submarine programmes

2,500 

- 10 Navy Command HQ**
The strategic command HQ of the Royal Navy



- 11 HMNB Devonport & Babcock Devonport Royal Dockyard**
Royal Navy and Babcock International co-located sites, providing deep submarine maintenance, refuelling and defuelling, and through-life support programmes

8,000 

- 12 Epure (Valduc, France)**
A joint UK-France hydrodynamics facility through Teutates Treaty





Fixing Defence Procurement

7.1 Summary

Vision: A transformed government and industry approach to procurement revolutionises the pace and scale of innovation and production – waste is reduced, productivity increased, growth benefits are maximised and SMEs are empowered.

The Government is clear that business as usual in Defence procurement is not an option. As the SDR concludes, emerging technologies are changing the character of warfare more profoundly than at any point in human history, with military power increasingly considered in terms of how quickly the Armed Forces and industry can innovate and operationalise rapidly developing technology. Today we are stuck in Cold War-era procurement cycles and relationships with industry. To meet the SDR vision for Defence by 2035, and maximise the economic growth potential of Defence, both government and industry must transform.

Currently, the UK defence industrial base is being driven by the peaks and troughs of capability cycles resulting in a ‘feast and famine’ approach to investment; MOD being viewed as an unstable customer and partner; and barriers for smaller and medium sized enterprises, and non-traditional partners. Over time this has resulted in a model which is insufficient to sustain or grow key capability areas; creates uncertainty and instability in the market; and treats exports as an afterthought.

The SDR is clear that, to fix the broken system, we must deliver root-and-branch reform of MOD procurement and industry delivery, to ensure our investment delivers for both the warfighter and the economy. Procurement systems must no longer prioritise risk reduction and consensus decision-making over productivity and innovation at the pace of technological change. This deep reform of procurement and acquisition will reduce waste, target public investment and provide the certainty and stability needed to attract private investment and encourage wider participation in defence, including from SMEs, innovators and nontraditional partners. We are fundamentally rethinking our approach to procurement and acquisition, to enable industry to deliver greater productivity, driving schedule and cost efficiency, supported by the Defence Reform and Efficiency Plan.

7.2 Actions

7.2.1 Outcome: clear government demand signal provides industry with long-term direction

To ensure industry, their investors and non-traditional suppliers have a clear sense of the MOD's long-term planning and priorities, we are transforming our demand signal. Building on our commitment to increasing defence spending, we will provide clear, long-term direction of our priorities and planned procurements to industry, their investors, academia and non-traditional suppliers as early as possible; giving them the certainty and stability needed to enable strategic decision making, shaping investments in skills, workforce planning and infrastructure; guiding R&D and innovation spending and ensuring the MOD and industry are able to work in partnership to drive growth and support defence capability. We have begun to set this signal with the uplift in defence investment over the next decade.

7.2.1.1 Improved signalling of defence requirements to industry. To improve our demand signal we will deliver the Defence Investment Plan by Autumn 2025. This will align with our new portfolio driven and segmented approach to procurement, and provide a clear signal of our procurement, innovation and S&T intent for the next decade, to deliver a holistic approach to investment and give industry the confidence they tell us they need to plan, invest, and grow. It will also demonstrate a clear shift in how HMG's investment in Defence is being geared towards long-term economic growth. The Defence Investment plan will set out our priorities within the 10% ring fence for novel technologies, informed by MOD's technology prioritisation pipeline developed in partnership across government and with industry, academia and innovation institutions like ARIA and UKRI. We will also reform the Acquisition Pipeline to provide industry with a 5-year forecast of planned procurements, with the ambition to review and extend this. This will be developed in collaboration with industry to ensure it provides the transparency necessary to inform investment decisions and allow them to work with us to deliver capabilities at greater pace and drive growth. Alongside this we will share export priorities on a regular basis to allow industry and government business development teams to align their focus and resources.

7.2.1.2 Increasing early market engagement. To allow for closer collaboration with industry and ensure our requirements are informed by the market, the Defence Supply Chain Capability Programme will increase early market engagement before and during the setting of requirements, as well as working more closely with industry in the identification of solutions. As part of our deep reform of the MOD by 1 December 2025 the NAD will establish a coordinating authority for market engagement within the NADG. This will help the Military Strategic Headquarters (MSHQ) and NAD integrate industry's insight and expertise into the force and capability development cycle prior to formal acquisition. By doing this we will involve industry in setting a stronger demand signal prior to acquisition, giving suppliers greater confidence to invest R&D into MSHQ problems and help deliver our shared aim of speeding up acquisition.

7.2.2 Outcome: effective Procurement Act implementation

The commencement of the Procurement Act 2023⁴⁹ on 24 February 2025, and objectives of the National Procurement Policy Statement, offer an early opportunity to create a simpler and more transparent regime for public sector procurement, to deliver better value for money and reduce costs. There are specific freedoms recognising how defence procurements operate and the need to deliver the government's industrial ambitions to protect essential domestic capability on national security grounds. We will seize opportunities from the Act to reduce overall procurement timelines, increasing use of effective early market engagement, using additional defence specific flexibilities for direct award and contract modifications, and increasing the use and transparency of procurement timelines. The Act will benefit suppliers of all sizes, particularly start-ups, scale-ups and small businesses. By 31 March 2026, MOD's DG Commercial and Industry will mandate a central digital platform for suppliers to register and store their details so they can be used for multiple bids and see all opportunities in one place, for procurements subject to the Procurement Act 2023. Building on the success of initiatives like Commercial X, these changes will drive innovation, deliver better outcomes, reduce barriers for SMEs and embed transparency right through the commercial lifecycle, so everyone can access procurement data and see how money is spent.

⁴⁹ [The Procurement Act 2023](#)

The Procurement Act 2023

The Act contains specific defence and security provisions in recognition of how defence and security procurements and markets operate, these include:

- a. The ability to Direct Award (where it is necessary for operational capability).
- b. The ability to modify a Contract due to technology refresh.
- c. The ability to modify a Contract to avoid a capability gap.
- d. Exclusion from some transparency requirements (e.g. Award Notices and Contract Change Notices).
- e. Longer duration frameworks.
- f. E-Invoicing provisions.
- g. R&D and International agreement exemptions.
- h. Threshold differences.
- i. National Security exemption.

Case Study: Commercial X delivering groundbreaking innovation into MOD's hands faster

Commercial X is a team of positive disruptors putting groundbreaking innovation into the hands of the warfighter quickly, by creating commercial experts skilled in the acquisition of innovation and digital capability at pace. It has co-created simplified small and medium enterprise (SME) friendly terms and conditions in collaboration with industry SMEs to cater for digital and innovative requirements. Traditional defence standard terms and conditions mean that SMEs may be reluctant to engage with MOD due to complexity of language, and relevance of default clauses and schedules. The Commercial X simplified terms and conditions use plain English, apply a proportionate risk approach and have guidance for suppliers to help them understand the impact of the terms and conditions on their business. This is a significant step towards a new way of working with SMEs.

7.2.3 Outcome: Transformed acquisition system that is fit-for-purpose:

For too long our programmes, processes and structures have grown to incentivise the wrong behaviours, making us too risk averse, overly specific on requirements and unable to value time. We must go further to ensure we are reducing waste, supporting long-term growth, and keeping pace with our adversaries. By transforming our acquisition system, we will ensure it is fit for the future, put a premium on speed and flexibility, provide our people with the tools they need, allow us to collaborate with industry and enable us to become more comfortable with risk.

7.2.3.1 Portfolio driven delivery. Related capabilities, programmes and services will be grouped together with a clearly defined purpose and measures of success that are linked to strategic objectives, enabling better prioritisation within available funding. Through growing expertise in service-agnostic portfolios we will be able to address over specification, remove duplication and delegate investment decision making. We will increase pace and adaptability, maximise the output from our investment, reduce waste and be more market aligned, giving industry increased certainty and clarity of the future pipeline and funding streams. Empowered Portfolio Directors will be equipped with the levers to deliver and to make faster decisions that are best for defence, they will be able to adapt their plans to manage risk or to take advantage of an emerging opportunity and respond at pace to the rapidly changing environment.

7.2.3.2 Balancing strategic factors. By introducing a consistent approach to commissioning new programmes, we will ensure decisions on procurement are informed by the full range of government policy drivers, including export potential, growth and other strategic factors, at the earliest stage in the acquisition process, in addition to the fundamental objective of equipping our service personnel. By April 1 2026, all major procurements will be required to contain an assessment of exportability to ensure we consider export potential from the outset, and ultimately support industrial base resilience, growth and relationships with allies.

7.2.3.3 Segmented Approach to Procurement. Our new segmented approach will drive pace and allow us to tailor our policy and processes based on the type of capability, supplier and risk involved be those major modular platforms (long-term strategic); pace setting spiral and modular upgrades; or rapid commercial exploitation. This will allow us deploy different commercial approaches based on the capability we are procuring and apply appropriate risk appetites and timeline targets. It recognises the continued need for large complex platforms where we will reduce our target time to contact to under 2 years; the requirement for faster fielding and adapting of these major platforms to keep them relevant and evolving based on real-world feedback, where time to contract will be reduced to under 12 months; and also allows for much quicker procurement of the capabilities we need now, getting commercial technology into the hands of those on the frontline at speed and scale, we will increase prototype warfare by ringfencing budget to allow us to procure these within three month cycles. The NAD will require a spiral-by-default approach in all acquisitions by 1 April 2026.

Lessons identified

Major Modular Platforms

Compete only where appropriate

- Long term, providing certainty to invest
- Incentives to drive productivity and partnering
- Increase UK share

££££

2 years target to first contract



5+ years

E.g. Main battle tank, aircraft, frigate



Pace-Setting Spiral and Modular Upgrades

Competitive

- Upgrade easily using a 'plug-and-use' approach
- Increase UK manufacture
- Common digital architecture and standards set platform requirements

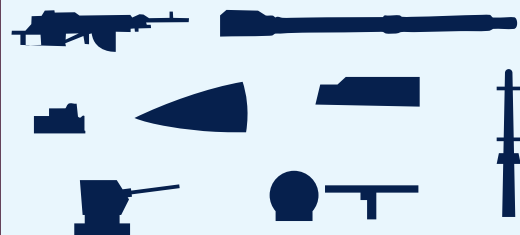
££

1 year target to first contract



Approx. 2 years

E.g. Communications systems, sensors and weapons upgrades



Rapid Commercial Exploitation

Rapid competition and scaled contracts

- Pull latest technology into operations
- Increase innovation
- Unlock private equity and venture capital

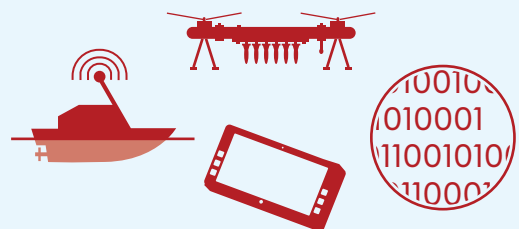
£

3-month cycles



Months

E.g. Uncrewed systems and digital software



7.2.3.4 Digitally enabled acquisition. From initial requirement to field deployment the acquisition process can be enabled by digital tools for contracting, design, test and assurance. By harnessing the latest technology including AI, we will deliver world-leading digitally enabled acquisition and position defence as a pioneer across the whole of government. This will not only give our people the tools they need to approach the market but will also enable greater collaboration with industry through a secure digital environment in which we can share problem statements, operational information, and digitally reflect contractual agreements as they evolve. Doing this will increase the speed of decision making, support greater industrial integration and drive productivity of MOD and our industrial partners. To deliver this by the end of 2025, the NAD Group will bring together a unified strategy, plan and governance structure and will look for further opportunities to harness the power of AI and automation to reduce costs and drive productivity and pace.

7.2.3.5 Accelerated commercial pathways. Improving MOD's ability to exploit the full range of commercial approaches, including harnessing the flexibilities and opportunities presented by the Procurement Act, to drive pace and innovation into procurements. Actively supporting teams to use the commercial mechanisms that support our industrial strategy and the markets we operate in, underpinning our new segmented approach. This focuses on improving commercial ways of working to involve industry far earlier and encouraging greater collaboration between MOD and suppliers during the procurement process to enable pace, adaptability, experimentation and innovation. This will include use of Design to Cost/Time approaches which will provide suppliers with greater transparency from the start to improve delivery and reduce waste, as well as an SME Pathway to reduce the barriers and increase opportunities for SMEs to bid for MOD work.

7.2.3.6 Streamlining decision-making. By stripping out layers of sequential decision making on business cases we will reduce bureaucracy in the system and increase pace, whilst also keeping affordability in balance. Alongside this, by April 2026, we will review our project delivery assurance processes to reduce duplication with assurance and scrutiny undertaken once, on a functional basis, by an appropriately qualified, experienced and accountable individual.

7.2.3.7 Enhanced approach to supply chain management. By April 2026 the Defence Supply Chain Capability Programme will deliver a step change improvement in how the MOD understands, designs and manages our industrial ecosystem to deliver benefits throughout the end-to-end supply chain. This will embed supply chains and industrial consideration into our policy and decision making and enable MOD and industry to work together to establish a resilient, adaptive and collaborative industrial base. By embedding this consideration into the acquisition cycle and introducing a Health of the Industrial Base function to monitor the health of the market, we will ensure we consider the long-term implication of our decision on the health of the market and allow for proactive delivering of any necessary market shaping measures and interventions including developing a new range of responses to major market fragility cases and supporting the development of sector specific strategies.

7.2.4 Outcome: A more competitive, productive and efficient defence sector

In addition to the overhaul of the MOD procurement system, industry must also rise to the challenge of a new era of threat and increasing global spending opportunities. To improve productivity and ensure we can work together to deliver our shared ambition of faster acquisition, we will put measures in place to incentivise faster delivery, support to SMEs and drive innovation. Reducing bureaucracy and boosting productivity and competitiveness will significantly improve our collective efforts to strengthen national security and boost economic growth.

7.2.4.1 Defence Contracting Reform. To achieve the transformation required to meet the SDR vision for Defence, we must ensure the commercial tools we will deploy in our new segmented approach incentivise investment and efficiency. This includes both the Single Source Contract Regulations framework, which governs some of the nation's largest and most strategically important defence procurements and accounts for around half of defence spending on equipment and support annually, and the wider array of defence contracting approaches.⁵⁰ With support from the Competitions and Markets Authority, we are launching a comprehensive review of defence contracting immediately. The first tranche of work will conclude in Autumn 2025, including the publication of the Defence Reform and Efficiency Plan and our review of SSCR. The remainder of the Review will come into force in 2026. This review will evaluate options for more effective and appropriate incentivisation under the SSCR framework, including options to support productivity, innovation, access for SMEs, pace and simplification. It will also investigate:

- Different contracting approaches and the incentives they drive, with an intention to decrease the number of Cost-Plus contracts awarded over time.
- Changing our procurement approach to encourage new market entrants and incentivise delivery to performance, cost, and time.
- How MOD contracts can incentivise defence industry productivity, such as encouraging capital deepening.
- Different competition approaches to reverse the trend of fewer MOD contracts being awarded without competition, support overall market dynamism and incentivise private investment, including shifting from proposals-based to performance-based competitions and implementing a first preference for a commercial solutions approach.
- How MOD contracting approaches can best incentivise economic growth returns, especially maximising the spillover benefits of government-funded capital investment and the local benefits of MOD spending.

To incentivise the performance demanded by our major strategic programmes, particularly the submarine programme, we will – alongside the broader review of the SSCR framework – evaluate the potential profit margins available for Single Source Contracts. This is so they act as a genuine incentive to industry and are representative of the benefit to MOD in terms of overall schedule and programmatic outcomes.

⁵⁰ Appx. £118.5 billion since coming into force in 2015 (Source: Single Source Regulations Office submission to the Defence Industrial Strategy consultation); [MOD trade, industry and contracts: 2024](#)



Forging New Partnerships

8.1 Summary

Vision: Domestic delivery partnerships are improved, with greater investment in our international partnerships and collaborations, strengthening our collective security.

To become a defence industrial leader, we need an industrial strategy underpinned by strong delivery institutions and equally powerful international partnerships and collaboration. Our defence sector must become more integrated; acting as one defence to keep our nation safe and provide the conditions for the UK economy to thrive.

The SDR is clear that collective security, maintained through formal alliances and partnerships, is a force multiplier for the UK's deterrence and defence; its defining principle is 'NATO First'. The UK's strategic strength comes from our allies and, in a dangerous world, our unshakeable commitment to NATO means we will never fight alone. This demands a different approach, with the Alliance as the starting point for how we plan, think and act. Exports and international capability partnerships must be mainstreamed into acquisition processes from the outset, to deliver a more integrated defence sector with our allies and partners. With the changing threat, and increased defence spending globally, this is a critical time for our continent. If we fight together, we should build together. It is no longer affordable for NATO Allies, especially within Europe, to develop

their own exquisite capabilities at low production volumes. We must seek out opportunities to co-research, co-develop, co-support and co-produce with allies to share cost, enhance interoperability, and deepen diplomatic partnerships to disadvantage our adversaries. We must continue to champion our greatest international collaborations while also raising the ambition for our international alliances and new partnerships, which remain the bedrock of global stability.

Alongside our international partnerships and collaboration, our partnership with industry is critical to delivering the equipment our forces need now and in future. Partnership and genuine collaboration are not sufficiently embedded in the MOD's institutions and governance, leaving industry without a clear, long-term demand signal. This ultimately reduces investment, slows R&D and, in some cases, leads to the loss of industrial capabilities altogether. This has to change. Our ambition for our industry and international partnerships must increase. We can harness the power, expertise and ingenuity of the full breadth of our defence sector and beyond to help us get after the most difficult and exciting challenges facing defence today and in future. This strategy sets out our new approach to partnering with industry.

8.2 Actions

8.2.1 Outcome: Improved partnership between government and industry, with new industrial ventures in priority sub-sectors

8.2.1.1 A new government-industry partnership. We have already demonstrated our commitment to forging new partnerships with the launch of the Defence Industrial Joint Council (DIJC). This new forum works with the defence sector in a new and very different way. For example, for the first time, we have brought trade unions into the heart of government, to provide their essential insight on delivery, diversity, equity and skills. The DIJC also reflects the critical role of technology companies; as the SDR sets out, warfare is changing and changing fast, and that is why we need the UK's world leading technologists round the table to shape decisions. Finally, the DIJC also includes representatives from the investor community to advise on how to leverage the UK's financial services sector in support of the warfighter. This forum is dynamic – it will be tasked to identify solutions to current challenges and strategic priorities, directly linked to the delivery of the Defence Industrial Strategy. The leaders on the council will contribute their expertise, knowledge and industrial heft to this national mission. At the Council's first meeting in June 2025, DIJC members committed to an ambitious programme of work, focused on implementing key Defence Industrial Strategy recommendations. The DIJC will have several implementation mechanisms, including the ability to establish sprint groups composed of identified subject matter experts drawn from government and the defence sector.

DIJC: Principles for a New Partnership



Represents the diversity of the defence sector, incorporating senior experts from across industry, Trade Unions, academia, private finance and tech.



Focused on implementation of solutions and empowered to deliver through strong links into MOD governance and the NAD Group.



Underpinned by a long-term, trusting relationships between businesses and government.

There is power in convening as One Defence. In addition to improving early market engagement and scaling up industry wargaming activity, we will develop a programme of tailored engagements with industry and the wider defence sector, aligned with the DIJC programme of work. This will include: better leveraging the existing conference landscape to attract wider participation, particularly among SMEs, start-ups, dual-use tech companies and private finance; establishing a programme of events focused on barriers to growth and other DIS priority areas such as skills, access to finance, net zero and the reputation of defence; and an annual investment summit, designed to bring together the defence sector and the financial community, including investors and a range of private capital sources.

8.2.1.2 More open, trusting collaboration between MOD and Industry. We will build on successful initiatives in our existing relationships with industry and adopt a more open stance on the sharing of information, data and, where appropriate, intelligence, while also encouraging Industry to support the mission of the DIS by sharing more data to support analysis of the industrial base. This will be a focus for the DIJC, and our ambition is to facilitate this collaboration in future secure digital capabilities that are readily accessible to stakeholders in the sector.

8.2.1.3 New Strategic Partnerships. We know that some of our greatest successes have been when industry and government have trusting and collaborative partnerships. We will use the Strategic Partnering Programme to continue to foster more effective collaborative working with our existing industrial strategic partners, seeking to drive greater value into the defence industrial base to support the aims of the DIS. We will identify opportunities to establish new strategic partnerships where appropriate, enabling MOD to realise the benefits of dynamic and collaborative relationships.

Case Study: Efficiency through collaboration, MBDA Portfolio Management

MOD and MBDA's Portfolio Management Agreement, renewed in 2024, is a long-term strategic collaboration worth £6.5 billion over ten years. It considers the programmes associated with Complex Weapons as a portfolio rather than individually and brings together complex weapons requirements from across the MOD into a single demand from a single customer. This approach has set the portfolio on a path to deliver the transition from 27 disparate weapon systems to 5 weapon families and enabled the meeting of ground-based and naval-based Air Defence needs through a single missile. The flexible nature of this agreement and its predecessor has enabled MBDA to rapidly meet urgent operational requirements (UORs) from Ukraine and creates flexibility for MOD to rapidly respond to changing requirements of the UK Armed Forces in future. The departure from traditional individual weapon development improves military capability, increases affordability, reduces sub-system costs (through reuse of technologies across multiple programmes) and provides a long-term demand signal to enable increased investment in the UK. As a result of the agreement, MBDA has planned over £500m of investment, part of which is dedicated to MBDA's manufacturing site in Bolton.

The first new strategic partnership we have launched is our alliance with the High Value Manufacturing Catapult, with its network of seven innovation centres of expertise across 23 sites nationwide. The alliance will deploy a critical player in the UK's R&D landscape to address the UK's toughest industrial, engineering and national security challenges. We will deepen our relationship with the Innovate UK Catapult Network, leveraging the Network's world-leading research and development capabilities across the UK and further accelerating industrial transformation to stimulate economic growth. This builds on our existing partnerships with the HVM Catapult, in the nuclear sector, where the Defence Nuclear Enterprise is driving innovation through a multibillion-pound investment into research and development over the next decade, including AWE working with the HVM Catapult on facilities to de-risk the supply chain.

8.2.2 Outcome: improved partnership between government and wider sector

A new partnership between the defence sector and government involves knowing where the expertise lies and bringing it into the heart of decision making. We are establishing new practical initiatives to ensure the experience and knowledge within the sector is embedded within the organisation and that in turn, industry better understands our national security and prosperity principles and requirements.

8.2.2.1 Expanding our collaboration and information sharing with and within the wider defence sector. We will explore a number of options for new partnerships with the full range of defence sector participants, including making better use of secondments from industry and developing opportunities for civil servants to take secondments in industry to develop their skills and understanding of the sector. Equally, we expect industry to collaborate with one another much more readily to improve performance and productivity. We will also test options for new mentorship schemes to connect the private and public sectors to ensure constant knowledge exchange. In collaboration with organisations such as UKRI, we will forge new strategic partnerships with our world leading universities and academic institutions. These partnerships will harness their exceptional research capabilities towards cutting-edge innovation, with a particular focus on sovereign capabilities and high-growth dual use technologies. We are also seeking opportunities to collaborate more closely with our Trade Unions, leveraging their expertise to address specific challenges around diversity and equality in the workplace.

8.2.3 Outcome: Strengthened collaboration with our closest allies

Our international partnerships and collaborations have generated some of the most impressive capability advancements and transformed the way conflicts are fought and won; we will never fight alone again. We are not yet leveraging the full benefits of collaborative partnerships with our allies. In addition to championing our existing and highly successful international collaboration initiatives, we must raise the scale and ambition for future international collaboration.

The Strategic Defence Review (SDR) sets out the detailed UK approach to alliances and partnerships. We must prioritise this approach and leverage the comparative advantage and expertise of our allies and partners. To deliver industrial components of the SDR and complement our NATO First approach and enhance cooperation we will: maximise our industrial and technological collaboration with the United States of America, our most important bilateral alliance, to strengthen our collective security and prosperity; build on the Security and Defence Partnership with the EU, whose unique regulatory and financial levers can complement NATO's role as the primary guarantor of European security; and strengthen our bilateral agreements and multilateral partnerships with Allies in Europe and beyond. This strategy reaffirms SDR commitments and sets out our broader international industrial priorities.

Case Study: GCAP – Harnessing Our Collective Strengths

The UK, Italy and Japan are harnessing our shared resources, knowledge, and expertise to develop a next-generation fighter aircraft through the Global Combat Air Programme (GCAP). Building on the longstanding relationships between our nations, GCAP is deepening our defence, industrial, and technology collaboration to deliver cutting-edge combat air capabilities. With our allies and partners at its heart, GCAP will play a critical role, both in protecting our national interests, and bolstering global security, stability and prosperity. Strong progress made since GCAP was announced in 2022, including the establishment of the GCAP International Government Organisation (GIGO) in Reading, is testament to the close partnership and collaboration between our countries and with industry. Together, we are working towards awarding the first international design and development contract between the GIGO and Edgewing, the joint venture company formed by industry, by the end of this year. In the UK, GCAP is the centrepiece of the Future Combat Air System (FCAS) programme. A more agile, responsive, and interconnected partnership between government and industry, FCAS is transforming our approach to combat air investment and acquisition. HMG is investing over £3 billion and industry has invested over £700 million to co-fund pioneering research and development, grow our world-class STEM skills, and develop new digital and industrial capabilities, providing long-term benefits for the wider economy. There are over 4,500 people working on the programme across the UK, with major combat air hubs in the Southwest and Northwest of England and Edinburgh, supported by a supply chain of organisations spread across the country.⁵¹

8.2.3.1 A NATO First approach to industrial collaboration. The defining principle of the SDR is ‘NATO First’. Collaboration within the Alliance to develop our collective industrial base will deliver NATO critical warfighting capabilities, strengthening our collective security and supporting growth and economies of scale. We will deliver NATO’s Defence Production Action Plan (DPAP) and NATO Industrial Capacity Expansion (NICE) Pledge, principally through driving the implementation of MPI, DIAMOND and other associated initiatives, including Lightweight Multirole Missile (LMM) and the AIM-132 Advanced Short Range Air-to-Air Missile (ASRAAM) to further enhance NATO’s collective deterrence and defence and enhance the resilience and adaptability of our collective industry. We will work closely with NATO and Allies through NATO’s Defence Industrial Production Board to increase NATO industrial cooperation among allies and move NATO from design to delivery. We will embed the NATO Defence Planning Process (NDPP) as the basis of UK capability developments; support the development of the NATO industrial framework, and the implementation of NATO’s Rapid Adoption Action Plan; and through DIANA and the NATO Innovation Fund we will increase access for UK innovators to UK and Allied defence markets and support the growth of dual-use innovators. The UK supports the alignment of NATO and EU aggregate demand signals, industrial standards and procurement. These are crucial for ensuring close coordination of the transatlantic and European industrial bases through standardisation and interoperability. We are also

51 [Thriving Japan defence partnership boosting UK jobs and investment - GOV.UK](#)

pursuing UK industrial opportunities through other existing fora (such as the Organisation for Joint Armament Cooperation (OCCAR) the defence collaborative procurement group) and the E5 grouping.⁵²

8.2.3.2 Maximise and expand industrial and technological collaboration with the USA.

Industrial and nuclear cooperation with the US is already unprecedented. We procure a significant portfolio of US capabilities to maintain cutting edge technology and support to our warfighters and participate in more US-led technology projects for military advantage than any other country. Our industrial bases are closely integrated, with the UK playing a critical role in the US defence supply chain, most notably F-35 where we produce over 15% of the value of every aircraft.⁵³ Further examples of this integration include Rivet Joint, Javelin and P-8 Poseidon just to name a few. We also have a significant export relationship, in the past five years the UK has exported over £8 billion of defence systems into the US, predominantly in the aerospace sector.⁵⁴ We will continue to take opportunities to expand industrial and technological collaboration with the US, including support to AUKUS, a singular opportunity to develop military advantage and thriving innovation bases with close allies, which is already revolutionising how the UK, US and Australian industrial bases work together. We will also continue to work closely with the US on all nuclear matters, including nuclear policy, operations and technology.

Case Study: AUKUS ITAR revolutionising industrial collaboration

AUKUS is revolutionising how Australian, UK and US industrial bases work together by breaking down barriers to defence trade and cooperation. The AUKUS Nations' exemption from the US' International Traffic in Arms Regulations (ITAR) and UK and Australia's reciprocal agreements are a prime example. The US exemption covers the majority of ITAR-controlled technologies which previously required licencing; those items not eligible for license-free conditions still benefit from the US' newly introduced expedited licensing times of 30-45 days for AUKUS nations. Although it is early days for the exemption, the Authorised User Community is growing rapidly, currently containing over 400 entities. Industry was critical in the formulation of the regulation, with a dedicated consultation period built into the timeline for the exemption. This new environment supports the delivery of both AUKUS pillars, as well as non-AUKUS bilateral and trilateral activity and, importantly, independent industrial and academic innovation. These changes strengthen the pace of our collaboration and response to threat and boost our collective industrial capacity. Key to the success of the AUKUS Nations ITAR exemption is industry adoption of the exemption and reciprocal arrangements in the three countries, if it doesn't work for industry it will not work for anyone. Outreach to industry has therefore been built into every stage in delivery of the exemption.

52 The E5 is a multilateral forum involving the UK, France, Germany, Italy and Poland. Its remit includes dialogue and coordination on defence, security and strategic issues.

53 [UK to purchase F-35As and join NATO nuclear mission as Government steps up national security and delivers defence dividend - GOV.UK](#)

54 UK Defence Solutions Centre

8.2.3.3 Pursue our Security and Defence Partnership with the EU. The European Union is a critical partner. We will build on the intent set out at the 2025 EU-UK Summit, including through our new Security and Defence Partnership, which sets the ambition for closer cooperation and joint investment in our shared defence industrial base. As this is a critical moment for the security of our continent, we need a whole-of-Europe effort, and close alignment on security and defence is in the interests of both the UK and the EU. To that end, we welcome initiatives to increase defence investment for Europe and expand cooperation. Our new Security and Defence Partnership creates a basis for broad consultations, including on defence readiness and defence industry. We have set an ambition with the EU to swiftly explore possibilities for mutually beneficial cooperation and will work closely with EU partners to take this forward, recognising that strong cooperation on defence industrial issues is beneficial for UK industry, as well as being essential to avoid fragmentation and duplication of effort. Working alongside our closest allies will ensure that we are contributing to a more resilient and competitive defence industrial base for Europe. We look forward to working closely with our EU partners to implementing the SDP in a way that strengthens long-term security and prosperity in the national interest.

8.2.3.4 Strengthen and expand industrial partnerships with Ukraine. We are learning from Ukraine's extraordinary experience in land warfare, drone, and hybrid conflict in developing our own approach to warfighting. Through our Defence Material Cooperation Framework Arrangement, we have supported Ukraine to procure defence materiel of up to £3.5 billion utilising UK Export Finance (UKEF) backed funding. In January this year the Prime Minister signed the historic 100-Year Partnership for the UK and Ukraine in Kyiv. This is already delivering early-years benefit, by facilitating the sharing of battlefield technology, boosting Ukraine's drone production, and linking UK defence industry with cutting-edge technology developed on the frontlines of Ukraine. This collaboration will enable us to create industrial partnerships that can rapidly design, and build at scale, cutting-edge military equipment to help Ukraine defend her sovereign territory and equip the UK and our allies and partners as we work together to boost exports.

8.2.3.5 Maximising opportunities to co-research, co-develop, co-support, and co-produce with our closest allies to strengthen collective security. In line with the priorities set out in the SDR we will continue to champion our greatest international collaborations and raise the ambition for international industrial alliances and new partnerships. We will seek opportunities to strengthen our bilateral and multilateral agreements with allies in Europe, as a particularly powerful tool to strengthen the alliance and stability in the Euro-Atlantic. But NATO First does not mean NATO only, so we will also work bilaterally and through NATO with our allies and partners in other theatres of importance to the UK, where we have significant interests, commitments and responsibilities globally. We will ensure world leading capability continues to be delivered through international collaboration, to share cost, enhance interoperability, and deepen diplomatic partnerships to disadvantage our adversaries.



Conclusion

We need a defence industrial base that assures our continued national security, protecting our people, territories, values and interests at home and overseas, and also provides long-term, inclusive and secure economic growth in all parts of the country. Innovation and industrial power are central to deterrence and are decisive factors in war, now is the time to invest in our defence industry, for the UK and our allies.

This Defence Industrial Strategy sets out our vision for becoming a defence industrial leader by 2035, guided by a strategic framework that redefines the defence sector to capture the full breadth of expertise, experience and potential that exists across the defence ecosystem and has delivery and implementation at its heart. The actions proposed in this strategy set out the pathway to transforming the way we procure and partner with industry, to inject pace, innovation, productivity and export potential throughout the procurement lifecycle.

This strategy must be supported by the transformation called for in the Strategic Defence Review. The success of the Defence Industrial Strategy rests on fundamental procurement and acquisition reform, and we will be successful because, for the first time, our National Armaments Director, or Chief of Defence Nuclear in the case of nuclear, will hold all of the levers of procurement to oversee the end-to-end procurement process and hardwiring growth into everything we do. This is game changing.

Defence is a national endeavour. This Defence Industrial Strategy is a call to arms that we must collectively invest, promote, reform and support our defence industry, who play a vital role in keeping the nation safe and prosperous.

Accountability Table

Accountability for delivery of the Defence Industrial Strategy ultimately sits with the Secretary of State for Defence who is accountable to Parliament, with support from other Defence Ministers.

The below sets out Senior Official leadership for implementation of policies set out in this strategy. It is reflective of the current status of the Defence Reform programme which is ongoing.

Policy Measure(s)	HMG Senior Responsible Officer
Defence is an Engine for Growth	
Supporting regions and our defence industry across the UK	
MOD will strengthen partnerships with regional and devolved leaders	Permanent Secretary (DG Transformation)
This government will deliver Defence Growth Deals across the UK.	
Higher investment and growth in the defence ecosystem	
MOD will develop a Defence Finance and Investment Strategy by early 2026	Permanent Secretary (DG Transformation, DG Finance)
The National Wealth Fund’s (NWF) Statement of Strategic Priorities from the Chancellor indicates that the NWF should consider investments in dual-use technologies to better support the UK’s defence and security and to consider the role it can play in the wider defence sector	National Wealth Fund
The British Business Bank Industrial Strategy Growth Capital will support investment and growth in government’s Industrial Strategy sectors through an additional £4 billion of investment.	Director Strategy, Policy, Economics, British Business Bank
This Government will enhance the UK Export Finance (UKEF) offer	UKEF CEO
MOD’s Defence Office for Small Business Growth will improve access to finance	National Armaments Director (DG Commercial and Industry)
MOD will increase inward investment from overseas companies that boosts the UK’s defence industrial capability and enhances the UK’s defence export portfolio	National Armaments Director (DG International Collaboration & Exports)

Policy Measure(s)	HMG Senior Responsible Officer
Increased investment and support to resolving skills gaps and to developing high skilled, well-paid defence jobs	
MOD will introduce Defence Technical Excellence Colleges to improve the quality and quantity of training	Permanent Secretary (DG People, DG Transformation)
MOD, with industry, will ensure a stronger entrance pipeline to defence careers	
MOD, with industry, will improve mid-career access to defence jobs	
MOD, with industry, will deliver a flexible and relevant defence skills offer	
Backing UK Based Businesses	
Robust offsets policy in place, subject to public consultation	
This Government will ensure a UK offsets regime is launched in the first half of 2026 to boost UK investment and growth, subject to a public consultation.	National Armaments Director (DG commercial and Industry)
Improved procurement framework focused on jobs and skills; technology and innovation; export potential; and UK supply chain development	
MOD will deliver a social value model that works for defence	National Armaments Director and Permanent Secretary (DG commercial and Industry, DG Transformation)
This Government will improve the monitoring of defence sector competition and supply chain structures	National Armaments Director (DG commercial and Industry)
Improved SME offer increases entry and access to investment	
MOD will deliver the Defence Office for Small Business Growth	National Armaments Director (DG Commercial and Industry)
MOD will deliver a bold SME Action Plan and a new Commercial Pathway	
MOD will set SME spend targets	
Easier for UK-based businesses to work with MOD	
This government will reduce electricity costs	Department for Business and Trade
MOD will improve support to UK-based businesses driving better and more cost-effective results	National Armaments Director (DG Commercial and Industry)
MOD will expedite planning permission	National Armaments Director (CEO DIO)

Policy Measure(s)	HMG Senior Responsible Officer
Improved export offer boosts growth and strategic benefit to the UK	
MOD will deliver a transformational new Office for Defence Export supported by, for the first time, a bespoke Government-to-Government export offer	National Armaments Director (DG International Collaboration & Exports)
MOD will procure to export	
This Government will adapt export licensing and strengthen enablers	
UK Export Finance will bolster the defence sector	CEO UKEF
The UK at the leading edge of defence innovation	
MOD adopts a bold new approach to science, innovation and technology, and embeds these at the heart of defence	
MOD will establish UK Defence Innovation to transform defence's innovation ecosystem	National Armaments Director (UKDI CEO)
Increased UK technological advantage and 'pull through' of technology into commercial viability (including clean tech and dual-use tech)	
MOD's UKDI will establish and maintain a defence innovation portfolio informed by clear prioritisation of effort	National Armaments Director (UKDI CEO)
MOD's UKDI will drive pace and agility of defence innovation	
MOD will improve industry access to innovation funding and advice	
MOD will mutually reinforce the Modern Industrial Strategy approach to dual use technology exploitation	National Armaments Director and Permanent Secretary (DG Transformation, UKDI CEO, Chief Scientific Adviser)
Using AI to secure battle-winning advantage	National Armaments Director (DG Options & Commissioning, UKDI CEO, DSTL CEO)
MOD will accelerate energy innovation and resilience	Permanent Secretary (DG Transformation)
MOD will utilise defence estate to meet energy demands	National Armaments Director (CEO DIO)

Policy Measure(s)	HMG Senior Responsible Officer
Defence's science, innovation and technology ecosystem is modernised and optimised, reflecting our ambition for the sector	
MOD will set itself up for success in science, innovation and technology	National Armaments Director & Permanent Secretary (DG Options & Commissioning, Chief Scientific Adviser, DSTL CEO, UKDI CEO)
MOD will streamline the process of scaling innovative digital solutions	National Armaments Director (Enterprise CIO)
MOD will build AI capabilities and leverage technology for delivery	National Armaments Director (DG Options & Commissioning, UKDI CEO, DSTL CEO)
A streamlined regulatory environment that removes barriers to delivery and innovation	
MOD will conduct targeted regulatory sprints in priority growth sub-sectors and emerging technologies	National Armaments Director (DG Commercial & Industry)
MOD will ensure regulatory reform supports regional defence industrial strength	
MOD will deliver a test and evaluation transformation programme	
MOD will improve access to T&E resources and exploitation of existing freedoms	CDS and National Armaments Director (DCDS Force Design, DG Options and Commissioning)
A Resilient UK Industrial Base	
Readiness and resilience of the UK defence industrial base is a priority for MOD and industry	
MOD will take a new organisational approach to readiness and resilience and a collaborative endeavour with industry	National Armaments Director (DG Commercial and Industry)

Policy Measure(s)	HMG Senior Responsible Officer
UK defence industry can adapt at pace and surge to meet any emerging threat	
MOD will ensure flexible capacity is maintained in key production lines.	National Armaments Director (DG Options and Commissioning)
MOD will work across Government to ensure, if needed, the means to prepare and respond as threats to the UK or its allies escalate	National Armaments Director and Permanent Secretary (DG Policy, DG Commercial and Industry)
MOD will regularly assess the scalability and resilience of production for all major procurements.	National Armaments Director (DG Commercial and Industry)
MOD will share best practice on surge capacity and resilience with our allies and partners.	
Defence industry is protected and resilient to malign activity, shocks and disruptions	
MOD will strengthen supply chain data and enhance resilience	National Armaments Director (DG Commercial and Industry)
MOD will build resilience of Critical Raw Materials for UK defence	Permanent Secretary (DG Transformation)
MOD will promote resilience through defence procurement	National Armaments Director (DG Commercial and Industry, DG Options and Commissioning)
MOD will collaboratively manage security and resilience risks to the defence industry	Permanent Secretary (DG Policy)
MOD will assure economic security in the defence sector	Permanent Secretary (DG Policy)
Long-term delivery of the nuclear deterrent secured through strategic investment and the triple-lock	
MOD will ensure 'Triple-lock' on the nuclear deterrent guaranteed	Chief of Defence Nuclear
MOD will make strategic investment in capabilities and programmes	
MOD will ensure the Defence Nuclear Enterprise continues to realise significant benefits for the wider UK economy	

Policy Measure(s)	HMG Senior Responsible Officer
Barriers to productivity are removed across the Defence Nuclear Enterprise	
MOD will deliver the plan for Barrow	Chief of Defence Nuclear
MOD will align civil and defence nuclear activities and capabilities in areas where there are clear benefit	
MOD will deliver regulatory reform and ensure efficiency	
Fixing defence procurement	
Clear government demand signal provides industry with long-term direction	
MOD improves its approach to signalling defence requirements to industry	National Armaments Director (DG Options & Commissioning)
MOD increases early market engagement	National Armaments Director (DG Commercial and Industry)
Effective Procurement Act implementation	
MOD will mandate a central digital platform for suppliers	National Armaments Director (DG Commercial and Industry)
Transformed acquisition system that is fit-for-purpose	
MOD will deliver portfolio driven delivery	National Armaments Director (DG Options & Commissioning)
MOD will balance strategic factors by introducing a consistent approach to commissioning new programmes	
MOD will deliver a segmented approach to procurement	National Armaments Director (DG Commercial and Industry)
MOD will deliver digitally enabled acquisition	
MOD will deliver accelerated commercial pathways	
MOD will streamline decision-making	National Armaments Director and Permanent Secretary (DG Options & Commissioning, DG Finance)
MOD will enhance its approach to supply chain management	National Armaments Director (DG Commercial and Industry)

Policy Measure(s)	HMG Senior Responsible Officer
A more competitive, productive and efficient defence sector	
MOD will deliver defence contracting reform	National Armaments Director (DG Commercial and Industry)
Forging New Partnerships	
Improved partnership between government and industry, with new industrial ventures in priority sub-sectors	
MOD will deliver a new government-industry partnership with the establishment of the DIJC	National Armaments Director (DG Commercial and Industry)
MOD will build more open, trusting collaborations between MOD and industry	
MOD will establish new strategic partnerships	
Improved partnership between government and the wider sector	
MOD will expand its collaboration and information sharing with and within the defence sector	National Armaments Director (DG Commercial and Industry)
Strengthened collaboration with our closest allies	
MOD will deliver a NATO first approach to industrial collaboration	Permanent Secretary & National Armaments Director (DG Policy, DG International Collaboration & Exports)
MOD will maximise and expand industrial and technological collaboration with the USA	
This Government will pursue a Security and Defence Partnership with the EU	
MOD will strengthen and expand industrial partnership with Ukraine	
MOD will maximise opportunities to co-research, co-develop, co-support, and co-produce with our closest allies to strengthen collective security.	





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978-1-5286-5879-9