

Innovative Defence Financing Taskforce

Terms of Reference

Background

1. The government is delivering a major increase in investment in the UK's defence and security to strengthen warfighting readiness, transform our Armed Forces and respond to a more challenging international security environment.
2. Delivering this ambition will require the government to bring all the tools at its disposal to bear, to make the best possible use of every source of finance and investment.
3. The Innovative Defence Financing Taskforce will bring new focus on how private and international finance can be maximised to support our national security, sovereign capability and resilience. The Taskforce will accelerate defence innovation and present more efficient ways of delivering capability as we work to meet our commitments to NATO. It will advance implementation of the Defence Finance and Investment Strategy and drive delivery of the concrete actions the government needs to take to enable this to happen.
4. The Taskforce will bring together experts from government, finance and the investment community to accelerate delivery of the existing investment and international joint procurement opportunities. It will identify new ways to support innovative financing, address barriers to investment and ensure accelerated delivery of new international and domestic approaches to financing and contracting.
5. The Taskforce will run until the next Spending Review.

Objectives

6. The Taskforce will:
 - a) **Accelerate delivery of existing investment and procurement opportunities and develop a longer-term pipeline.** It will identify defence projects, assets and opportunities from the Ministry of Defence (MOD) and across the defence supply chain that are suitable for private or international investment.
 - b) **Drive reforms to defence procurement that support innovative financing** (including novel ways of procuring and funding), the Multilateral Defence Mechanism and private finance opportunities (including public private partnerships), as well as enabling SMEs to access the investment and contracting opportunities they need to scale at speed. This includes:
 - I. Different models of procurement which can attract private and international investors or increase suitability for joint international procurement;

- II. Greater use of equity investment to support R&D and scale-up companies to bolster defence capabilities in the UK;
 - III. Developing a pipeline for private finance opportunities (including public-private partnerships) where they are value for money to deliver defence assets that give the market earlier sight of opportunities and a predictable route to contract, enabling investors and delivery partners to bring forward credible, financeable propositions at pace.
- c) **Embrace innovative fast growth challenger companies** to ensure that our challenger SMEs and start-ups have the financing necessary to respond to current and evolving threats.
 - d) **Support the establishment of the Multilateral Defence Mechanism (MDM)** by maximising the scope and pipeline of opportunities for joint procurement and stockpiling with international partners.
 - e) **Work with public financial institutions to boost their investment in defence.** Recognising their operational independence, the Taskforce will support the work of the UK's public financial institutions to increase their activity in the defence sector, helping them identify the supply chain opportunities, and addressing barriers and any issues to accelerating their investments.
 - f) **Engage investors.** It will establish ongoing engagement between government and the current and potential investors in defence, building on the work of the Defence Investors' Advisory Group.

Governance

- 7. The Taskforce will report directly to the Chancellor of the Exchequer and the Secretary of State for Defence.
- 8. The Taskforce will meet regularly and be co-chaired by:
 - a) An external expert to be announced shortly
 - b) Permanent Secretary, HM Treasury
 - c) National Armaments Director, Ministry of Defence

Expert Advisers

- 9. A small group of expert and industry advisers will bring senior expertise from the finance, commercial and investment sectors, including international experience. Members will work flexibly and actively with the taskforce to:
 - a) provide challenge and advice on the Taskforce's emerging findings
 - b) propose new ideas based on their knowledge of investor appetite
 - c) support government to understand the emerging landscape of investors in the defence sector

10. Members will contribute in an individual advisory capacity. Membership will be published once confirmed.

Secretariat

11. The Taskforce will have dedicated civil service leadership, supported by a joint team of officials from:

- a) HM Treasury, including the National Infrastructure and Service Transformation Authority
- b) the Ministry of Defence
- c) UK Government Investments
- d) Others as appropriate