

Research Briefing

13 September 2024

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Defence procurement: challenges and reform

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Summary

There have been many reviews and reforms of defence procurement over the years. The new government will

The Ministry of Defence (MOD) spends billions each year buying new equipment and supporting existing equipment for the armed forces. In December 2023 the MOD [allocated £288.6 billion](#) on equipment procurement and support over the ten years from 2023 to 2033, approximately 49% of the forecast defence budget.

However, successive governments have struggled to deliver key equipment capabilities within agreed costs and timescales.

There have been many reviews and reforms of procurement over the years.

In 2021 the Conservative government set out a new approach in the Defence and Security Industrial Strategy. In 2022 the government introduced new legislation that will reform the regulations that oversee defence procurement.

In 2024, the new Labour government indicated it [intends to bring forward](#) a new defence industrial strategy. The government launched a [new strategic defence review](#), which will examine the approach taken to acquisition, in July 2024.

This paper explores the challenges of defence procurement, tracks the reforms introduced since 1997, discusses the new policy and the regulatory framework.

The challenges of defence procurement

Buying equipment for the armed forces brings a unique set of challenges.

Historically there have always been certain capabilities that the MOD has sought to retain a domestic industrial base. This may be for national security reasons or to ensure critical supply chains are not dependent on allies or vulnerable to embargoes.

Major equipment programmes can take years or even decades to come to fruition. This means governments may inherit programmes begun under very

different financial circumstances. Requirements may change, which can inflate costs and extend delivery times.

Historically the MOD has allocated a significant proportion of contracts to single source suppliers. Over a [third of contracts](#) (39%) in 2022-23 were awarded without competition, amounting to £13 billion.

The Defence and Public Accounts Committees, and the National Audit Office, have repeatedly criticised the MOD's management of major programmes, identifying budget overruns and the late delivery of major programmes in reports dating back decades.

Equipment plans have been “unaffordable”

Since 2012 the MOD has published an annual equipment plan outlining its planned expenditure on equipment and support over a rolling ten-year period.

In January 2021 [the National Audit Office](#) (NAO) said “for the fourth successive year, the equipment plan remains unaffordable”. In February 2022, the [NAO said that the multi-year spending review settlement](#) “gives the Department a rare opportunity to break old habits and set the plan on course to be affordable.”

In 2023 the MOD acknowledged that its equipment plan is unaffordable, which the [NAO said reflected](#) a “a marked deterioration in the financial position since the previous plan”.

A new policy approach

In 2021 the MOD adopted a new approach to defence procurement in the [Defence and Security Industrial Strategy](#) (DSIS). This replaced the former policy of “global competition by default” with a “more flexible and nuanced approach”.

The MOD will use competition “where appropriate” but will also consider other approaches. As with other central government departments, the MOD will include [social value](#) in procurement (above the threshold). The MOD will pilot a revised industrial participation policy and will “encourage and support defence suppliers, whether headquartered here or overseas, to consider carefully what can be sourced from within the UK.”

In early 2024 the MOD unveiled a new [Integrated Procurement Model](#) to embed the changes set out in the [refresh of the Defence Command paper](#), published in mid-2023. Intended to “drive increased pace” into acquisition, the MOD committed to delivering equipment programmes in a maximum of five years and digital programmes in three years. It also set out plans to make spiral development the default, which it described as “Delivering a

minimum deployable capability quickly, and then iterating it in the light of experience and advances in technology.”

A new government

The Labour government (July 2024 onwards) has indicated it [intends to bring forward](#) a new defence industrial strategy. The government also launched a new strategic defence review, to report in the first half of 2025. The [review will consider](#), among other themes, the “approach to be taken to acquisition and support in order to deliver the required capabilities in a timely way, and how to secure the best possible value for money and rapidly changing technology”.

The regulatory framework

Different regulations apply depending on how the contract was awarded.

Contracts that are competed will be regulated by the new public procurement framework set out in the Procurement Act 2023. This replaces the [Defence and Security Public Contracts Regulations](#) (DSPCR).

Contracts that are not competed are regulated by the [Single Source Contract Regulations 2014](#), established by the Defence Reform Act 2014.

Not all contracts fall into these two frameworks. Several types of contracts are exempt, including government to government sales and contracts placed as part of an international agreement.

About this briefing

This briefing was first published in June 2022 to replace Library briefing [An introduction to defence procurement](#). It has been updated to reflect developments since that time.

1 The challenges of defence procurement

Equipment acquisition is a complex process beset by financial and time constraints, the political impact of legacy programmes and is influenced by both strategic perceptions and domestic industrial priorities. Successive governments have struggled with these often-conflicting dynamics and made various attempts over the years to improve the process.

This section reflects some of the challenges of defence procurement identified by some of the independent reviews and select committee reports over the years.

1.1 A unique sector

Buying equipment for the armed forces brings with it a unique set of challenges.

National security might dictate that some capabilities, such as nuclear-powered submarines, can only be developed and built within the UK. This may mean there is only one trusted national supplier available, which can make it difficult to ensure value for money.¹

There may be a very limited supplier base for the equipment needed because of the highly technical and specialised nature of military equipment. Consolidation within the defence sector in recent decades may also limit options for credible competition.

Major equipment programmes can take years or even decades to come to fruition. This means governments may inherit programmes begun under very different financial circumstances.

Requirements may change after a contract is awarded, which can inflate costs and extend delivery times. This can create additional unplanned expenditure if aging equipment has to remain in service beyond its expected lifetime to avoid creating a gap in capability.

These tensions have long been the subject of parliamentary scrutiny and debate, and often crystallise around specific capabilities.

¹ National Audit Office, '[Improving value for money in non-competitive procurement of defence equipment](#)', HC 412 2017-19, 25 October 2017, para 1.3

1.2

Delivery: a long-standing issue

Successive governments have struggled to deliver key equipment capabilities within agreed costs and timescales.

“The MOD’s broken system for acquiring military equipment needs an urgent rethink.”

PAC, 2021

The Defence Committee said in 1998 procurement is “prone to escalating costs and late delivery”.² The Public Accounts Committee (PAC) said in 2005 the MOD “has yet to demonstrate that it can consistently manage individual projects to deliver the planned operational benefits to the Armed Forces to cost and time.”³ In 2009 the government commissioned Bernard Gray to review defence procurement. Gray concluded:

The Ministry of Defence has a substantially overheated equipment programme, with too many types of equipment being ordered for too large a range of tasks at too high a specification. This programme is unaffordable on any likely projection of future budgets.⁴

The PAC observed in 2011 that the MOD “continues to struggle with managing its equipment programme on an affordable basis, resulting in the cancellation or deferral of major projects and a damaging impact on value for money.”⁵

In 2021, the PAC said that, despite numerous reviews of procurement over the past 35 years, it is “extremely disappointed and frustrated by the continued poor track record of the Department and its suppliers... and by wastage of taxpayers’ money running into the billions”.⁶

In response, the MOD said it recognised the challenges with delivering equipment capabilities and acknowledges there is no single over-arching solution.⁷

This is not unique to any one government. Ben Wallace, then Defence Secretary, said in July 2023 that both parties were to blame:

For too long, Defence was hollowed out by both Labour and Conservative governments, leaving our forces overstretched and underequipped. We must match our ambitions to our resources, our equipment plans to our budget, and take care of our people to sustain them in their duties.⁸

² Defence Committee, [The Strategic Defence Review](#), 10 September 1998, HC 138-I

³ Public Accounts Committee, Ministry of Defence: Major Projects Report 2005, 27 June 2006, HC 889, para 1

⁴ [Review of Acquisition for the Secretary of State for Defence](#) (PDF), October 2009

⁵ Public Accounts Committee, Ministry of Defence: Major Projects Report 2011, 10 February 2012 HC 1678 2010-12

⁶ Public Accounts Committee, [Improving the performance of major defence equipment contracts](#), 3 November 2021, HC 185 2021-22

⁷ Treasury Minutes, [government response to the Committee of Public Accounts Session 2021-22](#) (PDF), January 2022, p2

⁸ [HC Deb 18 July 2023 c785](#)

In a 2023 report on defence procurement, the Defence Committee agreed with the conclusions of the PAC that the procurement system is “broken”.⁹ The committee said the government can no longer be complacent:

With a war in Europe now raging on the eastern border of Europe, we can no longer afford, strategically, militarily, or financially to continue the broken procurement system which we have been operating, for decades.¹⁰

The committee urged the MOD to match the speed with which it has shown it can acquire equipment at speed in an emergency, such as for urgent operational (now known as capability) requirements. The committee suggested making use of spiral development: developing new equipment incrementally, rather than in the long-term. Doing so would enable front-line commands to receive needed equipment sooner while still facilitating future upgrades.¹¹

1.3 Dependence on single source procurement

A large proportion of the Ministry of Defence’s (MOD) spending with industry each year is on contracts that are not competed and are awarded to a single or prime contractor.

The MOD spent £13 billion in 2022-23 on non-competitive contracts, amounting to 39% of the £33 billion it spent in total with industry.¹² The table below illustrates the number of contracts placed by type since 2010.

However, the absence of competition means the MOD may not receive value for money; suppliers can set prices without the worry of being under-cut by competitors and lack incentive to improve performance or efficiency.¹³ Industry competitors may also complain of an unfair playing field.

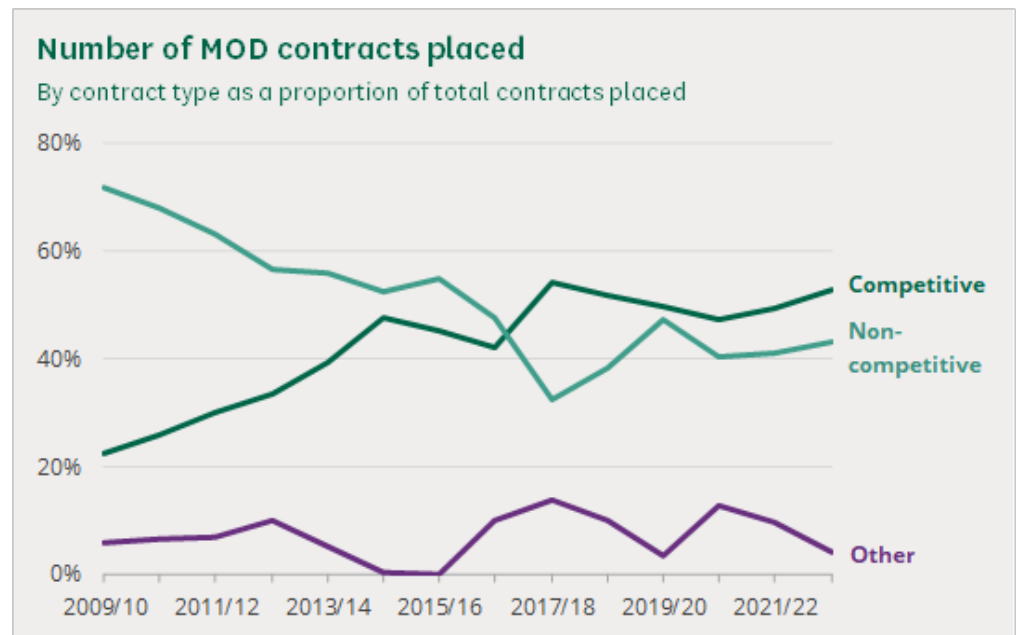
⁹ Defence Committee, [It is broke – and it’s time to fix it: The UK’s defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

¹⁰ Defence Committee, [It is broke – and it’s time to fix it: The UK’s defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

¹¹ Defence Committee, [It is broke – and it’s time to fix it: The UK’s defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

¹² MOD, [MOD trade, industry and contracts:2023](#), 28 September 2023

¹³ Ministry of Defence, [“An Overview: Single Source Procurement Framework”](#), June 2014, version 1.0



Source: [MOD trade, industry and contracts: 2023](#), Table 6b

1 Case study: Surveillance aircraft

MPs took a keen interest in the replacement of the RAF’s Sentry fleet of surveillance aircraft with Boeing’s E-7 Advanced Early Warning and Control ‘Wedgetail’ aircraft.

Both the [Shadow Defence Secretary](#) and the [Defence Committee](#) questioned the government’s decision in 2018 to begin discussions with Boeing directly.

Saab UK, a competitor to Boeing, took the unusual step of publicly expressing its unhappiness with the lack of competition for Sentry’s replacement, suggesting its “significant investment” in the UK was premised on the expectation that the MOD’s procurement methods “reflect the government’s commitment to fair and transparent free-market competition”.¹⁴

In March 2019 the MOD signed a contract to buy E-7 aircraft with Boeing, after the Minister for Defence Procurement argued “there was no other proven capability that could provide the same level that we need and the Wedgetail provides” and a longer competition would have delayed its acquisition.¹⁵ The contract is subject to oversight by the Single Source Regulations Office.¹⁶

¹⁴ Defence Committee, ‘[Letter from Andrew Walton, head of Saab UK to the chair of the Defence Select Committee](#)’, 15 October 2018

¹⁵ [HC Deb 27 June 2019 c414WH](#)

¹⁶ [PQ HL16203 \[AWACS: Procurement\]](#), 17 June 2019

The number of aircraft was subsequently cut from five to three in the 2021 Integrated Review. The Defence Committee has described that decision as “an absolute folly” in operational and financial terms, because of the risk to the fleet from the reduced number, and because there have been limited savings from the reduction.¹⁷

1.4 MOD management of programmes

The MOD’s management of major programmes has come under repeated criticism.

The 2009 Gray review found the armed forces have a “systematic incentive” to underestimate the likely cost of equipment, and because few programmes were ever cancelled, had little incentive to fear the repercussions of over-ordering and under-costing.

Gray also identified shortcomings in Defence Equipment and Support (DE&S), the MOD’s delivery arm. He recommended better project management and management information systems and improving the skills of those in charge of programme and project management.¹⁸ Gray subsequently introduced some of these changes when he became Chief of Defence Materiel in 2011 and placed in charge of DE&S.

The Defence Committee, in its 2023 report, found the procurement system to be ‘broken’:

We have discovered a UK procurement system which is highly bureaucratic, overly stratified, far too ponderous, with an inconsistent approach to safety, very poor accountability and a culture which appears institutionally averse to individual responsibility.¹⁹

The Committee made 22 recommendations, many of which were aimed at improving accountability and “aligning it more clearly with responsibility.”²⁰

¹⁷ Defence Committee, [It is broke – and it’s time to fix it: The UK’s defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

¹⁸ [Review of Acquisition for the Secretary of State for Defence](#) (PDF), October 2009

¹⁹ Defence Committee, [It is broke – and it’s time to fix it: The UK’s defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

²⁰ Defence Committee, [It is broke – and it’s time to fix it: The UK’s defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

1.5

Role of Senior Responsible Owners

The troubled Ajax armoured vehicle programme had five SROs between 2011 and 2021.

The SRO was only made full-time in October 2021, after difficulties with the programme emerged.

The PAC has highlighted the policy of regularly changing Senior Responsible Owners (SROs, officers who are given responsibility for specific projects). The NAO's 2021 report on managing major equipment projects found that individuals are in post "for a fraction of the contract lifecycle".²¹ The NAO found the median time in post for an SRO was 22 months, compared to a median running time of 77 months for the 19 programmes it examined. The NAO found SROs were typically expected to spend 25% of their time on the programme. The NAO also found SROs lacked key skills commonly associated with effective contract management, and a tension between their accountability for programme delivery and lack of budgetary control.²²

Jeremy Quin, the Minister for Defence Procurement, said in February 2022 that the MOD is working to "improve the capability and availability" of SROs.²³ In an update on the Defence and Security Industrial Strategy DSIS in May 2022, The Minister said the department was introducing an SRO talent pool and "ensuring that our SRO skills are matched to the challenges of the projects". He also said SROs on its biggest projects should be allocating at least 50% of their time to the task.²⁴

The Defence Committee also looked at the role of SROs and called for them to be given much greater power over their programmes. The committee also suggested giving them the right to directly escalate concerns to the CEO of DE&S and then to Ministers if programmes begin to go wrong.²⁵

A [list of SROs](#) is published on Gov.uk.

1.6

Impact of delays and cost increases

There are many examples of programmes that have gone over budget and/or far beyond their expected in-service date. The National Audit Office has chronicled such delays in its examination of defence major projects [going back to the 1990s](#), and, since 2014, the MOD's [defence equipment plans](#).

²¹ Public Accounts Committee, [Improving the performance of major defence equipment contracts](#), 3 November 2021, HC 185 2021-22

²² National Audit Office, [Improving the performance of major equipment contracts](#), 24 January 2021, HC 298 2021-22

²³ [HCWS611, 21 February 2022](#)

²⁴ [HCWS36, 18 May 2022](#)

²⁵ Defence Committee, [It is broke – and it's time to fix it: The UK's defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

- In 1997 the National Audit Office (NAO) estimated that many of the top 25 defence equipment projects were over budget and would not achieve their in-service date.²⁶
- Bernard Gray studied 40 programmes for his 2009 report and found that on average, those programmes cost 40% more than originally expected, and were delivered 80% later than first estimates predicted.²⁷
- In 2021 the NAO found the MOD faces cumulative forecast net delays to equipment entering into service of 254 months (or 21 years) across 13 of the major programmes it examined (see table).²⁸

Forecast delays for selected major programmes	
Astute attack submarine boat 5	25 months
Protector unmanned aerial vehicle	28 months
Crowsnest radar system	29 months
Marshall air traffic management system	47 months
Warrior armoured vehicle upgrade (cancelled by 2021 Integrated Review)	56 months
A400M transport aircraft	79 months

Source: National Audit Office, *Improving the performance of major equipment contracts*, HC 298 2021-22, 24 January 2021, figure 5 (edited by author)

This matters because delays mean the armed forces are without the equipment or capabilities the MOD believes they require. It means aging equipment may have to be retained in service for longer than expected, with all the associated costs of unexpected maintenance, being at greater risk of breaking down and not being available for operations.

The Defence Committee’s 2023 report into procurement echoed these concerns and suggested to the MOD that amending how it uses probabilistic modelling to measure the cost and schedule of a programme could ensure “much greater realism in project forecasting”.²⁹

²⁶ Ministry of Defence, “The Strategic Defence Review: Supporting Essays”

²⁷ [Review of Acquisition for the Secretary of State for Defence](#) (PDF), October 2009

²⁸ National Audit Office, [Improving the performance of major equipment contracts](#), HC 298 2021-22, 24 January 2021, figure 5

²⁹ Defence Committee, [It is broke – and it’s time to fix it: The UK’s defence procurement system](#) (PDF), HC 1099 2022-23, 16 July 2023

2 Case study: Ajax armoured vehicles

Programme delays can also affect planned force restructures. The Army's [Future Soldier guide](#) (PDF) placed the new Ajax armoured and Boxer mechanised vehicles at the heart of its deployable fighting forces, having decided to retire rather than continue with the Warrior infantry fighting vehicle upgrade programme. The 2022 Land Industrial Strategy similarly sets out an ambition to build the army around a “core nucleus of digitalised capabilities” which includes Ajax.³⁰

However, after encountering significant problems with Ajax, including with noise and vibration, the MOD said in March 2022 that “it is not possible to determine a realistic timescale for the introduction of Ajax vehicles into operational service with the Army.”³¹ The Defence Procurement Minister said in May 2022 “we will not accept a vehicle that is not fit for purpose.”³² The Defence Committee questioned the Defence Procurement Minister about the potential impact of cancelling Ajax. Jeremy Quinn expressed the MOD's commitment to the programme.³³ Ajax has been the subject of reports by the [NAO](#) (March 2022) and the [Defence Committee](#) (March 2021).

In January 2023 the then minister for defence procurement, Alex Chalk, said the programme had “turned something of a corner”.³⁴

1.7

International collaboration

International collaboration has long been a feature of defence procurement.

International collaboration has long been a feature of defence procurement, particularly for equipment that might be financially prohibitive for the UK to develop on its own. Working with partners can help to diffuse both developmental and through-life costs, support cooperation in research and technology and increase interoperability.

The drawback is the potential for complicated management structures, slow decision making and political issues, particularly if a consensus is required from all the partner nations. The MOD acknowledged the advantages and disadvantages of multilateral collaboration when it set out plans in 2012 to work with other countries where there is a clear benefit to the UK:

³⁰ [Land Industrial Strategy](#), Ministry of Defence, 18 May 2022

³¹ [HCWS739, 29 March 2022](#)

³² [HCWS42, 19 May 2022](#)

³³ Defence Committee, [Oral evidence Ajax: recent developments](#), HC 550, 20 July 2021 q123-132

³⁴ Defence Committee, [Oral evidence: Land acquisition](#), HC 978, 11 January 2023

These offer potentially greater economies of scale and can also increase interoperability. However, they also need to be appropriately structured and managed, as they can be hampered by contractual and political issues and can suffer from over-complexity.³⁵

Fluctuations in exchange rates can also affect programme costs. Much of the £110 million increase in the forecast cost for the P-8A programme was driven by fluctuations in exchange rates.³⁶ The MOD says it mitigates its exposure to foreign exchange risk (where changes in exchange rates can significantly increase the cost of a programme) through forward purchases of US Dollars.³⁷

Multinational collaboration is often undertaken by an established body or a dedicated delivery vehicle, such as the Eurofighter consortium.

3 Case study: Combat aircraft

The RAF's combat aircraft is one of the most obvious examples of where the UK has developed a new capability with international partners.

Tornado was developed in the 1970s as part of a three-nation development between the UK, (then) West Germany and Italy. The aircraft was in service with the RAF until 2019.

Typhoon was the result of a multinational collaborative effort between Germany, Italy, Spain and the UK, dating from the 1980s. BAE Systems, Airbus and Leonardo own the Eurofighter Consortium. Each of the four parent nations host the production line and final assembly for the components of the aircraft it is responsible for. In the UK this is BAE's Warton plant in Lancashire. Typhoon is expected to remain in service until 2040.³⁸

The UK is currently developing the future combat air system, known as the Global Combat Air Programme (GCAP, also known as Tempest) with international partners. At present this involves Italy and Japan.

The Defence Committee published a report in September 2023 entitled [Aviation procurement: Winging it?](#). A second inquiry into [future aviation capabilities](#) was not completed before the Dissolution of Parliament on 30 May 2024.

³⁵ [National Security through Technology: Technology, Equipment, and support for UK Defence and Security](#), Cm 8278, 1 February 2012, para 87

³⁶ [MOD trade, industry and contracts 2021](#), Gov.uk, 3 February 2022

³⁷ [The defence equipment plan 2021](#), Ministry of Defence, 21 February 2022

³⁸ It was expected to retire in 2030 but the 2015 Strategic Defence and Security Review extended its life until 2040. The RAF plans to "spiral develop" its capabilities.

OCCAR

Established bodies include OCCAR, the Organisation for Joint Armament Co-operation, set up in the 1990s by the UK, France, Germany and Italy (and now includes Belgium and Spain). OCCAR is not a procurement agency but manages programmes for its members. The UK participates in several programmes including Boxer mechanised infantry vehicles, A400M transport aircraft and surface-to-air anti-missile systems ([FSAF-PAAMS](#)), installed on the Type 45 Destroyer as Sea Viper.³⁹

³⁹ A full list of programmes identifying member and non-member state participants can be found in the [OCCAR business plan 2021](#) (accessed 28 April 2022).

2 Who buys defence equipment for the MOD?

2.1 Defence Equipment and Support

Defence Equipment and Support (DE&S) is responsible for buying equipment and providing through-life support for the armed forces.

Established in 2007, it became a bespoke trading entity in 2014, an arms-length body of the MOD. Library paper [Defence Equipment and Support](#) (June 2014) explains its history and status.

The Labour party pledged to establish a national armaments director in its general election manifesto 2024.⁴⁰ The party said this post will “provide better oversight and strategic leadership”.⁴¹ The current Chief Executive Officer (CEO) of DE&S, Andy Start, has been described as the UK’s national armaments director.⁴²

2.2 Other bodies

The Submarine Delivery Agency is responsible for procuring and disposing of all the Royal Navy’s submarines, including the submarine-based nuclear deterrent. It was established in 2018 as an executive agency of the Ministry of Defence. The Defence Nuclear Organisation acts as the customer within the MOD to the Submarine Delivery Agency.⁴³

Other enabling services, such as infrastructure, are provided by the Defence Infrastructure Organisation, while information technology is the responsibility of Defence Digital.

⁴⁰ Labour party, [election manifesto 2024](#)

⁴¹ Labour party, [Labour’s defence policy: How we will provide strong national defence for Britain](#), 3 June 2024

⁴² Ministry of Defence, [Chief Executive of DE&S Andy Start](#), accessed 25 July 2024; [HC 28 February 2024 c362](#)

⁴³ National Audit Office, [The Defence Nuclear Enterprise – a landscape review](#), HC 1003 2017-19, 22 May 2018, Annex 3

2.3

Oversight

Major programmes are subject to the Investment Approvals Committee, which acts on behalf of the Defence Board, as the senior body responsible for decisions on major investment proposals. The Department's major programmes may also require approval from the Treasury or Cabinet Office.

The Infrastructure and Projects Authority undertakes independence assurance reviews for those major defence projects that are included in the Major Projects Portfolio. The IPA sits in the Cabinet Office.⁴⁴

The defence sector

The defence sector in the UK is dominated by a relatively small number of major companies. This is partly a result of significant rationalisation and consolidation over the years, the highly specialised nature of its work and its limited customer base. The MOD [publishes annual](#) data on its spending with industry and commerce. In 2022-23:

- 37% of total MOD procurement expenditure was with top ten suppliers.
- BAE Systems PLC is the MOD's highest paid supplier. It received the most expenditure of any holding company, £4.56 billion, of which 86% was through non-competitive contracts. BAE Systems PLC received 13.5% of the total MOD procurement spend.
- The other top ten suppliers are, in order, Babcock, QinetiQ, Airbus, Rolls-Royce, Leonardo, Boeing, Leidos, Thales, and General Dynamics.
- Babcock and QinetiQ are the most dependent of the top ten suppliers on MOD business. 62% of QinetiQ Group PLC's and 54% of Babcock International Group PLC's global revenue comes from MOD payments.⁴⁵

⁴⁴ National Audit Office, [Improving the performance of major equipment contracts](#), HC 298 2021-22, 24 January 2021

⁴⁵ Ministry of Defence, [MOD trade, industry and contracts:2023](#), 28 September 2023

3 Regulatory framework

There are two regulatory frameworks that oversee defence procurement. Which applies depends on how the contract was awarded. Some types of contracts are not covered by either of the regulatory frameworks for defence procurement.

3.1 The two regulatory frameworks

One framework regulates contracts that are not competed. This is set out in the Defence Reform Act 2014 and the Single Source Contract Regulations 2014 (as amended), and overseen by the Single Source Regulations Office, a non-departmental public body.

Another framework governs contracts that are competed. This framework is currently set out in the Defence and Security Public Contract Regulations (DSPCR), which transposed an EU directive into UK law.

As part of a wider streamlining of public procurement, in 2023 the government proposed a new public procurement regulatory framework, set out in the Procurement Act 2023, that would cover defence and security contracts. The Act allows for a limited number of derogations that meet the specific needs of defence and security procurements, and an exemption for national security purposes. The DSPCR will be repealed when the whole of the Procurement Act comes into force. This is expected to be in February 2025.⁴⁶ The Single Source Contract Regulations will continue in place.

These two frameworks are explained in greater detail in Commons Library papers:

- [Defence procurement: The Single Source Contract Regulations](#)
- [Defence procurement: The Procurement Act 2023 and the Defence and Security Public Contract Regulations 2011](#)

⁴⁶ HCWS90 [[Procurement Act 2023 update](#)], 12 September 2024

3.2 Exempted contracts

Some types of contracts are not covered by either of the regulatory frameworks for defence procurement. Schedule 2 of the Procurement Act 2023 sets out the contracts that are exempt. These include:

- contracts with foreign governments;
- contracts for land/buildings;
- contracts made within the framework of a cooperative international defence programme.

This means that equipment bought from the US government via its foreign military sales programme do not come under the regulatory framework. Major equipment ordered via the foreign military sales route include the P-8 Poseidon maritime patrol aircraft and Apache AH-64E attack helicopters. The MOD says it can achieve efficiency savings by leveraging economies of scale through an FMS arrangement, because it can secure a better unit price cost by placing its order alongside the US and other customers.⁴⁷ In 2022-23 the MOD spent £733 million on FMS agreements.⁴⁸ The US Defense Security Cooperation Agency publicises any State Department determination of a possible FMS to the UK on its website: [DSPA - United Kingdom](#).

Contracts placed under a procedure or an international organisation of which the UK is a member, such as NATO or [OCCAR](#), are also excluded from the single source contract regulatory framework.⁴⁹

The Secretary of State for Defence also has the power to exempt a contract from the regulatory framework.⁵⁰ This has been used rarely according to the MOD; fewer than 10 contracts were exempted between April 2015 and March 2018.⁵¹

⁴⁷ [PQ 155599 \[Maritime Patrol Aircraft: Cost Effectiveness\]](#), 27 April 2022

⁴⁸ MOD, [MOD trade, industry and contracts:2023](#), 28 September 2023, table 9

⁴⁹ Cabinet Office, [Guidance – Defence and Security contracts](#), 24 May 2024

⁵⁰ Ministry of Defence, [“An Overview: Single Source Procurement Framework”](#), June 2014, version 1.0

⁵¹ [PQ253527 \[Defence: Contracts\]](#), 16 May 2019

4 Reforming defence acquisition (1997 to 2024)

Bernard Gray, commissioned by the government to review defence procurement in 2009, wryly observed “acquisition reform, as it is generally known, is a subject only about five minutes younger than the acquisition of military equipment itself”.⁵² Tom McGuffog, in his analysis of defence procurement, pointed out Samuel Pepys, in 1660, was among the first to attempt to inject some rigour and financial acumen into the procurement system.⁵³ UK defence contracting in the 1970s had a reputation for being a “highly lucrative and not very competitive business” with the MOD have a “cosy relationship” with defence contractors.⁵⁴

As the Public Accounts Committee has noted, there have been “numerous reviews of defence procurement over the past 35 years”.⁵⁵ This section sets out some of the major changes made since 1997.

4.1 Reforms under the Labour government (1997-2010)

The 1998 Strategic Defence Review (SDSR) prioritised procurement policy reform.⁵⁶

The government introduced the ‘Smart Procurement Initiative’, which then evolved into ‘Smart Acquisition’, to try and reduce cost and budget overruns. The government also created two new organisations in 1999: the Defence Procurement Agency (DPA) and the Defence Logistics Organisation (DLO).

The 2006 report, *Enabling Acquisition Change*, subsequently introduced the programme to deliver aspects of the 2005 [Defence Industrial Strategy](#) white

⁵² [Review of Acquisition for the Secretary of State for Defence](#) (PDF), October 2009

⁵³ T McGuffog, “[Improving value and certainty in defence procurement](#)”, *Public Money and Management*, 14 September 2011, vol 31: 6

⁵⁴ Gianni de Fraja and Keith Hartley, “Defence Procurement: Theory and UK Policy”, *Oxford Review of Economic Policy*, Vol. 12, no. 4, December 1996

⁵⁵ Public Accounts Committee, [Improving the performance of major defence equipment contracts](#), 3 November 2021, HC 185 2021-22

⁵⁶ [The Strategic Defence Review White Paper](#) (PDF), Library Research Paper 98/91, 15 October 1998, section VII.

paper (PDF). One of the most significant organisational changes to emerge from the Change programme was the merger of the DPA and the DLO to form the Defence Equipment and Support (DE&S) in 2007. DE&S became responsible for procuring equipment and support for the UK armed forces.⁵⁷

“Too often in the past our new equipment has been too expensive and delivered too late.”

George Robertson,
Defence Secretary,
1998 SDR

In 2008 the government commissioned Bernard Gray to examine progress made under the Acquisition Change programme.⁵⁸ His [Review of Acquisition for the Secretary of State for Defence](#) (PDF) was published in October 2009 and was largely critical of the way defence acquisition was conducted by the MOD. As outlined above, the Gray Review studied 40 programmes and found that on average, those programmes cost 40% more than originally expected and were delivered 80% later than first estimates predicted.⁵⁹

The government at the time rejected his proposal to establish DE&S as a government-owned, Contractor-operated (GOCO) entity. However, it did set out its initial thoughts and recommendations for change in the [Defence Strategy for Acquisition Reform](#) (PDF), a complementary document to its Green Paper published in February 2010 entitled [Adaptability and Partnership: Issues for the Strategic Defence Review](#) (PDF).⁶⁰

All three main political parties promised to undertake a Strategic Defence Review after the 2010 election.

4.2 Reforms under the Coalition government (2010-15)

The Coalition government announced a wholesale review of the Ministry of Defence shortly after taking office. The [Strategic Defence and Security Review](#), published in October 2010 (Cm 7948), said a review of defence acquisition would be considered as part of the overarching programme of defence reform.

The Defence Materiel Strategy and reforming DE&S

In May 2011 the government announced a new [Defence Materiel Strategy](#), which focused on internal organisational changes of DE&S, under the new

⁵⁷ Two House of Commons Library Research Papers provide a historical account of defence procurement: C Taylor, [British defence policy since 1997](#), Library Research Paper 08/57, 27 June 2008 and C Taylor, [UK Defence Procurement Policy](#), Library Research Paper 03/78, 20 October 2003

⁵⁸ [HC Deb 11 December 2008 c67WS](#)

⁵⁹ Review of Acquisition for the Secretary of State for Defence, October 2009

⁶⁰ Commons Library Paper, ‘Strategic Defence Review Green Paper: Preliminary Observations’, SN05341, 11 February 2010

chief of Defence Materiel, Bernard Gray. This was driven in part to address some of the issues identified in his 2009 Review of Acquisition.

Contrary to the previous Labour government, the Coalition government opted to pursue Gray's proposal to establish DE&S as a government-owned, contractor-operated entity. It outlined its plans in a White Paper, [Better Defence Acquisition](#) (Cm 8626), in June 2013. Enabling legislation was introduced the following month in the Defence Reform Bill. The proposal drew considerable debate among MPs during the Bill's progression.⁶¹ However, the competition was halted in December 2013 after only one bid was received.

The MOD instead opted to transform it into a bespoke trading entity, an arms-length body of the MOD, which it became in 2014. One immediate change was giving DE&S some flexibility in setting staff salaries, to compete with the private sector. Library briefing paper [Defence Equipment and Support \(DE&S\)](#) examined the GOCO proposal and the proposed transformation into a trading entity.

A new regulatory framework for single source procurement

The [Defence Reform Act 2014](#) established a new statutory framework for single source procurement and created an independent regulator to oversee the framework. This is discussed further in section 5.

A new policy approach

In 2012 the government laid out its approach to defence procurement in a white paper [National Security through Technology](#) (Cm 8278). This set out the MOD's overarching principles towards defence procurement:

Wherever possible, we will seek to fulfil the UK's defence and security requirements through open competition in the domestic and global market, buying off-the-shelf where appropriate, in accordance with the policies set out in this paper. Procurement in the defence and security areas is, however, fundamentally different from other forms of procurement, so we will also take action to protect the UK's operational advantages and freedom of action, but only where this is essential for our national security.⁶²

Operational advantage is defined as "the ability to find and maintain an edge over potential adversaries" to increase the chances of success and increase the protection of UK assets and people. Freedom of action is defined as "the ability to determine our internal and external affairs and act in the country's

⁶¹ See Commons Library briefing paper '[In brief: outsourcing defence procurement](#)', SN06633, 10 May 2013 and Commons Library briefing papers on the Bill: [Defence Reform Bill](#), RP13-45, 11 July 2013 and [Defence Reform Bill: Lords amendments](#), SN06869, 24 April 2014

⁶² "[National Security through Technology: Technology, Equipment, and support for UK Defence and Security](#)". February 2012, Cm8278, p8

interests free from intervention by other states or entities, in accordance with our legal entities”. The MOD describes this freedom as “the essence of national sovereignty”.⁶³

An annual equipment plan

In 2012 the MOD began publishing an annual equipment plan. Each plan forecasts expenditure over a rolling ten-year period. It includes spending on both new equipment and support costs for equipment already in use. The evolution of the plan is discussed in section six.

Parliamentary scrutiny

During the 2010-15 Coalition government Members largely concentrated on the operational impact of the cuts to equipment holdings laid out in the 2010 SDSR. The gaps in maritime patrol aircraft and aircraft carrier capabilities were frequently raised in Parliament. The proposed reforms to DE&S were also discussed at length during the progress of the Defence Reform Bill in 2013-14.⁶⁴

4.3 Reforms under the Conservative government (2015 to 2024)

New strategies

In November 2015 the government published the National Security Strategy and Strategic Defence and Security Review (the SDSR).⁶⁵

The early election in 2017 prompted calls for a fresh Strategic Defence and Security Review. The Labour party committed to undertake a full strategic defence and security review in its 2017 election manifesto.

However, the Conservative-led government opted instead for a [National Security Capability Review](#) (NSCR), out of which spun a separate strand on Defence that became the [Modernising Defence Programme](#) (MDP), published in December 2018. This programme focused on innovation and the need for defence to keep on top of technological advances.⁶⁶ Library

⁶³ ‘National Security through Technology: Technology, Equipment, and support for UK Defence and Security’, Cm 8278, 1 February 2012, section 3.1.1

⁶⁴ See Commons Library briefing papers on the Bill: [Defence Reform Bill](#), RP13-45, 11 July 2013; [Defence Reform Bill: Lords amendments](#), SN06869, 24 April 2014; [In brief: outsourcing defence procurement](#), SN06633, 10 May 2013

⁶⁵ National Security Strategy and Strategic Defence and Security Review, Cm 9161; November 2015; Commons Library briefing paper [‘The Strategic Defence and Security Review 2015’](#), CBP7462, 12 January 2016

⁶⁶ Commons Library, [The Modernising Defence Programme](#), 21 December 2018, CBP 8469

briefing paper '[The Modernising Defence Programme](#)' looks more closely at the MDP.

Since 2017 the Ministry of Defence published several strategy documents that affect defence procurement. These have either fuelled or facilitated discussion in Parliament on sovereign capabilities, supporting domestic industries (particularly shipbuilding), value for money and competitive tendering.

The government published a [National Shipbuilding Strategy](#) in September 2017, fulfilling a commitment made in the 2015 Strategic Defence and Security Review. The Strategy was informed by Sir John Parker's independent report on shipbuilding (November 2016). Sir John was deeply critical of the procurement of naval ships and recommended overhauling the Navy's procurement process for its surface vessels, starting with the new general-purpose frigate (the Type 31e).

Shortly before Christmas 2017, the government refreshed its [defence industrial policy](#). The government reaffirmed "competition and strategic choice remain at the heart of our approach to defence procurement" but also recommitted to take measures to protect freedom of action and operational advantage on national security grounds.

In July 2018 the [Combat Air Strategy](#) laid out the government's ambition to be at the forefront of developing a new combat air system for the 2030s. This will replace Typhoon when it leaves service in 2040. 'Team Tempest', an MOD/industry working group, is driving the initial examination of options.

The government commissioned former defence procurement minister Philip Dunne to examine how defence can increase its contribution to UK prosperity. The [Dunne Report](#) was published in July 2018 and made 41 recommendations.

During this time the Labour party consistently called on the government to develop a full, overarching defence industrial strategy. In July 2018 Nia Griffith, then shadow Defence Secretary, led a motion making such a call, arguing that there is an "overwhelming case" for a strategy that "recognises the immense value of building in Britain and takes a longer-term view of the orders that the government will place, giving industry the confidence to invest in the UK and to plan for a steady stream of work".⁶⁷

In early 2021 the government published a new defence review: the integrated review of security, defence, development and foreign policy. It was accompanied by a defence specific command paper and a new defence industrial strategy:

⁶⁷ [HC Deb 11 July 2018 c1033](#)

- [The Integrated Review of Security, Defence, Development and Foreign Policy: Global Britain in a Competitive Age \(CP 403\)](#)
- [Defence in a Competitive Age \(CP 411\)](#)
- [Defence and Security Industrial Strategy \(CP 410\)](#)

Commons Library summaries of the Integrated Review and the Defence command paper can be found on the Commons Library [collection of papers on the Integrated Review](#).

The government published a [Refresh to the National Shipbuilding Strategy](#) in March 2022. This reflected the new procurement approach for naval shipbuilding, which will be determined on a case-by-case basis, and a 30-year shipbuilding pipeline.

In May 2022 the MOD published a [land industrial strategy](#), which “sets the conditions for long-term collaboration between the MOD and industry, supporting co-investment in capability delivery and innovation.”⁶⁸

In March 2023 the government published a refresh of the Integrated Review, followed by a refresh of the Defence Command paper in July 2023:

- [Integrated Review Refresh: Responding to a more contested and volatile world](#)
- [Defence Command paper Refresh: Defence’s response to a more contested and volatile world](#)

Promoting prosperity and exports

The 2015 SDSR introduced ‘[promote our prosperity](#)’ as one of the three national security objectives.

Supporting exports is now a core task of the MOD and this objective is appearing in government defence procurement literature and incorporated into sector specific strategies:

- The Shipbuilding Strategy, for example, devoted an entire section to exports and asserted “ships will be designed with exports in mind from the outset”.⁶⁹
- The Combat Air Strategy laid out a ‘National Value Framework’ which it said will help determine the value for money of different options and

⁶⁸ MOD, [Land Security Strategy](#), Gov.uk, 18 May 2022

⁶⁹ MOD, [National Shipbuilding Strategy](#), Gov.uk, 6 September 2017. Now withdrawn and replaced with the refresh to the national shipbuilding strategy

inform trade-offs and avoid prioritising sovereign capabilities at the expense of prosperity and exports.⁷⁰

- The Land Industrial Strategy devotes a section to increasing exports, and refers to a new Army Industry & Exports Office, which “has been stood up to ensure exports becomes part of the Army’s routine activity.”⁷¹
- The refreshed shipbuilding strategy devotes an entire chapter to exports, and says UK defence and security exports is currently managing over 70 maritime prospects spanning more than 20 countries, with an estimated value of £20 billion.⁷²

The DSIS, which is discussed in the following section, devotes a significant section to exports. It notes that while the UK is the second biggest exporter of defence products globally (after the US), it is extremely reliant on sales of air platforms to the Middle East and is “all but unrepresented in exports to 17 of the 20 largest defence importers.” It outlines plans for a more collaborative cross-government approach, to maximise support to UK exports.

The 2021 DSIS: A new approach to defence procurement

A new policy

In March 2021 the government published a new [Defence and Security Industrial Strategy](#) (DSIS), the first new strategy since the 2012 [National Security through Technology](#) (Cm 8278) paper.

The DSIS was part of the government’s trilogy of papers overhauling its foreign and defence policies, the other two being the [Integrated Review of Security, Defence, Development and Foreign Policy: Global Britain in a Competitive Age](#) and the defence Command paper, [Defence in a Competitive Age](#). Both of these were refreshed in 2023 to reflect Russia’s war in Ukraine and other international developments.

A change in approach

The DSIS outlines a new approach to procurement.

⁷⁰ MOD, [Combat Air Strategy](#), Gov.uk, 16 July 2018

⁷¹ MOD, [Land Industrial Strategy](#), Gov.uk, 18 May 2022

⁷² MOD, [Refresh to the National Shipbuilding Strategy](#), Gov.uk, 10 March 2022

“We are replacing the former policy of ‘global competition by default’ with a more flexible approach” DSIS

The previous policy, as stated in National Security through Technology, was for open competition (domestic and globally) as the default position, qualified by the principle of Technological Advantage: “We will take action to protect our operational advantages and freedom of action, but only where this is essential for national security.”⁷³

This approach was reaffirmed by successive governments; in the 2015 SDRS and the 2017 Defence Industrial Policy Refresh.

The DSIS explicitly replaces the former policy of ‘global competition by default’ with “a more flexible and nuanced approach”:

The government’s defence and security industrial policy and our approach to acquisition will now be based on a more sophisticated consideration of our national security requirements and the reality of the markets in which we operate, rather than an assumption that global competition is always the best way to meet our needs.⁷⁴

This means defence will use competition “where appropriate” but, when global competition is deemed ineffective or incompatible with the UK’s national security interests, it may use a different approach. It explains the shift is driven in part because for some segments there are only a very limited number of companies, which means global competition “is often not possible or inappropriate”.⁷⁵ The MOD expects implementing the DSIS will increase the proportion of non-competitive procurement on equipment and services.⁷⁶

DSIS places greater emphasis on “long-term strategic partnerships” and commits to ensuring international collaborative opportunities are “considered earlier and more systematically”.⁷⁷

Nuclear, crypt key and offensive cyber are all identified as strategic imperatives, meaning their development will be reserved to the UK for national security reasons. Section 7 discusses this concept further.

Social value policy priorities

In 2020 the government introduced the Social Value model for all central government organisations. The DSIS explains this is to take account of the additional social benefits that can be achieved in the delivery of its contracts.

A minimum of 10% of the tender evaluation weighting must be allocated to Social Value objectives; a higher weighting can be applied if justified.

⁷³ [National Security through Technology: Technology, Equipment, and support for UK Defence and Security](#), Cm 8278, 1 February 2012, para 4

⁷⁴ [Defence and Security Industrial Strategy](#), March 2021, CP 410 2021-22

⁷⁵ [Defence and Security Industrial Strategy](#), March 2021, CP 410

⁷⁶ Defence and Security Industrial Strategy: reform of the Single Source Contract Regulations, April 2022, CP 647

⁷⁷ [Defence and Security Industrial Strategy](#), March 2021, CP 410

The DSIS gives the Type 31 frigate (surface warship) as an example of where a social value approach was used as part of the evaluation criteria. Bidders were scored on their proposed approach to support supply chain resilience and productivity, address shortages of technical skills, provide benefits to local communities through improved access to jobs created as part of the programme, and exportability.⁷⁸

Industrial participation policy

The MOD will pilot a revised industrial participation policy. The DSIS says this will “encourage and support defence suppliers, whether headquartered here or overseas, to consider carefully what can be sourced from within the UK.”

The DSIS notes that while this is similar to the policy applied before 2012, the government intends to adopt this approach for all suppliers, not just overseas firms. This is because many defence suppliers are multinational. The DSIS says the government will not impose mandatory percentages for UK industry involvement, but the policy is intended to “encourage” prime contractors to assess seriously what the UK supply base can offer.

Ron Matthews, Chair in Defence Economics at Cranfield University, and Jonata Anicetta, explored the use of offsets in an open-access article for RUSI. They explain that the policy, originally introduced in 1990, was abandoned by the UK in 2012 because of the European Procurement Directive (see section on Regulatory framework and reform). Now that the UK has left the EU it is no longer subject to the Directive. Matthews and Anicetta explain this gives the MOD the political freedom to reintroduce a new Industrial Participation policy. They say such a policy could help retain subcontract work in the UK.⁷⁹

4 Ajax and the Sheldon Review

The MOD commissioned Clive Sheldon QC to conduct a lessons learned review of the Ajax armoured vehicle programme, after the programme encountered several significant issues. Commons Library briefing [Ajax: The British Army’s troubled armoured vehicle programme](#), examined these delays.

The [Ajax lessons learned review](#), also known as the Sheldon review, made 24 recommendations that aim to improve project management within the MOD and its acquisition arm, DE&S.

⁷⁸ [Defence and Security Industrial Strategy](#), March 2021, CP 410

⁷⁹ Ron Matthews & Jonata Anicetti (2021), Offset in a Post-Brexit World, *The RUSI Journal*, 166:5, 50-62, DOI: [10.1080/03071847.2021.2017592](https://doi.org/10.1080/03071847.2021.2017592)

The 2023 defence command paper refresh

The defence command paper refresh 2023 committed to reforming acquisition.⁸⁰ The refresh committed to driving greater pace and agility into acquisition, on the basis that “waiting for 100% - the exquisite solution” may mean losing strategic advantage”. The paper pledged to prioritise “timely delivery over perfection”. To speed up acquisition, the MOD set specific timeframes:

- a maximum five-year commitment for acquisition programmes.
- a maximum three-year commitment for digital programmes.

The approach will be tailored for each programme, acknowledging that programmes in the government Major Projects Portfolio will take longer. Other measures pledged include:

- Being clear about specific requirements during early engagement while “leaving room for the market to provide innovative solutions”.
- The MOD will “define and own the operating environment” for a range of capabilities, like uncrewed aerial systems (UAS) and counter UAS, such as architectural design and data standardisation: “in effect, declaring ‘Defence kite marks’ in each case.
- A new Integration Design Authority will work to create open standards for operating systems and protocols across the defence industrial sector.
- Improve professionalism by building a “cadre of professionally qualified Senior Responsible Owners.
- A thematic approach to capability development, to move away from “domain-centric architecture” to integrate capability by design.

The Integrated Procurement Model

In February 2024 then Minister for Defence Procurement, James Cartlidge, announced a new model for procurement. The Minister said the model will “embed” the strategic changes set out in the Defence Command paper Refresh. The model is centred around five key features:

A joined-up approach

With a Defence-wide portfolio to break down organisational stovepipes and prioritise requirements at the departmental level to ensure we achieve greater effect from the available budget.

⁸⁰ [Defence Command paper Refresh: Defence’s response to a more contested and volatile world, July 2023](#)

New checks and balances

To challenge assumptions and ensure better, expert informed, decision making at the start of programmes, with a particular focus on integration.

Prioritising exportability

Upfront consideration of the potential for exports, to drive British industrial resilience.

Empowering industrial innovation

Through a new alliance with industry that is underpinned by greater transparency and incentives aligned around a common endeavour to protect the nation and help it prosper.

Spiral development by default to drive pace

If we wait for a 100% exquisite capability solution it is likely to be too late.⁸¹

The MOD said a spiral development approach will ensure the armed forces can respond and adapt to changing environments and retain the advantage on the battlefield. Spiral development means delivering a minimum deployable capability quickly, and then “iterating it in the light of experience and advances in technology.”

The MOD gave as an example the procurement of the Archer 6x6 howitzer, acquired within two months of receiving the requirement from the Army, as an interim replacement of AS-90.

The MOD also included examples of the Integrated Procurement Model “in action”, highlighting the programmes for a new medium-lift helicopter, mobile fires platform and uncrewed systems.

The Integration Design Authority will sit in UK Strategic Command and will “ensure that integration is at the heart of our decision making from concepts through capability development into campaigning”.⁸²

Timeline of major developments and strategies since 2007

- 1 April 2007 – Defence Procurement Agency (DPA) merged with the Defence Logistics Organisation (DLO) to form Defence Equipment and Support (DE&S).⁸³

⁸¹ [Defence Command paper Refresh: Defence’s response to a more contested and volatile world, July 2023](#)

⁸² [Defence Command paper Refresh: Defence’s response to a more contested and volatile world, July 2023](#)

⁸³ Previously the MOD Procurement Executive, the DPA was established on 1 April 1999 as one of the recommendations of the 1998 Strategic Defence Review. Forming DE&S was one of the main recommendations of the 2006 report *Enabling Acquisition Change*.

- October 2009 – [Review of Acquisition](#), an independent report by Bernard Gray.
- 15 October 2009 – A [Written Ministerial Statement](#) sets out the MOD's initial responses to the Gray report. At the time the MOD rejected the recommendation that DE&S be restructured into a GOCO.
- February 2010 – Green Paper [The Defence Strategy for Acquisition Reform](#) (Cm 7796).
- October 2010 – [The Strategic Defence and Security Review](#). It acknowledges the earlier green paper on acquisition reform and announces that defence acquisition will be considered as part of the overarching programme of defence reform.
- December 2010 - Consultation paper 'Equipment, Support and Technology for UK Defence and Security' (Cm 7989).
- December 2010 – Bernard Gray appointed Chief of Defence Materiel.
- 31 May 2011 – [Defence Materiel Strategy](#)
- June 2011 – Lord Levene's report [Defence Reform, An independent report into the structure and management of the Ministry of Defence](#)
- February 2012 – White Paper [National Security Through Technology: Technology, Equipment and Support for UK Defence and Security](#) (Cm 8278)
- 17 July 2012 – government [statement on the future of DE&S](#)
- January 2013 – [Equipment Plan](#) published for the first time
- 1 April 2014 – DE&S becomes a bespoke government trading entity
- 14 May 2014- [Statement confirming the transformation](#) of DE&S into a trading entity. Copies of the Framework Document and the Corporate Plan are published and laid in the Library of the House
- November 2015 – [National Security Strategy and Strategic Defence and Security Review 2015](#) Cm 9161)
- 29 November 2016 – [Sir John Parker's independent report to inform the National Shipbuilding Strategy](#)
- 6 September 2017 - [National Shipbuilding Strategy](#)
- 20 December 2018 – [Industry for Defence and Prosperous Britain: Refreshing Defence Industrial Policy](#)

- 9 July 2018 – [Growing the contribution of defence to UK Prosperity \(Philip Dunne report\)](#)
- 16 July 2018 - [Combat Air Strategy](#)
- 16 March 2021 - [The Integrated Review of Security, Defence, Development and Foreign Policy: Global Britain in a Competitive Age \(CP 403\)](#)
- 22 March 2021 - [Defence in a Competitive Age \(CP 411\)](#)
- 23 March 2021 - [Defence and Security Industrial Strategy \(CP 410\)](#)
- 10 March 2022 - [Refresh to the National Shipbuilding Strategy](#)
- 4 April 2022 – [Defence and Security Industrial Strategy: reform of the Single Source Contract Regulations](#)
- 18 May 2022 - [Land Industrial Strategy](#)
- [13 March 2023 - Integrated Review Refresh: Responding to a more contested and volatile world](#)
- [18 July 2023 - Defence Command paper Refresh: Defence’s response to a more contested and volatile world](#)

5

Labour government (2024 onwards)

The Labour party made two commitments in its election manifesto 2024 that are particularly relevant to defence procurement:

- To conduct a strategic defence review within its first year of office.
- To bring forward a defence industrial strategy.⁸⁴

The party also pledged to “prioritise UK businesses for defence investment” and reform procurement to “reduce waste”. The party said it will support industry to benefit from export opportunities and will ensure a strong defence sector and resilient supply chains. Specific actions including establishing what it described as a fully functioning military strategic headquarters and a national armaments director.

In a speech given when Shadow Defence Secretary, John Healey said a Labour government will “create new strategic leadership in procurement”. He said Labour will create a National Armaments Director, who will serve on the Defence Board and give direction to DE&S, which will continue to deliver the capabilities required. Mr Healey said the new director will deliver a new defence industrial strategy, align defence procurement across all domains to cut waste and duplication, secure NATO standardisation, collaborate with allies and drive export campaigns.⁸⁵

Not mentioned in the manifesto, but also floated by John Healey before the election, was for the Ministry of Defence to be the first department “subject to our new Office for Value for Money and ensure deep procurement reform to cut waste.”⁸⁶ Further information on this new office is set out in Labour’s [A Partnership for Growth](#) (PDF) document, published in February 2024. This document says the new office won’t be re-opening existing contracts but will examine the use of procurement rules and contracts to improve government processes for future procurement decisions.⁸⁷

The government launched the [strategic defence review](#) on 17 July 2024. It will be led externally by former Defence Secretary and NATO Secretary General Lord Robertson. It is expected to report to the Prime Minister and Defence Secretary in the first half of 2025.

⁸⁴ [Labour party election manifesto 2024](#)

⁸⁵ Labour list, [John Healey’s speech: ‘Labour’s plan for defence in a more dangerous world’](#), 1 March 2024

⁸⁶ UK Defence Journal, [Labour condemns Tories over £17bn defence budget shortfall](#), 4 December 2023.

⁸⁷ Labour party, [A Partnership for Growth](#) (PDF), June 2024

6 The equipment plan

The MoD has published an annual Defence Equipment Plan every year since 2012. The plan forecasts expenditure over a rolling ten-year period. It includes spending on both new equipment and support costs for equipment already in use. In recent years the NAO has assessed [successive plans to be unaffordable](#).

6.1 Scrutiny of the plan

The National Audit Office (NAO) examines the underpinning assumptions of the Equipment Plan in its own report. The NAO says the purpose of its report is [“to assist Parliament in evaluating the Department’s assessment of affordability and its response to the financial challenges it faces.”](#)⁸⁸ The NAO’s report is published on the same day as the MOD’s plan.

The [Public Accounts Committee](#) has in recent years held an oral evidence session with senior MOD officials on the equipment plan, and subsequently produced a report. The [Defence Committee](#) also often analyses the plan as part of its examination of the MOD’s annual report and accounts.

6.2 What does the plan tell us?

The publication has evolved over the years.

Cat Little, the MOD’s Director General Finance, told MPs before publication of the 2018 plan it is intended to be “a much more readable, transparent comprehensive assessment of both value for money and affordability”.⁸⁹ The NAO agreed the 2018 plan was “more transparent” and its approach to forecasting costs is “more realistic” than previous years. It also welcomed the affordability risks outlined by the MOD for “the first time” in the Plan.⁹⁰

Broadly, the plan provides a projection of the MOD’s planned spend on equipment and support over the following decade. This is provided by sector (Navy, Army, Air etc). It includes a table summarising major project

⁸⁸ NAO, The Equipment Plan 2019 to 2029, HC 111 2019-20, 27 February 2020

⁸⁹ Defence Committee, “Oral evidence: Ministry of Defence Annual Report and Accounts”, HC 1559, 9 October 2018, q11

⁹⁰ NAO, “The Equipment Plan 2018 to 2028”, 5 November 2018, HC 1621 2017-19

performances and recent iterations have included a summary of major projects. As noted above, since 2018 the plan has also included analysis of the risks to affordability. The 2021-2031 report also provided information on the strategic context.

6.3 Is it affordable?

This is the key question for the NAO.

Philip Hammond, then Defence Secretary, declared he had balanced the defence budget and promised “under-programming rather than over-programming”, when announcing the 2012 plan.⁹¹ In their accompanying analysis, the NAO observed that the MOD had “substantially revised the way it compiles and manages the Equipment Plan and is now approaching the task on a more prudent basis”.⁹²

“For the fourth successive year, the equipment plan remains unaffordable.”

National Audit Office, Equipment Plan 2020-30

However, in 2016 the NAO warned “the affordability of the Equipment Plan is at greater risk than at any time since its inception”, pointing out there is little room for unplanned cost growth and called on the MOD to “actively guard against the risk of a return to previous practice where affordability could only be maintained by delaying or reducing the scope of projects.”⁹³

In 2017 the NAO concluded – for the first time since the plan was first published in 2012 – that the equipment plan was not affordable. The NAO said the affordability gap ranges from “a minimum of £4.9bn to £20.8bn if financial risks materialise and ambitious savings are not achieved.”⁹⁴

In 2019 the NAO said the MOD “has still not taken the necessary decisions to establish an affordable long-term investment programme to develop future military capabilities.” The NAO also said the MOD was not using the plan as intended – as a long-term financial management tool – but had become “locked into a cycle of managing its annual budgets to address urgent affordability pressures at the expense of longer-term strategic planning.”⁹⁵

In February 2022, reporting on the equipment plan 2021-31, the NAO said there remain risks of over-optimistic assumptions about future budgets, costs and the likely achievement of savings targets. The NAO warned of the risk that, despite the additional funding set out in the 2020 Spending Review, “the Department’s ambition outstrips the resources available to it.”

However, the NAO also said that the multi-year spending settlement “gives

⁹¹ [HC Deb 14 May 2012 c263](#)

⁹² NAO, [The Equipment Plan 2012-2022](#), 31 January 2013, HC 886, 2012-13

⁹³ National Audit Office, [The Equipment Plan 2016-2026](#), 27 January 2017, HC 914, 2016-17

⁹⁴ NAO, [The Equipment Plan 2017-2027](#), 31 January 2018, HC 717 2017-19

⁹⁵ NAO, [The Equipment Plan 2019-2029](#), 27 February 2020, HC 111 2019-20

the Department a rare opportunity to break old habits and set the Plan on course to be affordable.”⁹⁶

The MOD acknowledges previous equipment plans have been unaffordable over the ten-years of the plan.⁹⁷

The MOD did not publish a full equipment plan in 2023. In a letter to the chair of the Public Accounts Committee, the MOD’s Permanent Secretary explained the reason was twofold: firstly, to work through the direction from the Defence Command paper and understand the impact of “extraordinary inflation”, and secondly, to review whether the “current arrangements are best suited to an explanation of our forward equipment investment and support plans.”⁹⁸

The National Audit Office (NAO), in its report on the plan, reported that the MOD had allocated 49% (£288.6bn) of its entire forecast defence budget to the equipment plan for the period 2023-2033. The NAO noted that the MOD acknowledged its plan is unaffordable, in part because inflation is “now showing its effect”.⁹⁹

The Permanent Secretary also said that the position reported by the National Audit Office did not reflect the government’s commitment to increase defence spending to 2.5% of GDP as soon as economic and fiscal conditions allow.¹⁰⁰

All the equipment plans are collated on the Gov.uk website: [Defence Equipment Plan reports](#).

At the time of writing, the new Labour government (4 July 2024 onwards) has not yet indicated whether it intends to continue publishing annual equipment plans.

⁹⁶ NAO, [The Equipment Plan 2021-2031](#), 21 February 2021, HC1105, 2021-22

⁹⁷ MOD, [Defence Equipment Plan 2021](#), 21 February 2022 p10

⁹⁸ MOD, [Defence Equipment Plan 2023-2023 – update on affordability](#), 4 December 2023

⁹⁹ NAO, [The Equipment Plan 2023 to 2023](#), 4 December 2023, HC 315 2023-24

¹⁰⁰ MOD, [Defence Equipment Plan 2023-2023 – update on affordability](#), 4 December 2023

7

Strategic capabilities

Historically there have always been certain capabilities that the MOD has sought to retain a domestic industrial base.

This may be for national security reasons or to ensure critical supply chains are not dependent on allies or vulnerable to embargoes. John Louth and Trevor Taylor, in a paper for the defence think tank RUSI, note that a national defence industrial sector means production can be surged when needed, and industry personnel can be deployed to support equipment.¹⁰¹ Andrew Dorman et al say without a “thriving domestic defence industrial base” the UK jeopardises its freedom to act and the armed forces risk losing their technological advantage over their potential opponents.¹⁰²

The terminology used to refer to these capabilities has changed over the years. Under the Labour government the MOD referred to sovereign capabilities. In its 2012 White Paper, the Coalition government used the terms operational advantage and freedom of action when defining sovereignty:

Operational advantage is the ability to find and maintain an edge over potential adversaries, both to increase the chances of our success in hostile situations and to increase the protection of the UK assets involved, especially our people.

[...]

Freedom of action is the ability to determine our internal and external affairs and act in the country’s interests free from intervention by other states or entities, in accordance with our legal obligations. This freedom is the essence of national sovereignty.¹⁰³

These principles were reaffirmed by the government in the 2015 SDSR and the 2017 Defence Industrial Policy Refresh.

The 2021 Defence and Security Industrial Strategy (DSIS) changed the language, but retained the underlying principle that the UK will “maintain capabilities onshore to produce and support critical elements for our national security.” Instead of the 2012 White Paper’s operational advantage

¹⁰¹ John Louth and Trevor Taylor, ‘A Defence Industrial Strategy for the UK’, RUSI Occasional Paper, April 2018

¹⁰² Andrew Dorman, Matthew Uttley and Benedict Wilkinson “[A benefit not a burden: the security, economic and strategic value of Britain’s defence industry](#)”, King’s College London, April 2015

¹⁰³ National Security through Technology: Technology, Equipment, and support for UK Defence and Security, Cm 8278, 1 February 2012

and freedom of action, the DSIS introduced the concepts of strategic imperatives and operational independence:

Strategic imperatives: These are areas of industrial capability which are so fundamental to our national security, and/or where international law and treaties limit what we can obtain from overseas, that we must sustain the majority of the industrial capability onshore.

[...]

Operational independence: (...) to ensure we can continue to conduct military operations as we choose without external political interference, and to protect the sensitive technologies that underpin those capabilities.¹⁰⁴

7.1 Identifying strategic capabilities

The 2005 [Defence Industrial Strategy](#) “for the first time” identified which industrial capabilities the government considered necessary to be “sustained onshore”. These included capabilities that provide technologies or equipment important to safeguard the state (e.g. the nuclear deterrent), where the MOD required particular assurance of continued and consistent equipment performance, and where the UK can have strategic influence. The strategy identified specific capabilities by sector.¹⁰⁵

However, in a move that “stunned the defence industry”, the 2012 National Security through Technology paper, which replaced the 2005 industrial strategy, removed this list.¹⁰⁶ The paper argued it was better to take decisions on a case-by-case basis depending on the nature of the threat and capabilities required. Although it did identify some broad parameters of where it might act, for example high grade cryptography to ensure security communications, or where suppliers would need to have access to highly classified intelligence information or technologies.

The 2015 National Security Strategy and Strategic Defence and Security Review provided a list of exceptions to the principle of open competition:

- Highly classified or sensitive technologies, or those governed by export control or treaty restrictions.
- Capabilities necessary to maintain interoperability with important allies, but which they cannot or will not provide to the standard required by our Armed Forces.

¹⁰⁴ [Defence and Security Industrial Strategy](#), 26 March 2021, CP 410 2021-22

¹⁰⁵ ‘[Defence Industrial Strategy](#)’, Cm 6697, December 2005

¹⁰⁶ “Military weaponry won’t have to be made in Britain”, The Times, 2 February 2012

- Capabilities where there is strategic, military and economic benefit for the UK from long-term collaboration with other nations.¹⁰⁷

7.2 Current strategic capabilities

The 2021 DSIS identifies the following as strategic capabilities which it says are imperative to maintain onshore (within the UK) to meet its national security requirements:

- Nuclear deterrent capabilities
- Submarines
- Offensive cyber
- Crypt-key, which enables and protects the UK's most sensitive information.

The DSIS identifies the following industrial capabilities as important to remain onshore to secure the UK's operational independence:

- Complex weapons (strategic and tactical weapons reliant upon guidance systems to achieve precision effects)
- Novel weapons (such as directed energy weapons)
- Test and Evaluation
- Chemical, biological, radiological and nuclear capabilities¹⁰⁸

The DSIS discusses at length each sector (maritime, land, air, space) in the annex.

As mentioned in previous sections, the Labour government (2024 onwards) has launched a new strategic defence review and indicated it intends to undertake a new defence industrial strategy.¹⁰⁹

¹⁰⁷ 2015 SDSR, Cm 9161, para 6.54

¹⁰⁸ [Defence and Security Industrial Strategy](#), 26 March 2021, CP 410 2021-22

¹⁰⁹ [Labour party manifesto 2024](#)

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