

Government Response to the International Relations and Defence Committee's Report "UK defence policy: from aspiration to reality?" (1st Report of Session 2022–23, HL Paper 124)

The Government welcomes the Committee's report on UK defence policy. The report focuses on a series of documents which, as noted within the Committee's recommendation, are being reviewed. The Prime Minister has commissioned an update to the Integrated Review (IR) which has impacted on the Government's ability to respond to the report's recommendations.

Therefore, to meet the Government's desire to comprehensively respond to the report whilst not impacting the ongoing consultation to update the IR, we have only been able to publish the Government's response to certain recommendations at this point. We will publish a more detailed response after publication of the update to the IR and Defence Command Paper (DCP). Any further specific policy changes to defence capabilities will be determined once the update to the Integrated Review and the update to the Defence Command Paper have concluded.

Our response is set out below. The Committee's conclusions and recommendations are highlighted in bold, with the paragraph numbering in brackets referring to their location within the report. The Government's response to each follows in plain text.

The changing strategic and economic context

1: The strategic assumptions that underpinned the Integrated Review and the Defence Command Paper have changed. In particular, the Russian invasion of Ukraine has fundamentally changed the European security environment. We wholeheartedly welcome the Government's continued support for Ukraine in the face of Russia's aggression. (Paragraph 57); and,

12: Overall, these major changes in the strategic and economic context highlight the need to update the Integrated Review and the Defence Command Paper. We welcome the Government's commitment to doing so and we look forward to scrutinising the updated documents when they are published. (Paragraph 68)

The Government welcomes the Committee's conclusions. The assumptions of the IR and DCP in 2021 – identifying Russia as the most acute threat to our security, and China as a long-term systemic challenge, while predicting a more adversarial, multipolar, and transactional international system – were broadly right. However, we misjudged the pace of change and the range and severity of the threats we would face. As a result, we can no longer tolerate some of the risks we felt able to bear at the time, and we need to ensure that our capabilities and their supporting enablers are credible for the challenges both of this decade and the next.

As a result of this context, Defence must reassess and adapt its strategic approach, ruthlessly focus on its core priorities, and ensure it is on a stable footing to respond to the threats and challenges that face us both in the immediate future, and over the next ten years and beyond. As we have seen starkly over the last twelve months, the repercussions – and costs – of responding after threats manifest into conflict are

immeasurably greater than if those threats are adequately deterred or prevented in the first place. In this changing world, hard power matters, and Defence must rise to the challenge.

Defence is supporting the Government's update to the IR and welcomes this opportunity to refine our capabilities and prioritise our activities to ensure the UK remains ready to deter adversaries in the new era of strategic competition. The update to the IR is the responsibility of the Cabinet Office and any update to the DCP will be conducted by the Ministry of Defence (MOD) after the IR update has concluded. As such, we will respond with more details after these have been published.

We continue to monitor and analyse the situation in Ukraine, and beyond, to ensure our strategic approach remains threat led. The Government has already reasserted its unwavering commitment to the sovereignty and territorial integrity of Ukraine. Ukraine has a right to defend itself. Together, we will build Ukrainian armed forces that are able to defend their country and deter attacks. The UK is working with Ukraine to help develop their longer-term force structures and capabilities, to reverse Russian gains and build towards a deterrence force of the future. In 2023 the UK will train at least double the number of Ukrainian forces trained in 2022, and provide at least £2.3 billion in military aid, including more advanced capabilities.

2: The conventional nature of the Ukraine war may call into question the emphasis in the Integrated Review on “sub-threshold” threats in the short term. As the Government updates the Integrated Review, it should carefully consider the relative emphasis it places on conventional versus sub-threshold threats, particularly from Russia. (Paragraph 58); and,

3: Nevertheless, the Committee is aware that the idea of the Integrated Review was to outline possible threats within a 10-year timespan, and the fact that threats falling below the threshold of war are not prominent now does not mean that they will not gain further prominence in the coming years. (Paragraph 59); and,

13: The Integrated Review's identification of Russia as a major threat has been thoroughly vindicated by the latter's reckless and illegal invasion of Ukraine. However, as it updates the Integrated Review, the Government should consider carefully whether there is sufficient emphasis on the conventional military threat from Russia as well as its sub-threshold capabilities. (Paragraph 144)

We note the Committee's recommendation to consider the emphasis placed upon different types of threats. Defence recognises that we are and will continue to be confronted by a range of threats and that we must be able to react effectively on multiple fronts. In an era of systemic competition, the distinction between peace and war; state and non-state, is becoming increasingly blurred. Often these threats occur in the grey zone of legality and observability which makes detection, prevention, and response difficult. Defence is committed to bolstering its efforts to detect, deter and respond to sub-threshold threats, otherwise categorised as state threats, to protect

out people, infrastructure, economy, and values from those who seek to do them harm.

Russia remains the most acute nuclear, conventional military and sub-threshold threat to European security. It has long exhibited its willingness to breach international rules and norms as it seeks to confront the West, undermine international structures, and reshape the international order, and its invasion of Ukraine suggests that aggressive actions from Russia to the UK, its allies and its partners is likely. The sub-threshold threat from Russia is multifaceted: prior to the invasion of Ukraine, it had leveraged information operations to attack the values and interests of the UK and its allies; meddled in foreign elections; conducted assassinations on foreign soil; and undertaken other acts of subversion and sabotage. Since the invasion, hostile information operations have continued.

Despite its current focus on Ukraine, Russia's high-risk appetite and ability to integrate a 'whole-of-state' approach to furthering its foreign policy objectives means that it remains a capable and unpredictable actor in the sub-threshold space. As such, the UK should be prepared for Russia to continue efforts to undermine, confront and fracture European security via the range of means and measures it has available.

Each day the MOD is using lessons learned from ongoing conflicts and events over the last year to adapt its strategic thinking and adapt our approach. We must ruthlessly prioritise to ensure we are investing in our strategic capabilities and alliances. This approach ensures that Defence's capabilities are optimised to respond to threats both today and in the future.

The conflict in Ukraine has shown that armour requires enabling capabilities and effective integration with other elements of combat power to ensure its effectiveness and survivability on the battlefield. This underpins the importance of investing in multiple capabilities, and the update to the IR will not reverse the Department's commitment to the modernisation of the Armed Forces. Modernisation must remain our focus and be at the heart of delivering an Armed Forces able to deter threats from adversaries both now and in the future. Further detail on the Department's vision for the Armed Forces will be outlined in the update to the DCP.

14: Russia's military failures in Ukraine have highlighted some of its weaknesses. But Russia also has many enduring strengths, including cyber, nuclear, space, maritime, and underwater capabilities. Some of these have not featured strongly in the war in Ukraine. There is no room for complacency, and the Government must remain vigilant in the face of the multifaceted threat from Russia. In its response to this report, the Government should set out its assessment of current Russian strengths and weaknesses in the light of events in Ukraine. (Paragraph 145)

As noted above, the Government recognises that Russia remains the most acute nuclear, conventional military and sub-threshold threat to European security. Defence covers a full spectrum of capabilities, including diplomacy, conventional armed forces, technological capabilities, and the nuclear deterrent. This ensures that

we have the capabilities to deter the full range of threats with the most appropriate responses.

We continue to monitor and analyse the situation in Ukraine, and beyond, to ensure our strategic approach remains threat led. To share such assessments publicly would create an operational risk therefore any further commentary would be inappropriate, especially given the conflict is ongoing.

4: Caution should be exercised in conclusively drawing lessons from the battlefield in Ukraine. The conflict is ongoing and the outcome remains uncertain. (Paragraph 60)

We agree with the Committee's conclusion. We must be careful not to rush to definitive lessons from Russia's illegal invasion of Ukraine: the war is ongoing, the situation is complex, and the lessons will be profound. But we must seize the opportunity to learn interim lessons and adapt now. The versatility and agility of the UK Armed Forces must become its strength – and dynamic and innovative force, always adapting to stay ahead.

5: Nevertheless, the Ukraine conflict has served as a reminder of the nature of modern conventional warfare, particularly regarding the high attrition rates of equipment and ammunition stocks. (Paragraph 61); and,

6: Both the Defence Secretary and the Chief of the Defence Staff suggested that the UK's approach to its own weapons stocks may need to be reviewed in the light of the Ukraine conflict. We agree. As well as replenishing the equipment it has donated to Ukraine, the Government will need to build greater resilience into its own stocks, supply chains, and industrial capacity. We call on the Government to set out its plans in this regard in its response to this report, as a matter of urgency. (Paragraph 62); and,

37: The Committee believes that both the weapon and ammunition stocks are inadequate across all three services, and remedying this situation should be the highest priority for the Government. (Paragraph 226)

We note the Committee's conclusions. The war in Ukraine has demonstrated the need for sufficient stockpiles of munitions to sustain maritime, air and land operations – a requirement further heightened by the gifting of our own stocks to the Ukrainian Armed Forces. Defence recognises the need to develop a stronger industrial base, incentivising the private sector to increase outputs and productivity, build prosperity for individual communities and the UK as a whole, facilitate growth and support Levelling Up across the nation.

Defence remains fully engaged with industry, allies and partners to ensure both the continuation of supplies to Ukraine, and that all equipment and munitions granted in kind from UK stocks are replaced as expeditiously as possible.

A number of substantial contracts have already been placed to directly replenish UK stockpiles. These include the replenishment of the Starstreak High Velocity Missile (HVM) and Lightweight Multirole Missile (LMM). Further, replacement Next Generation Light Anti-Tank Weapons (NLAWs) are currently being built, and several hundred missiles will be delivered to UK stockpiles from 2023 onwards. A contract for further NLAWs was signed on 7 December 2022.

Exact stockpile details are highly classified for obvious operational reasons and, therefore any further commentary would be inappropriate.

Defence will outline plans related to refreshing our relationship with industry as part of the update to the IR and DCP. As stated, any specific policy changes relating to defence capability will be determined once the update to the IR and the update to the DCP have concluded.

7: The Ukraine war has also seen novel and innovative uses of technology on the battlefield, particularly drones and commercial satellites. We welcome the close level of monitoring by the Ministry of Defence of the conflict and its efforts to learn lessons from the Ukrainians where possible. It should continue this approach as the conflict continues. (Paragraph 63); and,

8: Although this inquiry did explore the initial implications of the conflict in Ukraine, it did so in the context of a much broader inquiry. In our view, there is a continuing need for dedicated further scrutiny of the war's implications for UK defence and security, particularly as the conflict remains ongoing. (Paragraph 64)

We agree with these recommendations. Further, Defence welcomes the Committee's recognition of the Department's continued efforts to monitor and learn lessons from the conflict in Ukraine. We recognise that there is a need for dedicated further scrutiny of the implications for UK defence and security, which is why the Prime Minister and Defence Secretary commissioned updates to the IR and DCP.

9: The economic assumptions that underpinned the Integrated Review and the Defence Command Paper have also changed significantly since the documents were published. In particular, we are concerned that with current levels of inflation and foreign exchange rates, the Government may not be able to deliver on the aspirations of the two papers unless further resources are made available. As the Defence Secretary told us, high levels of capital UK spending mean that the defence budget is particularly vulnerable to inflation. (Paragraph 65)

10: We welcome the Defence Secretary's personal commitment to shielding the defence budget from inflation over the coming years, though we recognise that this will be subject to Treasury-led decisions on Government spending. We ask the Government to update the Committee on the ongoing impact of inflation on defence spending when it responds to this report. (Paragraph 66)

Inflation is a pressing concern, and the Government has moved quickly to assess the impact to Defence and to actively manage this through new and existing controls. We are employing greater use of index-linked fixed price contracts, to prevent firms from applying high premia on firm price bids and we are engaging with our main suppliers to discuss how inflation will be treated in future contracts. We also have several existing controls which have shielded us from the full impacts of rising prices.

For example, the use of pricing mechanisms where risk of inflation sits with suppliers have prevented higher prices for our contracts being passed onto us. Likewise, forward purchasing of fuels, utilities and foreign exchange have provided stability in these recently volatile markets. Pay settlements have further limited financial pressure although we need to recognise the risks associated with this. Whilst the controls we have in place offer some protection, they will not cover the full extent of inflationary pressure.

11: In their response to this report, we request that the Government set out its assessment of the impact of the changing economic environment on what the Defence Secretary called the “planned marker” of raising defence expenditure to 3 per cent of GDP by 2030. (Paragraph 67)

The defence and security of the UK will always remain the Government’s number one priority. The Chancellor stated that the Prime Minister recognises the importance of increasing Defence spending at the Autumn Statement to respond to these challenges. UK defence spending is projected to reach 2.3% of GDP due to additional UK defence industry investment and £2.3 billion of support for Ukraine. This includes an additional funding for replenishment of stocks already donated to Ukraine; £560 million of new investment in our critical stockpiles; and further Dreadnought contingency.

However, in the short term, we also recognise that the strategic and delivery context has created an economic and security environment less favourable to delivering the IR’s vision and desired capabilities, directly reducing the purchasing power of Defence’s existing budget. Further details on the Department’s budget will be outlined in the Spring Statement. At this stage it would be inappropriate to comment further on this matter in response to this report.

The UK in the world: allies and adversaries

15: The aggressive nuclear rhetoric from Russia in recent months has been deeply concerning, and reinforces the importance of the UK’s own nuclear deterrent. In light of the threat from Russia, the British nuclear deterrent must remain credible. (Paragraph 146)

Our independent nuclear deterrent is relevant not only for today but will also remain relevant for the immediate future. It is for these reasons that we have committed to a once-in-two-generations programme to modernise our nuclear forces. This investment in the future security of both the UK and our Allies demonstrates that the UK’s nuclear commitment remains undiminished.

We will continue to keep our nuclear posture under constant review in light of the international security environment and the actions of potential adversaries. We will maintain the capability required to impose costs on an adversary that would far outweigh the benefits they could hope to achieve should they threaten our, or our Allies', security.

16: We call on the Government to continue its support for NATO allies bordering Russia—the Baltic States and Poland—and possible future members, Finland and Sweden. (Paragraph 147); and, 51: However, while Australia and the US are critical security and defence partners for the UK, with a long-shared history and trust developed through the Five Eyes network, the Government should set out how it is planning to facilitate similar close cooperation with our European NATO allies. (Paragraph 303)

We welcome the Committee's recommendations. The last two years have underscored the importance of alliances and partnerships to UK Defence. The UK has a powerful role to play in leading, supporting, and convening its allies and partners. For example, our operationalisation of the Joint Expeditionary Force (JEF) has turned it into an effective tool for enhancing the security of the North Atlantic, High North and Baltic Sea region, and for reassuring our partners, for instance during Finland and Sweden's accession process to the North Atlantic Treaty Organisation (NATO).

Seamless interoperability with our closest allies – notably through the auspices of NATO – has a force-multiplying effect. As the Committee has noted, the UK has allies with whom it can share the most sensitive intelligence (for example through the Five Eyes partnership) but also with whom it can jointly develop new technological solutions and scientific developments (such as AUKUS and GCAP). Our commitment to playing an active role in the world, and as a leader within alliances and partnerships, will be achieved by strengthening cooperation with our allies in JEF and NATO, delivering on our commitment to support the Indo-Pacific tilt, and by promoting prosperity.

Following Russia's further invasion of Ukraine in February, NATO has shown that it can respond quickly to the immediate challenge posed by Russia's invasion of Ukraine, strengthening its deterrence posture and support for Ukraine. At the Madrid Summit, Leaders agreed an ambitious vision for the Alliance, through its new Strategic Concept, and to a significant uplift in common funding to deliver it.

Regarding the Committee's recommendation to facilitate closer cooperation with NATO allies, Defence is committed to reinforcing NATO's New Force Model through the UK's world-leading capabilities in land, air and sea – including almost all our maritime forces, extra Fighter and Bomber Air Squadrons and increasing the number of Land Brigade-sized units. This will help NATO's Supreme Allied Commander Europe plan for any eventuality, knowing that he has the weight of UK defence capability behind him.

Further, Defence is committed to ensuring that Sweden and Finland join the Alliance as soon as possible. Regarding continued support to Estonia, on 8 November, the Secretary of State for Defence and the Estonian Minister of Defence, Hanno Pevkur, signed a Defence Roadmap which sets out our joint plan to implement the commitments that the UK made at the NATO Madrid Summit for the forward defence of Estonia. Its implementation will lead to more capable UK presence, better able to deter aggression and to defend Estonia in crisis and conflict. It will contribute to our shared objective of protecting our populations and defending every inch of Allied territory at all times. The overall capability of our commitment in Estonia is far more important than the numbers of troops alone, and we have committed to strengthening this capability over the forthcoming years.

Further detail on our commitment to deepening cooperation with our closest partners will be outlined in the update to the IR and DCP.

17: As the Government recognises, the Ukraine conflict has reinforced the central importance of the Western alliance, particularly NATO, to the UK's security and defence policy. The UK makes an important contribution to NATO, which gives it a degree of influence within the alliance. Within the Western alliance, the United States remains by far the most capable military and defence partner. (Paragraph 148);

Defence's activity has already underlined our commitment to the Euro-Atlantic and NATO. We have also been a leading contributor in support of Ukraine, and in galvanising others' support: in 2022, we gave Ukraine £2.3 billion in military support and £220 million in humanitarian assistance, and within NATO, we contributed £10 million to NATO's Comprehensive Assistance Package for Ukraine. We have consistently led the way in supporting Ukrainian needs, including through providing anti-tank and anti-air weaponry, long-range and loitering munitions, and most recently main battle tanks, as well as by training over 10,000 Ukrainian troops in the UK. We have been clear that we will stand by Ukraine for the long haul, until they prevail.

Our role in the Alliance gives us competitive advantage over our adversaries through seamless integration with partners. NATO's unity has held firm throughout the war in Ukraine, and the attractive pull of the Alliance, with two new aspirant members, clearly remains undimmed. Furthermore, the warfighting credibility of the Alliance has underpinned its security: not one Russian boot has entered NATO territory. Given the very real security concerns in Europe, we will therefore re-affirm NATO as the cornerstone of our national security, with the UK as a leading contributor to the Alliance.

21: Given that the UK fights as part of alliances and coalitions, it is vital that its Armed Forces continue to be fully integrated with those of its NATO allies. Careful thought should also be given to the appropriate division of labour within NATO, which may require the UK to prioritise and specialise in certain military capabilities over others. (Paragraph 152)

We welcome the Committee's recommendations. The Euro-Atlantic will remain the UK's priority theatre of focus. NATO will remain the cornerstone of UK security, with the UK at the heart of the Alliance and offering the full spectrum of defence capabilities. It is therefore imperative that Defence increases its contribution and provides a credible offer to NATO which underlines our commitment to the defence of the Euro-Atlantic, the modernisation of the Alliance and interoperability with our closest partners, for example through our championing of investment in NATO's digital backbone. Noting the Committee's recommendations, it is also important that the UK's offer to NATO maximises our contribution to the Alliance and aligns with our prioritisation of capabilities.

18: The Integrated Review rightly recognises the importance of cooperating with the UK's European partners. However, we are concerned that this could be undermined by the poor quality of UK-EU relations in recent years. We also note that current UK-EU arrangements do not provide for structured cooperation on foreign policy, security or defence. We believe that improved relations between the UK and the EU would be beneficial for the western alliance as a whole. (Paragraph 149)

We note the Committee's recommendations. As stated above, the Euro-Atlantic will remain the UK's priority theatre of focus and we will use the update to the IR and DCP to outline our commitment to deepening cooperation and interoperability with alliance and partners' strategies to support security of the Euro-Atlantic and beyond. In the last year, our commitment to our European allies and partners has been realised through Defence's vital contribution to deter Russian aggression and defend NATO partners' territory, which has shown the UK at its best. As noted, it has been further illustrated through our support to Ukraine, through lethal and non-lethal aid and training of Ukrainian Armed Forces personnel.

19: We have been particularly concerned by the deterioration in the bilateral relationship with France, which has bled into defence cooperation despite the two countries' historic ties and shared interests. We urge the Government to seek to improve this vital bilateral relationship as a matter of priority. (Paragraph 150)

We note the Committee's concerns. Security and Defence cooperation, now enshrined in the 2010 Lancaster House treaties, is a fundamental feature of the UK-France relationship and we have continued to sustain a bilateral defence programme with France second only to the US in its range and breadth. The Committee will note that on 10 March the Prime Minister and President Macron will host a UK-France Summit. Defence is unable to address this recommendation in detail in advance of the Summit, however it is right that the Summit includes an ambitious defence package to build on almost 120 years of cooperation since the Entente Cordiale in 1904.

20: We note the increasing momentum towards greater defence cooperation between the EU and NATO. In their response to this report, the Government

should set out its view on the implications of increased EU-NATO cooperation for the UK, given the UK's status as a non-EU member of NATO. (Paragraph 151)

The UK will continue to support close cooperation and coherence between NATO and the EU as important on a range of challenges, where the strengths and different tools of both organisations need to be combined.

The EU's Strategic Compass and NATO's Strategic Concept set out similar views on much of the strategic security environment, and potential for complementary approaches to hybrid threats and resilience, space, cyberspace and maritime security.

Further, the new Joint Declaration on NATO-EU Cooperation signed last month included specific commitments to work together more closely on geostrategic competition, resilience, emerging and disruptive technologies, foreign information interference and more. This will all be vital as the threats we face evolve.

It is also important that the Joint Declaration recognised the need for European defence to be complementary to, and interoperable with, NATO – and called for the fullest possible involvement of non-EU NATO Allies in EU initiatives and vice-versa. We will need this to protect long-term European security, particularly in developing and procuring defence technologies to replenish our stocks as we continue to support Ukraine. As noted, further detail outlining our commitment to deepening cooperation and interoperability with European partners will be provided in the update to the IR and DCP.

22: The UK's defence capabilities must be credible in the eyes of its allies, and their expectations must be met. To that end, we are concerned that the UK is currently not capable of deploying an armoured division of the quality that the United States, in particular, expects. Although we welcome the frankness of the Defence Secretary in admitting this problem, we request that the Government sets out whether deploying an armoured division to fight alongside the US is still an objective. (Paragraph 153); and,

23: Like many other European countries, the UK's force size has long been generated through alliance and coalitions, particularly NATO, rather than unilaterally. The question of whether the UK's Armed Forces have sufficient mass must be considered in this context. (Paragraph 154)

The UK's Armed Forces meet a vast range of domestic and global commitments, backed by a fully funded £242 billion 10-year equipment plan. This plan allows the UK to lead in NATO and provide vital support to Ukraine, while at the same time campaigning and operating in support of British interests across every sea and on every continent.

We also have an ambitious programme of improvement underway which is focused on reducing delivery timescales and improving outcomes, while the update to the IR

and DCP will set out further how the UK will play a global role and equip our personnel with the capabilities needed.

Further, the British Army continues to hold a division at readiness which could be rapidly mobilised and deployed. This includes forces already deployed in eastern Europe as part of NATO's deterrence mission, and the pre-positioning of equipment and ammunition stocks elsewhere on the continent.

£41 billion is being invested in equipment and support projects over the next 10 years to ensure the Army has high-quality, modern equipment for the battlefield. Army modernisation is being accelerated, with hundreds of armoured vehicles due for delivery this decade, while the latest model Apache AH-64E attack helicopters are already in service.

However, Defence will also use the update to the IR and DCP to remain threat led and ensure our Armed Forces are credibly equipped to defend and deter adversaries. We will therefore address the shortfalls in our hard power capabilities, including in those areas where we previously felt able to take greater risk. Tanks and other Armoured Vehicles remain central to the Army's warfighting capability. Mass is not the only factor. Ukraine shows us that combined arms operations are most successful when forces are appropriately trained and integrated.

As noted above, the conflict has also shown that armour requires enabling capabilities and effective integration with other elements of combat power to ensure its effectiveness and survivability on the battlefield. This underpins the importance of investing in multiple capabilities, and the update to the IR will not reverse the Department's commitment to the modernisation of the Armed Forces.

24: In our previous report on the UK-China relationship, we concluded that the Integrated Review's characterisation of China as both a "systemic competitor" and an "important partner" was ambiguous and added to the uncertainty over the Government's China strategy. This remains our view. (Paragraph 155); and,

25: The question of whether the updated Integrated Review will re-designate China as a "threat" to the UK has been the source of considerable speculation. We note that the Prime Minister's recent foreign policy speech referred to China as a "systemic challenge". As the Government updates the Integrated Review, it must consider carefully whether the "competitor" framing is still appropriate, particularly in the light of China's increasingly aggressive posture towards Taiwan and its partnership with Russia. (Paragraph 156); and,

26: The Defence Secretary told us that the UK "wants a peaceful process" towards China's "reunification" with Taiwan. We request further clarification from the Defence Secretary on his words and what he meant by them. (Paragraph 157)

Both the IR and DCP recognised the need for the Government and Defence to address state threats in order to protect the UK and our allies from direct, acute harm and to protect our collective ability to achieve our goals in the future. States are

increasingly seeking to achieve their objectives in harmful ways that undermine us, our allies and global stability. Using hybrid and unconventional approaches they attempt to achieve their ends with lower cost and consequence, operating ambiguously where they have relative freedom on manoeuvre.

China's growing international stature is by far the most significant geopolitical factor in the world today, with major implications for British values and interests and for the structure and shape of the international order. The fact that China is an authoritarian state, with different values to ours, presents challenges for the UK and our allies. The UK notes that China's stated goal is to realise a powerful and prosperous China with a 'world-class' military by 2049. This has been underpinned by a sustained increase in China's Defence spending over the last thirty years which has already resulted in the modernisation of many of their capabilities. We must approach this systemic competition proactively to develop a collective response, such as working with the Five Eyes partnership, NATO and regional partners.

The UK's longstanding policy on Taiwan has not changed. The Government considers the Taiwan issue as one to be settled peacefully, by the people on both sides of the Taiwan Strait without the threat or use of force or coercion. The update to the IR will provide further information in response to the Committee's recommendations.

27: The "tilt" to the Indo-Pacific region was a key theme of the Integrated Review. However, it was primarily conceived as an economic and diplomatic concept, with a secondary defence and security component. (Paragraph 158); and,

28: As such, the Indo-Pacific "tilt" need not be incompatible with prioritising NATO and the Euro-Atlantic region as the cornerstone of UK defence policy, the importance of which was highlighted in the Integrated Review and has been reinforced by the Russian invasion of Ukraine. Nevertheless, the Government should remain wary of the risk of over-committing resources to the Indo-Pacific given the deterioration in the European security environment. (Paragraph 159)

We welcome the Committee's recommendations. It is increasingly clear that the security of Europe is indivisible from that of the wider world, particularly the Indo-Pacific. Just as our closest allies and partners have all taken steps to counter Russia's destabilising influence in Europe and support Ukraine, so the UK must be able to demonstrate our reciprocal support with a credible offer in the region. Whilst increased interoperability and industrial collaboration are at the heart of our approach, including through AUKUS and Global Combat Air Programme (GCAP), Defence's contribution to the Indo-Pacific Tilt will be exemplified through our role as a convening power. We will deepen our regional collaboration and cooperation through dedicated bilateral engagement and a greater role within institutional frameworks such as ASEAN and Five Power Defence Arrangements (FPDA) and the Five Eyes partnership.

The UK has longstanding and growing interests in the Indo-Pacific region, and close partners whose sense of vulnerability is rising. Our existing military footprint includes our base in the British Indian Ocean Territory, the British Army presence in Nepal and Brunei, and an expanded network of defence attachés, as well as two Offshore Patrol Vessels, now permanently based in the region. Our presence is reinforced by long-established relationships with Australia and New Zealand, a new defence Treaty with Japan, and growing relationships with India, Indonesia, Singapore and South Korea. We will maintain our presence and deepen our partnerships, robustly defending international norms and values, including through pulsed exercises and deployments such as the inaugural deployment of HMS Queen Elizabeth and her carrier strike group.

The Government's commitment to the Indo-Pacific is a long-term one, underpinned by integrated engagement to ensure we safeguard UK economic and security interests that open societies and values are protected. Defence is an essential part of the UK's integrated offer to the region, and, to that end, we will continue to strengthen our regional defence cooperation.

29: The Middle East is home to several ongoing UK military commitments, as well as several key partners. It remains an important region for UK engagement. (Paragraph 160); and,

30: Some of our witnesses felt that the Middle East was neglected in the Integrated Review, a criticism the Defence Secretary strongly rejected. But, whether intentionally or not, the Middle East was not given the same prominence as other regions in the Integrated Review's discussion of the UK's strategic priorities; simply mentioning the UK's commitments and partnerships there does not change this. We hope that the Government revisits the emphasis placed on the Middle East as it updates the Integrated Review. (Paragraph 161)

The IR committed the UK to an Indo-Pacific tilt but this does not mean that we are no longer committed to the Middle East. Our historical ties, trading and investment partnerships and the region's geopolitical importance mean that Defence will continue to invest in the region.

Maintaining our enduring presence in the Gulf will remain important to underpin our commitment to long-term partners in the region, not least given the region's importance for global energy supplies, as well as Iran's destabilising behaviour. We have dedicated naval facilities in Bahrain and are developing a defence strategic hub in Oman: these provide a platform from which to project assets and increase training operations with partners in the region with greater frequency. We have strong relationships with each of the Gulf countries and will continue to build those strategic partnerships through enhanced dialogue, exercises and training, and capability cooperation. Further detail on Defence's commitment to partners in the Middle East and beyond will be outlined in the update to the IR and DCP.

31: The Committee acknowledges that the military soft power of the United Kingdom in general, and of Military Academies in particular, should be recognised and praised. The Royal Military Academy Sandhurst, the Britannia Royal Naval College Dartmouth, the Royal Air Force College, and the Defence Academy are important educational institutions and critical tools of British soft power. (Paragraph 162)

We welcome the Committee's acknowledgement and agree with their conclusions regarding the role of Military Academies.

Defence is a significant contributor to the UK's soft power, whether it be through boosting the resilience of partner countries, strengthening cooperation through our diplomatic network, or improving interoperability with our Allies through exercises and training. Military Academies in particular play a central role in building and strengthening partnerships, delivering world-class defence education that results in long-lasting relationships and better operational integration.

The DCP outlined the Department's intention for our global network to expand and improve our global network of British Defence Staffs and Defence Attaches by around a third. As our Defence Network continues to grow, Defence will seek to leverage its soft power influence through supporting prosperity opportunities, training and engagement and expanded strategic dialogues. The UK is recognised for its role as a convening power and the strength of our Defence Network is valued by our Allies and partners. The UK's global relationships provide opportunities to shape and influence the strategic environment.

Current defence capabilities

32: The Committee welcomes the ambitions set out in the Defence Command Paper for the Royal Navy, and agrees with its assessment about the importance of the UK's naval capabilities. However, we are concerned about the impact of the economic environment, and inflation in particular, on the Government's investment plans for the Royal Navy. (Paragraph 221)

As noted above, we recognise that, in the short term, the strategic and delivery context has created an economic and security environment less favourable to delivering the IR's vision and desired capabilities, directly reducing the purchasing power of Defence's existing budget.

The Department continues to minimise its exposure to short-term economic shocks, including through forward purchase arrangements. The potential impact of these factors upon the Department's budget remains under continuous review and are part of the regular discussions we have with the Treasury.

33: The Government rightly recognises the urgent need to transform the British Army's capabilities for the modern era. But it will be challenging for the Army to translate these ambitions into reality, and a great deal of work needs to be done. (Paragraph 222)

We note the Committee's recommendation. Although Defence will respond to the recommendations in greater detail following the update to the DCP, the Army is entering a decade of delivery as laid out in Future Soldier, supported by an investment of £41 billion in Army equipment and support to ensure we can address threats of the future.

As stated, to deliver Defence's ambition we need to address the hollowness we carry and restore our combat credibility. We will accelerate modernisation where we can by granting our legacy capabilities and buying back better. We will prioritise delivering the equipment programme and rebuilding the land industrial base. We are reconfiguring to meet future threats and recognise that as part of this the Army needs to redesign itself and must now rebuild.

We recognise the challenges we have had with our programme management and delivery in the past. We are applying those lessons across the wider programmes. This will take time to fully implement, however programmes such as Boxer and Challenger 3 are benefiting from early engagement.

34: We agree with the Government that headline troop numbers are not the most appropriate metric by which to judge the Army's capabilities. The more important question is whether the Army has the resources and capabilities it needs to deliver on the Government's ambitions. This depends not only on the number of troops, but also on how well-equipped and trained they are. (Paragraph 223)

We welcome the Committee's recommendation. As stated above, Defence will use the update to the DCP to address the hollowing out of certain capabilities across the Armed Forces, particularly in the land domain. The update will therefore provide a more detailed response to the Committee's recommendation.

However, to remain threat-led, the Armed Forces are supported by innovative capabilities and equipment underpinning conventional capabilities. The existing Future Soldier plan will create an Army that is more integrated, agile, and lethal; a modern force fit to face current and future threats. The Army will be balanced to deliver right across the Defence spectrum: protect the Homeland; engage with allies and partners overseas; constrain the aggressive activities of our adversaries; and fight wars if required. It is an Army that has been designed to fight but organised to operate more productively and effectively.

While the Army is not increasing the number of deployable divisions, Future Soldier will see a globally engaged Army, with more personnel deployed. This persistent forward deployment and engagement will improve global access as well as allow forces to respond rapidly, when required.

The Army will continue to recruit the diverse talent that it needs to maintain a competitive advantage now and in the future. Under the Future Soldier programme, the Army will have a whole force of over 100,000 comprising 73,000 Regular Service Personnel and 30,100 Army Reserves. Whilst there are no current plans to reverse the Army's reduction in regular personnel, as SofS has stated, as the threat

changes, we need to change with it. As a dynamic institution, we regularly look at the balance of people, capability, and activity in line with the threats and the available resources.

The Army has been designed to fight but organised to operate. The use of the Reserves to integrate with Regular units and support the delivery of tasks is a major feature of Future Soldier. Each Reserve unit will have clearly defined roles and tasks, particularly in the area of homeland resilience where we expect Reserves to take on greater responsibility.

With the security situation deteriorating, the Army and Defence are engaging with industry partners to accelerate the most important parts of Future Soldier's bold modernisation agenda, move to a deterrence by denial strategy aligned to playing a leading role in NATO transformation; increase our focus on readiness and combined arms training; and deliver the broader institutional renewal that creates the culture necessary to win if called upon.

35: We await with interest the outcome of the budget negotiations between the Treasury and the Ministry of Defence. If the results of these negotiations have an impact on the British Army's size, equipment levels and training, we request that the Government explains the rationale for and implications of this in its response to this report. (Paragraph 224)

We note the Committee's recommendation. It would be inappropriate to respond to this recommendation in advance of the Spring Statement, however any specific policy changes to the Army will be announced following the update to the DCP.

36: The Committee understands that limited resources and a need to prioritise have an impact on the UK's airpower capabilities, but sees an opportunity to deepen cooperation with our NATO partners and allies. There is a space for the RAF to take lead on the European SEAD/DEAD airpower capabilities. (Paragraph 225)

As noted in our response to other recommendations, Defence will continue to deepen cooperation and promote interoperability with NATO partners and allies. Regarding the Committee's recommendation for the RAF to lead on European suppression and/or destruction of enemy air defences (SEAD/DEAD) capabilities, the RAF has a credible multi-layered SEAD capability. The F-35 Lightning has an Electronic Warfare system that can geolocate Air Defence systems and has powerful radar jamming capabilities. While the Typhoon operates the Storm Shadow stand-off missile to attack these systems. These capabilities will be further enhanced later in the decade, as we have committed to Typhoon AESA Radar which will have similar jamming capabilities and will also integrate SPEAR 3 stand-off weapons onto Lightning. In addition, Defence endorsed the requirement for an Electronic Warfare variant SPEAR 3 missile. We have completed a Technology Demonstration Programme on this capability with our industry partners and funding for the next stage of development has been assessed.

38: We note the renewed emphasis on the nuclear deterrent in the Integrated Review. It is vital that the UK's nuclear deterrent remains credible, particularly in the current security environment. (Paragraph 227); and,

39: We are satisfied that the UK's nuclear deterrent is politically and operationally independent, though it remains dependent on the US for the supply of missiles. (Paragraph 228)

We welcome the Committee's conclusions. Irresponsible threats of nuclear escalation over the past year, and the ongoing risks of proliferation, have emphasised the importance of maintaining our own nuclear deterrent beyond the life of the current system to provide a credible, independent, and capable nuclear deterrent out to the 2060s and beyond. We will therefore invest in a once-in-two-generations programme of modernisation for our nuclear deterrent, the ultimate guarantor of our security.

40: The Government has never explained the rationale for the Integrated Review's announced increase in the overall nuclear warhead stockpile ceiling. While we acknowledge the need for some secrecy in this area, we were surprised that the Defence Secretary promised to submit "the exact figures" for the number of warheads to the Committee (in apparent contradiction to Government policy), but then did not do so. We call on the Ministry of Defence to provide as much detail as it can on the rationale for the increased stockpile ceiling. (Paragraph 229)

The security situation has worsened since the previous Government's declaration in 2010 of its intention to reduce the nuclear warhead stockpile to no more than 180 warheads by 2025. We have seen an increase in nuclear challenges. Russia has violated the Intermediate Range Nuclear Forces Treaty resulting in its collapse, and diversified its nuclear arsenal investing in new and novel nuclear technologies. DPRK has continued its development of a nuclear weapons programme. Iran has continued to conduct destabilising activity and taken actions that could result in the development of nuclear weapons grade material. China has started a programme of nuclear modernisation, increasing both number and types of nuclear weapon systems that is has available.

The Government has consistently stated that we keep our nuclear posture under constant review in light of the international security environment and the actions of potential adversaries, and that we will maintain the minimum destructive power needed to guarantee the UK's nuclear deterrent remains credible and effective against the full range of threats from any direction. In assessing the minimum destructive power necessary, we consider the decision-making processes of future potential aggressors and an analysis of the defensive measures they might employ.

The overall stockpile ceiling of no more than 260 warheads announced in the Integrated Review, an increase of around 15% from our previous ceiling of no more than 225, is neither a target nor our current stockpile number. It represents the upper limit which may be required to maintain the credibility of the deterrent.

Retaining some degree of uncertainty over the nature and scale of our response to any particular set of circumstances is an important part of our overall deterrence posture. We have always been ambiguous about the precise number of nuclear warheads in the overall stockpile. In the IR we explained that, in view of the deteriorating security situation, we would extend that policy of deliberate ambiguity and no longer release public figures for the operational stockpile and number of deployed missiles and warheads. We explained at the time that this deliberate ambiguity complicates the calculations of potential aggressors, reduces the risk of deliberate nuclear use by those seeking a first strike advantage, and contributes to strategic stability.

For the same reasons, we will not comment on the exact elements of our deterrence calculus but can assure the Committee that the decision to increase the stockpile ceiling and extend our policy of deliberate ambiguity have been taken in the context of a darkening threat picture and driven by changing judgements on what the UK needs to achieve the required deterrent effect.

41: The Committee believes that all aspects of public spending should be scrutinised by Parliament and that the Government is too often reluctant to admit the scale of expenditure by citing security concerns. We call on the Government to consider allowing Parliamentary Committees responsible for scrutiny of the UK's defence policy to access (on a confidential basis) information about how funds are allocated and spent on, for example, the nuclear deterrent. (Paragraph 230)

The MOD is committed to transparency on its policies and programmes where possible. In terms of publication, as the Committee understands, some costs associated with Defence programmes are not disclosed publicly due to considerations relating to national security, the capability, security and effectiveness of the Armed Forces, international relations or commercial sensitivities. Costs of major programmes, where releasable, are reported in the Government Major Projects Portfolio data.

Defence spending is also detailed in the annual Defence Equipment Plan and Ministry of Defence Annual Report and Accounts, which are both audited by the National Audit Office, and are scrutinised by the House of Commons Defence Committee and Public Accounts Committee respectively.

In terms of confidential access to sensitive data, the Ministry of Defence does not routinely provide sensitive information to Parliamentary Committees, with the exception of the Intelligence and Security Committee, but requests from Committees to be provided with specific information in confidence are always carefully considered on a case-by-case basis, subject to Ministerial approval.

42: The announcement that both the Integrated Review and the Defence Command Paper will be updated provides an opportunity for the Government to outline clearly how it plans to translate the aspirational language into practice. The Government has to outline what it wants to prioritise and which

hard choices it is willing to make to fulfil those aspirations. The Integrated Review did not provide such priorities. Therefore, the Defence Command Paper lacked the required focus. (Paragraph 231)

The IR and DCP set out the priorities for the Government and outlined a path for how to achieve the capabilities required to reach our objectives. The vision published in the IR and DCP informs the development of classified departmental strategies and plans, which provide a framework for the strategic outcomes and priorities which the Department must achieve, with an increased focus on delivery across Defence. Further, prioritisation is guided by our assessment of the nature and severity of the threats faced. To counter and address future threats and challenges, Defence will work with cross Government partners and with the appropriate authorities and capabilities to conduct activities that can be employed seamlessly across the operational domains: land, air, maritime, space, and cyber & electromagnetic.

Defence will continue to ensure our strategic approach remains threat-led and in line with the agile planning and delivery mechanisms developed following the IR. Our capabilities and readiness levels are therefore regularly reviewed accordingly. However, we note the Committee's recommendation. Defence welcomes the opportunity provided by the update to the IR and DCP to refine our capabilities and prioritise our activities to ensure the UK remains ready to deter adversaries in the new era of strategic competition.

New and emerging technologies

43: Although there are different perspectives as to whether the Government's decision to prioritise investment in new technologies over mass can be considered a "bet", the Government has decided to take this risk. (Paragraph 295); and,

44: We welcome the Defence Secretary's explanation of the need to take this risk but remain concerned about the possible impact on the country's defence capabilities. Ukraine's successful resistance of the Russian invasion has demonstrated the way that technology can be leveraged to defeat mass, and can in some circumstances act as a force multiplier, but it has also shown the need for a balanced approach between legacy and new capabilities and for sufficient mass of both. (Paragraph 296)

We note the Committee's recommendations, and as stated in response to other recommendations, Defence will reprioritise and adapt in response to lessons learned following Russia's invasion of Ukraine. We recognise that as we find ourselves in a new era of strategic competition, we must ruthlessly prioritise to ensure we are investing in the strategic capabilities and alliances that we need to stand firm against coercion from authoritarian powers like Russia and China. We must therefore prioritise modernisation to match the threat, deter aggressors and ensure our service personnel have the right equipment to succeed across domains and on the battlefield if called upon.

As part of the update to the IR and DCP, the Department will outline a framework for a modernised Armed Forces, better integrated across domains and aligned more

closely with allies. Our credibility depends on the precision, mobility, lethality, and survivability of our Armed Forces. In the short-term, investment will be channelled to deliver sovereign security through a ruthless prioritisation of effort. Taking lessons learned from the last year, we will build resilience and promote prosperity both domestically and across our global partner network. We will seek to address the shortfalls in our capabilities, exacerbated by the sunsetting of programmes in the Army which has led to the hollowing out of the force.

45: It is too early to assess whether new technology can act as a force multiplier in the case of the United Kingdom. Investment in R&D requires long-term planning and consistency in terms of priorities and funding. We believe that the Government is on the right track, but plans and promises (including funding pledges) have to be implemented. (Paragraph 297)

Technology has a long history of shaping the outcome of conflicts. From the impact of radar during the Battle of Britain, to the capability to counter the use of chemical weapons by Russia in Salisbury, to the progress of the current war in Ukraine. Implementation of the 2020 MOD Science and Technology Strategy is pivoting our core S&T investments towards high-risk high-reward technologies that will underpin generation after next military capabilities, for example Artificial Intelligence (AI), engineering biology and quantum technologies. Further, the Defence Capability Framework was published on 6 July 2022 and outlines the guiding principles that will inform our approach to investment decisions and the likely future priorities to address the enduring capability challenges.

The Spending Review in 2020 saw a real increase in defence spending on Research and Development (R&D) with a commitment to invest over £6.6 billion across the four-year spending period. Investment to date has provided a quick start on key elements of the new R&D Pipelines, including Game Changers, which pursue technologies that have the potential to change the way Defence fights, and Spearhead Programmes, which represent the Department's willingness to innovate at scale and implement a technology-led approach.

46: We are concerned that the level of the UK's overall R&D spending is insufficient. The Government's ambition of reaching 2.4 per cent of GDP would merely put the UK on a par with the OECD average. In particular, we are concerned that the level of R&D defence funding, as outlined by the Integrated Review and the Defence Command Paper, may be insufficient to meet the ambition of "sustaining strategic advantage through science and technology". (Paragraph 298)

The IR set Science and Technology (S&T) Advantage as a core National Security objective to secure economic, political and security dividends. The Prime Minister established the National S&T Council to provide clear strategic leadership, bringing together all the levers of government for the first time to identify and deliver the systems interventions that will be critical to our success. Defence has played a key role in shaping this effort, not least through helping to create a more holistic picture of the national R&D landscape and advising on the crucial and often unique

requirements of the Defence and National Security sector, including protection of sovereign technologies.

As noted above, the MOD is more than playing its part by investing more than £6.6 billion in advanced and next-generation R&D over the period of this Spending Review, reversing years of decline in Defence R&D budgets. Our increased focus on accelerating transformational Generation After Next capabilities will help deliver an enduring military edge in areas including space, directed energy weapons, future air systems and advanced high-speed missiles.

In November 2022, the Office for National Statistics (ONS) published new data on R&D expenditure, having updated their methodology to better capture R&D performed in smaller firms and the higher education sector. We previously thought around 1.7% of GDP was invested in R&D in 2019, but government analysts have estimated that, as a result of the ONS methodology change, UK R&D intensity was in fact between 2.6 to 2.7% in 2019 and almost 3% of GDP in 2020¹. It should be noted that 2020 is likely to be anomalously high due to Covid effects on GDP. This means the UK has surpassed the Government's target of investing 2.4% of GDP in R&D by 2027 and is now above the OECD average.

This is a clear signal that the Government's commitment to science and innovation over the last 12 years is working, and we should take pride in the fact that businesses across the UK are investing more in R&D than we previously thought. The Department for Science, Innovation and Technology (DSIT) is rightly taking time to consider next steps following the ONS publication. However, there is no intention to stop doing all we can to continue to grow our level of R&D investment. The Government's focus remains on ensuring that R&D investment continues to deliver the research needed to deal with the societal challenges we face whilst also driving the private sector investment needed to boost economic growth, building on the vision set out in the Innovation Strategy. Any future target or goal will be reflective of this ambition.

47: In their response to this report, the Government should outline how the Defence Science and Technology structures will co-operate with the newly established Advanced Research and Invention Agency. We understand that it was difficult to assess it during our inquiry, as the leadership of ARIA was appointed shortly before our evidence sessions with the Ministry of Defence officials. The time that has passed since then should allow for a more comprehensive response. (Paragraph 299)

Defence S&T will work closely with the newly created DSIT, under which the Advanced Research and Invention Agency (ARIA) will sit as a non-departmental public body. Defence Science and Technology Laboratory (DSTL) will fund and support high risk high reward research being undertaken into defence and security programmes. Initial conversations are taking place with the MOD and ARIA seniors.

¹ [Research and development expenditure by the UK government - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

48: The Committee is concerned by the evidence we received that companies, start-up and new technology enterprises in particular, face significant bureaucratic obstacles. This may be holding back innovation and could become one of the main obstacles to the Government's agenda of investing in new capabilities; or one of the reasons why the "bet" on new technologies, as identified by many of our witnesses, may fail. (Paragraph 300)

The Defence and Security Accelerator (DASA) acts as a front door for innovation start-up companies to interface with the MOD, offering funding and regional innovation support. DASA has also launched additional services to support access to mentoring and finance for businesses including innovation loans and innovation seed funding.

Ploughshare Innovations Ltd. also forms part of the solution. A MOD-owned company, Ploughshare specialises in bringing together business expertise and corporate knowledge to pull MOD intellectual property into the market through the use of licenses and spinouts. Ploughshare's model reduces bureaucracy through its relationships with MOD teams and agencies (such as DSTL) and through its simple, easy-to-understand programmes (such as the recently published Playbook). The MOD is also a core member of the Government response to the Independent Review of Research Bureaucracy, led by Professor Adam Tickell, and we will assess all opportunities to implement the Review's recommendations.

In addition, the MOD recently released a new strategy: Science and Technology Collaboration and Engagement Strategy - Accessing More UK Talent.² One of the aims, is to simplify the process through which smaller suppliers engage with the MOD.

49: The Committee understands that defence and private R&D share similar obstacles when it comes to translating ideas into capabilities. The Government should set out the practical steps it is taking in order to mitigate the risk of the so-called "Valley of Death" between theoretical innovations and practical capabilities. (Paragraph 301)

As set out in the Chapter on "Technology and 'pull-through'" in the Defence & Security Industrial Strategy (DSIS), published 23 March 2021, accelerating technological change poses acute and rapidly evolving challenges for the UK defence and security community. Across government and industry, the defence and security sectors must anticipate, invest in, and exploit technologies at pace. To this end, there is considerable work underway to deliver an effective and efficient end-to-end system that better ensures the MOD's R&D investment generates military capability at pace by tackling the barriers within the system and trialling new approaches (Strategic Pipelines) and tools.

² [Science and Technology Collaboration and Engagement Strategy – Accessing More UK Talent - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/science-and-technology-collaboration-and-engagement-strategy-accessing-more-uk-talent)

This includes the launch of the R&D System Implementation Programme and Commercial X, as well as the stand up of Defence Equipment and Support's Future Capability Group to help explore and accelerate new technologies and ideas into operational use. These are in addition to the established network of innovation hubs across Defence and other centres, such as the Army's BattleLab and Defence & Security Accelerator that help bring government and industry together (including Small and Medium Enterprises).

50: The Committee welcomes the Government's decision to further strengthen cooperation with allies on research and development, and agrees with the contention that AUKUS can act as a technology accelerator agreement. (Paragraph 302)

We welcome the Committee's conclusion. There is a pressing need for Defence to modernise and keep pace with technological change by investing in capabilities fit for the future, whilst maximising integration with allies and partners to gain competitive advantage over our adversaries. Two major programmes exemplify this: the Global Combat Air Programme (GCAP) and the Australia-United Kingdom-United States (AUKUS) partnership.

As the largest global 6th generation aircraft programme, GCAP represents a firm commitment to interoperability with allies across both the Euro-Atlantic and Indo-Pacific regions (Italy and Japan) and will develop next-generation air capabilities. It also represents an investment in national prosperity, supporting the UK combat air industry which employs almost 50,000 people.

Not only is AUKUS a level of cooperation not seen before, but it is also another concrete example of Defence's commitment to a major modernisation programme, seeing the UK and USA assist Australia develop a fleet of nuclear-powered submarines. This will benefit an industry that employs more than 30,000 people in the UK and will lead to a strengthened and more resilient Submarine Service, with better availability for operations with NATO and around the world. AUKUS will also pursue closer cooperation in artificial intelligence, quantum computing, cyber and other advanced capabilities, driving technological progress with partners and helping us maintain our edge.

Defence enterprise

52: The Integrated Review and the Defence Command Paper have put additional pressure on the Ministry of Defence and its current structures. The Committee welcomes the Defence Secretary's announcement of a forthcoming head office reform and looks forward to further details. (Paragraph 359)

We note the Committee's concerns regarding the pressures which the delivery of the IR and DCP have put on the organisational structures of the MOD.

The IR set out the major trends that will shape the national security and international environment to 2030. The DCP set out how Defence will change to meet the new challenges across all five domains (Land, Sea, Air, Cyber and Space). This was underpinned by the Integrated Operating Concept 2021 (IOpC), which stressed the

need for Defence to adopt a mindset and posture of continuous campaigning. These strategies, concepts, and events are driving profound changes within the Armed Forces and across Defence: new capabilities and new structures, but also new approaches. It was clear that Head Office itself also needed to reform to ensure that it can direct Defence in this new and challenging context.

Head Office Reform has made changes to the structures, processes and behaviours to make Head Office – and Defence – more integrated, threat-focussed, and strategy-led.

Structural changes have provided clarity on individual senior roles and accountabilities to simplify responsibilities. To support these changes, and promote integrated working, several hubs have been established; comprising subject matter expert teams, to provide single points of contact and improve timely decision making aligned to the strategic intent of the IR. In particular, Defence is establishing dedicated campaign teams to address the specific, identified threats with the full range of levers available.

Processes have changed to support the new structures and to ensure that Defence is strategy-led, namely driven by a new ‘Strategic Cycle’. This ensures continued alignment to Defence’s priority outcomes, by evaluating delivery, and adjusting direction when required.

In order for the changes to take effect and have the desired impact, Defence is embedding a ‘One Defence Mindset’ across the whole Department. A ‘One Defence Mindset’ is where everyone works together to achieve Defence’s priorities. This is respectful of the many institutional cultures and loyalties which exist across Defence but expects everyone – Service Personnel, Civil Servants, and the wider Defence enterprise – to recognise a common purpose and shared responsibilities. This is being achieved through a series of actions which facilitate working more consistently in this way. While distinct actions have been completed, work continues as part of the enduring effort to adopt the ‘One Defence Mindset’ as the foundation of how Defence is working as a Head Office, Department and within the wider Defence enterprise. Implementing a ‘One Defence Mindset’ is not isolated within Defence but reflects wider Government initiatives, including the National Security Secretariat Culture Enquiry.

53: We welcome the establishment of the Secretary of State’s Office for Net Assessment and Change (SONAC) and trust that it will bring the required intellectual vigour and creativity. We hope that SONAC becomes a permanent feature of the Ministry of Defence, beyond the tenure of the current Defence Secretary. (Paragraph 360)

We welcome the Committee’s recommendation. Secretary of State’s Office for Net Assessment and Challenge (SONAC) has existed in various forms since 2020 but became an independent entity in January 2022. It provides advice and challenge to improve existing strategy and inform future strategy through net assessment, strategic analysis, challenge, and bringing external thinking into the Department.

Using research, analysis and external think tanks, SONAC will become the main bulwark of critical thinking for the Ministry of Defence, ensuring that the UK's Defensive capabilities are at peak performance. The work of SONAC will include extensive wargaming and red teaming, informed by Defence Intelligence, to ensure strategies are tested by independent and diverse voices before they are implemented in the face of future strategic challenges.

54: The Committee acknowledges the need for culture change within the Ministry of Defence, including the need to evolve the MoD's approach to taking risk; the need to establish new types of partnership and cooperation with the industry and academia; and the need for clear communication, by the MoD, of its expectations, goals and requirements. (Paragraph 361)

We recognise the value of the Committee's recommendation. To meet the accelerating threats we face, we will need to be imaginative, dynamic, and courageous. We will need to be able to break with the past and have the courage to step off ahead of our enemies and our allies as we lead the way. Defence will use the update to the IR and DCP to outline an adaptive strategy which recognises the need to build, test, and judge our Defence Enterprise. This includes having more productivity and streamlined structures that enable us to be an ever-green force, always adapting to stay ahead.

55: The Committee notes that the leadership of the Ministry of Defence is aware of these challenges and we request that adequate action be taken. In the case of the Ajax programme, we request that the Defence Secretary provides regular updates to the Committee. (Paragraph 362)

The Government is working closely with General Dynamics for successful delivery of Ajax, tackling the programme's challenges and ensuring a value for money outcome for the agreed price of £5.5 billion. We continue to learn from lessons as we actively take steps to get the programme back on track. The appointment of a dedicated Senior Responsible Officer has led to changes in the way the programme is managed, including its governance and joint working internally and with the contractor externally, following advice and recommendations from the Infrastructure and Projects Authority. We also continue to make good progress against the David King recommendations following the Ajax health and safety review.

Clive Sheldon KC was appointed to lead a further review into Ajax on how the Ministry of Defence can best deliver major programmes more effectively in future. The report on the Ajax Lessons Learned Review is in its final drafting stages, including a Maxwellisation process, and will be published as soon as practicable.

The Government regularly updates the House on the progress of the programme and will continue to do so.

56: The Committee looks forward to the implementation of the recently published strategic documents, including the Defence Command paper, the

Defence and Security Industrial Strategy, the Defence Science and Technology Strategy and the Defence Artificial Intelligence Strategy. We hope that the Government will put words into deeds, meeting the expectations of the defence industry. (Paragraph 363) ; and,

57: The Committee was disappointed to hear that, from the perspective of one tech company, the Ministry of Defence can be considered “one of the worst customers in the world”. The Committee hopes that the full implementation of Government’s objectives outlined in its strategic documents will lead to a change in this perception. (Paragraph 364)

We welcome the recommendation from the Committee to see that the strategies listed above are implemented and would challenge the perspective outlined in the second recommendation. The Government will continue to work closely with industry, academia and international partners to deliver the full range of commitments set out in the IR and will ensure that the UK continues to have competitive, innovative and world-class defence and security industries. Within the MOD, the Minister for Defence Procurement is committed to keeping a close eye on implementation and along with the Secretary of State will be taking stock with Ministers from the other key government departments.

58: The Committee acknowledges that there is always an element of risk that has to be taken when investing in emerging and disruptive technologies. We are concerned that the Ministry of Defence is not prepared to take the appropriate level of risk. We call upon the Government to clarify how the MoD assesses risk in its procurement practices. (Paragraph 365)

Defence Equipment and Support (DE&S) applies a risk-based approach for approvals, utilising a risk and complexity measure in the approval of its projects. This tailors the specific requirements for approval based on the level of associated risk and the complexity of the procurement. This takes into account that some projects, such as repeat acquisitions, may have a relatively high value, but low complexity, this tailoring allows greater flexibility. This approach also applies to new and emerging technologies seeking an investment decision.

In addition, in terms of project artefacts, data and engineering activities are also similarly tailored using the Guide to Engineering Activities and Review for engineering and the Project Controls/Industrial Tailoring Guide which were developed by DE&S.

59: The Committee recognises the challenges posed by the rewards system within the Ministry of Defence and the Armed Forces, where promotion often means a need to rotate to a different area of responsibilities. (Paragraph 366)

The MOD employs service personnel in the Armed Forces and civilian staff in the Civil Service. While working closely together, the structures and systems for these are separate and must be considered individually.

The MOD's reward and grading structures are governed in accordance with Cabinet Office Civil Service pay policy and the Civil Service commission which regulates recruitment and promotion policies of the Civil Service. Civilian posts are graded appropriate to the role and duties undertaken, rather than the skills, capabilities or earnings desire of a given incumbent. Promotions are governed by the rules of the civil service commission and must be subject to fair and open competition.

Employees have opportunity to obtain promotion within the same area where a higher graded role becomes vacant, or subject to a re-evaluation of their existing duties and advertisement of a new, higher graded role. In some instances, employees may choose to seek promotion opportunities wider than their immediate business area, linked to personal and/or professional development and a desire to broaden skills and knowledge.

The MOD recognises that the Armed Forces' reward and incentivisation system must be sufficiently agile to deal with demands that are likely to become more varied and complex in coming years. This was recognised in the DCP in March 2021 and is why the Secretary of State appointed Rick Haythornthwaite to chair a review of Armed Forces Incentivisation last year. He is due to report this Spring. The Review is taking a long-term, evidence-based approach to its analysis of the incentivisation system required to enable the Integrated Operating Concept (IOpC), guided by a Chair with a strong track record of developing and implementing change in pay and reward systems across multiple sectors worldwide.

Given that the Review is independent and is still in progress it would be inappropriate to comment on potential recommendations before the Chair has concluded his report and it has been submitted to the Secretary of State for his consideration.

60: The Committee recommends a reform of the Government's reward system, especially for MoD project managers working on long-term defence procurement programmes, both with legacy and start-up companies. Officials should be able to receive promotion while doing the same jobs or receive a pay rise. Losing institutional memory as a result of antiquated HR processes can be detrimental to the process of translating ideas into defence capabilities. (Paragraph 367)

The MOD is a central Government department, and its reward and grading structures are governed in accordance with Cabinet Office Civil Service pay policy. Cabinet Office pay policy requires the removal by departments of automatic pay progression, and therefore all pay and reward structures are governed by the Cabinet Office's annual pay remit guidance with which the MOD is fully compliant. Cabinet Office pay policy has been restricted since 2010, including three years of pay freezes between 2011-2013 and in 2021 for Civil Servants.

The MOD undertakes an annual Pay Award process within the limitations of the Cabinet Office pay remit guidance which considers the progression and pay requirements of staff within the department as a whole. As addressed in our response above, promotions are governed under the terms of the Civil Service

Commission and subject to fair and open competition requirements, based on the duties of a role and not the remuneration of an incumbent.

61: The Committee acknowledges the unprecedented pressure on the wider British defence enterprise created by Russia's invasion of Ukraine and welcomes assurances that the defence industry has responded well. The Ukraine war has illustrated the rapid exhaustion of stocks of munitions and key assets in the context of conventional warfare. Our witnesses confirmed that just-in-time supply chain responses to these resource shortages cannot meet the challenge. (Paragraph 368); and,

62: Given the renewed focus on conventional capabilities, it is essential that the MoD urgently remodels its supply options. Without such a response our forces remain without any depth in terms of response to conventional threats, whether to the UK or to our friends and allies. For example, restocking of the most in-demand munitions, like NLAW anti-tank weapons, should be accelerated as soon as possible. (Paragraph 369)

The MOD recognises that, to meet a range of global challenges and disruptions, a clear vision of the future is required if Defence is to make its Supply Chains more agile and resilient by design. That is why Defence published its first ever Supply Chain Strategy in November 2022.

Through strong engagement, Defence has undertaken a range of activities to mutually reinforce initiatives to map out potential supply chain collaborative activity, address common vulnerabilities and find the potential investment opportunities. These have included the instigation of an extensive MOD-wide Supply Chain Resilience Programme, which aims to prioritise the mapping of our most critical supply chains to ensure the impact on the delivery of Defence outputs is minimised, and working with our industry partners to understand, map and mitigate where appropriate common critical components and materials.

We are also participating in cross Government and international work via NATO, the National Technology and Industrial Base (NTIB) and the Australia-United Kingdom Defence Industry Dialogue (AUKDID) to share intelligence and understanding of our most critical supply chains. This allows us to better understand vulnerabilities, exposure and the strategic mitigations required, including the potential for onshoring certain key defence capabilities.

To get weapons to Ukraine in a timely manner we have rapidly and effectively adapted our procurement processes in a way which reflects the urgency of the situation. We have prioritised a more holistic munitions mix over a determination to always replace like for like. We have shown that this can be done, and we are translating these efforts to further munitions procurement. To take this forward, a replenishment team has been established in the newly formed Operations Directorate in the Defence Equipment and Support organisation.

A number of substantial contracts have already been placed to directly replenish UK stockpiles of equipment and munitions granted to Ukraine. These include the replenishment of Next Generation Light Anti-Tank Weapons (NLAWs). Starstreak

High Velocity Missile and Lightweight Multirole Missile. The NLAW contract with Saab which was announced by the Secretary of State on 7 December 2022, is for several thousand units which will be delivered to the UK between 2024-2026. This is in addition to around 500 units that are already due to be delivered in 2023 through a separate procurement.

63: *The lack of industrial capacity, exposed by the conflict in Ukraine, means that the UK does not have the necessary resilience. The Committee believes that industrial capacity will only be sufficient if the people who are investing in those industries see a short-term and a long-term return on their investment. (Paragraph 370)*

As set out in the DSIS, the MOD recognises that it can help industry by being as transparent as possible about future requirements, giving industry visibility of future programmes and more confidence to plan and invest for the future. The MOD has published its future pipeline of work through the Equipment Plan, Defence Capability Framework, Acquisition Pipelines, and sector strategies such as the National Shipbuilding Strategy and the Land Industrial Strategy.

The approach set out in the DSIS means the defence industry is better able to meet UK military requirements while providing operational independence where it is most needed. It allows UK companies to build on strengths and succeed in global export markets, fostering a virtuous circle which is achieving economies of scale while encouraging investment in R&D.

Events since the DSIS was published and the UK's response to the Russian invasion of Ukraine have reinforced the key themes of the DSIS - the need to consider industry as a capability in its own right, and closer and earlier dialogue with industry. We will review the DSIS alongside the update to the IR and DCP and will decide as part of that process whether a new publication is warranted.

64: *The Committee agrees with the assessment that the defence industry should be treated as a strategic asset in its own right and expects that the Government will treat it as such. (Paragraph 371)*

We welcome the Committee's agreement. As indicated above, the DSIS states that "the defence and security industries are a strategic capability in their own right" and they are treated as such.