



House of Commons
Scottish Affairs Committee

Defence in Scotland: military shipbuilding: Government Response to the Committee's Fourth Report of Session 2022–23

**Fifth Special Report of
Session 2022–23**

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The Scottish Affairs Committee

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Fifth Special Report

The Scottish Affairs Committee published its Fourth Report of Session 2022-23, Defence in Scotland: military shipbuilding (HC 1096) on 27 January 2023. The Government response was received on 23 March 2023 and is appended below.

The Committee's conclusions are shown in bold, and the recommendations are shown in italics.

Appendix: Government Response

National Shipbuilding Strategy

1. The UK Government's approach to procuring warships has shifted in recent years, and it is no longer the default position that warships will be designed and built fully in the UK, which was of concern to some in the Scottish military shipbuilding sector. (Paragraph 17)

1: The MOD disagrees with the Committee's first conclusion. The Defence and Security Industrial Strategy (DSIS) moved the MOD away from the policy of 'global competition by default' and set out that the procurement approach for each class of ship would be determined on a case-by-case basis, including for both warships and non-warships. This approach has created more flexibility in the MOD's acquisition strategies and considers a broader range of factors, including the long-term industrial impact. Where appropriate, the Shipbuilding Tsar is also committed to making best use of National Security exemptions and will seek to maximise UK content wherever possible.

2. If bids from Scottish yards are to be fairly compared with those of their international competitors, this process should be based on a full analysis of their respective benefits, including the benefits to the local economy and in additional tax revenue collected in the UK. However, it is not clear how the UK Government assesses the benefits that procuring military ships domestically delivers for the wider economy. It is important these benefits are properly understood so they can inform future decisions about where naval ships are to be built. (Paragraph 18)

3. In its response to this report, the UK Government should set out what work it did, in preparing the National Shipbuilding Strategy Refresh, to estimate and measure the benefits of procuring ships domestically for the Scottish economy and the wider UK economy, and the revenue generated for the Scottish Government and HM Treasury. The response should also set out what conclusions were drawn from this work. (Paragraph 19)

2 & 3: The Government seeks to account for the wider benefits from shipbuilding procurement programmes through the application of the Social Value model. Specific criteria will vary for each programme, but alongside delivering the capability to time, cost and specification, we value themes such as incentivising investment, tackling economic inequality and supporting local communities.

Additionally, the National Shipbuilding Office (NSO) and the MOD have undertaken a series of regional assessments to better understand the economic footprint of the UK shipbuilding industry, which in turn has helped inform the Government's knowledge of the economic impacts of building military vessels domestically. Since its establishment, the NSO has also worked with MOD procurement teams to ensure economic benefits are considered whilst determining the procurement approach for each class of naval ship.

Lastly, His Majesty's Treasury is responsible for determining how much revenue it wishes to raise through taxation and borrowing. This is done separately from, and in advance of, individual departmental spending decisions. Departments are then funded to maximise social welfare for the Government. Nonetheless, the MOD recognises that BAE Systems and Babcock are major employers in Scotland and therefore contribute significant value at both regional and national levels.

4. The decision to award the Fleet Solid Support (FSS) ships to the international consortium Team Resolute is an example of a shift in the UK Government's approach to warship procurement. We note that the UK Government chose the Team Resolute bid over a Team UK bid that would reportedly have supported more jobs in the UK, and Scotland in particular. The UK Government's decision appears to prioritise short-term savings over longer term economic gains for Scotland and the rest of the UK. Witnesses told us that the FSS decision would be a test of the new National Shipbuilding Strategy. (Paragraph 24)

5. The UK Government should set out its reasoning for selecting Team Resolute as the preferred bidder for building the new order of Fleet Solid Support ships. Specifically, it should confirm whether the bid from Team Resolute offered the lowest price to the UK Government of the bids submitted. (Paragraph 25)

6. The Secretary of State told us that Team UK's bid for the Fleet Solid Support contract was "non-compliant" with the terms of the competition but did not give further details. We would welcome further information to help understand the Government's reasoning. (Paragraph 26)

4, 5 & 6: The decision to award the Fleet Solid Support ship contract to Team Resolute did not prioritise short-term savings over the economic interests of any part of the United Kingdom. Scottish shipyards are presently building the Type 26 and Type 31 frigates, and this work will continue until the mid-2030s and around 2028 respectively. Both Harland & Wolff and BMT, who along with Navantia UK make up the Team Resolute consortium, have sites in Northern Ireland, Scotland and England.

As a matter of long-standing policy, the MOD does not disclose details of the losing bids in commercial competitions as to do so would be prejudicial to the commercial interests of the bidders concerned. For this reason, it is not possible to provide further detail as to why the Team UK bid was non-compliant. The decision to award the Fleet Solid Support ship contract to Team Resolute was as a result of a fair and open competition. The outcome supports the objectives of the National Shipbuilding Strategy (NSbS) Refresh through significant capital investment in the UK.

Of the bids received by the MOD, the Team Resolute bid is the best outcome for Defence and the UK shipbuilding industry. The FSS contract will deliver capable solid support to the aircraft carriers and the investment it brings will leverage the UK's position in the global market for both shipbuilding and equipment and systems, improving competitiveness and the UK's supply chain access to the international market.

7. *In its response to this report, the UK Government should confirm on what date it determined that Team UK's bid for the Fleet Solid Support ships contract was noncompliant with the terms of the competition, what work was done to resolve the compliance issues identified, and on what date the decision to select a preferred bidder was made. (Paragraph 27)*

7: The rules under which the Fleet Solid Support competition was conducted and the criteria against which the bids would be evaluated were made very clear to all bidders in the Invitation to Negotiate at the start of the competition. There was deep engagement with the MOD over a ten-month period, allowing bidders to clarify and receive feedback on evolving bid proposals, and refine their bids. Therefore, if a bidder submitted a non-compliant bid, the decision to do so would have been made consciously, in full knowledge of the evaluation criteria. The process for selecting a preferred bidder was set out in the Invitation to Negotiate. Team Resolute was informed on 10 November 2022 that the MOD intended to appoint it as the preferred bidder, and it was formally appointed on 15 November 2022.

8. **The export of the Type 26 and Type 31 design licences is a great success story for the Scottish shipbuilding industry, and we are confident that further exports will follow. At the same time, export opportunities cannot be depended upon to provide consistent work for the Scottish military shipbuilding industry in the same way as demand from the Royal Navy. (Paragraph 31)**

9. *The role of exports of military ships/design licences in the National Shipbuilding Strategy should be to supplement, and not to replace, domestic demand. The UK Government should be prepared to use shipbuilding contracts strategically to sustain shipbuilding capacity in Scotland in circumstances where the export environment is more challenging than at present. (Paragraph 32)*

8 & 9: The MOD are pleased that the Committee recognises the successes of the export of the Global Combat Ship. BAE Systems estimates these export wins will create or sustain 5,000 export-led jobs in the UK and will enable c.£6 billion of potential export contracts to flow to UK suppliers. The Type 31 has also seen exports success with the Arrowhead 140 design being selected by Indonesia and Poland. The Department for Business and Trade are also working closely with BAE Systems and Babcock on several other export opportunities for the Global Combat Ship and Arrowhead 140. This export success reflects the strength of these designs in the global market. The NSbS Refresh recognises the role that exports have in growing the overall shipbuilding enterprise and bolstering domestic demand. When coupled with the 30 Year Cross-Government Shipbuilding Pipeline, they provide a framework within which industry can plan and invest for the future.

10. The creation of the National Shipbuilding Office is a welcome development that can bring greater coherence to shipbuilding planning. At the same time, we note that the NSO does not have formal powers and will therefore rely on its ability to manage and influence stakeholders. (Paragraph 37)

11. The UK Government should carry out and lay before Parliament a formal evaluation of the contribution of the National Shipbuilding Office after two years, and again after five and ten years, to assess whether it has succeeded in driving better strategic decision-making in shipbuilding. As part of this review, the UK Government should specifically consider the question of, and publish conclusions on, whether the National Shipbuilding Office has sufficient powers to achieve its aims and whether it is able to gather adequate data on the military shipbuilding industry. (Paragraph 38)

10 & 11: The NSO is a strategic organisation, with a mandate to oversee all of the Government's shipbuilding interests. The NSO works with Departments to optimise their shipbuilding requirements, the approach to delivery, and procurement to best deliver on the UK's NSbS. It also works with policy teams across Government to address the enablers to overall competitiveness, including skills development and research and development funding. The NSO is gathering the required data to monitor and assure the delivery of the Refresh.

The NSO reports to the Secretary of State for Defence, who in his role as Shipbuilding Tsar has the ability to hold other Ministers to account in support of the delivery of the NSbS. The NSO is suitably empowered to provide strategic oversight of all Government activity across the shipbuilding enterprise and is committed to demonstrating accountability and value publicly where possible. This includes the publication of the NSO Corporate Plan (2022–25) on the GOV.uk website, which can be found here: <https://www.gov.uk/government/groups/national-shipbuilding-office#nso-corporate-plan>

12. The establishment of a National Shipbuilding Office hub in Edinburgh provides a welcome link to Scottish shipbuilders. (Paragraph 39)

13. To enhance its relationships with the Scottish shipbuilding sector, the National Shipbuilding Office should, by the end of 2023, establish a permanent staff presence in its Edinburgh hub, as the MoD and NSO have indicated. (Paragraph 40)

12 & 13: The Department are pleased that the committee recognises the importance of the NSO's physical presence in Scotland. Having signed a lease for a base in Queen Elizabeth House last year, this site in Edinburgh will be used by the NSO to host its staff, support visits and engagement with both the Scottish shipbuilding enterprise and Scottish Government. The NSO has also made the space available for other Departments involved in delivery of the NSbS.

The NSO currently advertise all its job vacancies to be based from either its Edinburgh or London offices and very much welcome any Scottish based applicants to apply for these roles.

The shipbuilding pipeline

14. We wish to underline the importance to Scottish shipyards of maintaining a dependable 'drumbeat' of orders to allow them to invest and grow. The days of 'feast and famine' must not return. The creation of the National Shipbuilding Strategy suggests that the UK Government appreciates the importance of this point. However, there remains some uncertainty about the pipeline in the 2030s and 2040s, such as the basis on which the Type 45 destroyers will be replaced. The Scottish shipbuilding industry should not be given cause to doubt that it will have a consistent order book in the future, so long as it continues to deliver on its commitments to its Government customers. (Paragraph 51)

15. *The UK Government should provide greater clarity about the work that will fill the whole of the 30-year shipbuilding pipeline into the 2030s and 2040s. It is of course difficult to calculate precise military needs beyond 2050. However, the UK Government should give Scottish shipbuilders the confidence to continue to invest in the future with a clear commitment that it will strategically use its contracts to sustain the national capacity to design and build warships in Scotland, so long as industry continues to deliver on its own contractual commitments.* (Paragraph 52)

16. Recent developments have introduced uncertainty about some orders in the pipeline and whether it sets out a clear 'drumbeat' of orders needed to sustain Scottish shipyards. The Fleet Solid Support Ships and the National Flagship are two examples. There has been some media speculation about the Type 32s, although the UK Government have stated: "The strategic and long-term investments continue to be on track and will increase the capability and size of the fleet." (Paragraph 53)

14, 15 & 16: The MOD fully recognises the importance of maintaining a regular drumbeat of orders across the Shipbuilding industry. The NSbS is clear that we do not want a return to the "boom and bust" cycles of historic Naval demand, but to provide a more sustainable demand signal from Government as a whole, providing the certainty required by industry.

The 30-year cross-Government Shipbuilding Pipeline of over 150 new vessels aims to do just that. It sets out a huge range of opportunities for UK shipyards and the variety of vessels creates a baseline of volume to encourage industry investment in facilities, infrastructure, innovation and skills. As the pipeline spans a 30-year period, it is subject to change and the details of shipbuilding programmes in the later decades will come with time. Nonetheless, the NSO has committed to updating the shipbuilding pipeline at each multi-year Spending Review to ensure industry has a transparent pipeline of work to plan against.

As the committee have noted, Scotland plays a vital role in defence shipbuilding with both Type 26 and Type 31 being built in Scotland. This is enabled by the strength of the local maritime infrastructure, skills, training and academic resources, which creates expertise in both naval and civil shipbuilding and engineering.

The recent announcement of the Type 26 Batch 2 contract with BAE Systems reaffirmed the UK Government's commitment to shipbuilding in Scotland, which will protect over 1,700 jobs in Scotland and more than 4,000 jobs across the wider UK maritime supply chain into the 2030's.

The Royal Navy's Type 31 vessels are being built by Babcock in Rosyth. New facilities and upgrades to existing site infrastructure are being delivered at the shipyard. The New Assembly Hall has cost £31.5 million, which is part of a £60 million investment in Rosyth, in addition to the circa £100 million invested over the last decade. At its height, Babcock has said the programme will employ a workforce of around 1,250 highly-skilled roles in multiple locations throughout the UK, with around 150 new technical apprenticeships to be created. Babcock also envisage that the Design and Build of T31 will support a further 1,250 roles within the wider UK supply chain, including with small and medium enterprises.

The Type 83 destroyer will replace the Type 45 destroyers and will be a key part of the Future Air Dominance System (FADS) that will provide area air defence and offensive strike options to the Carrier Strike Group from the mid-2030s. The department will continue to work with industry and will engage at the earliest opportunity to communicate the chosen procurement strategy.

Turning to the Type 32 Frigate programme, this remains a key part of the future fleet. Work continues to ensure the programme is affordable in order to deliver the ships the Royal Navy and Marines need. These ships will be UK-built, with the procurement route yet to be determined.

17. In its response to this report, and in its annual shipbuilding update to the Defence Select Committee, the UK Government should provide an update on the current status of the military shipbuilding pipeline for Scottish naval yards. In particular, it should confirm whether the MOD still intends to order the Type 32 frigates as set out in the National Shipbuilding Strategy Refresh, and whether the timeline for the Type 32s has changed as a result of concerns about the affordability of the initial plans. The MOD should also set out whether the cancellation of the National Flagship has created a gap in the pipeline, and if so how this gap will be filled. (Paragraph 54)

17: It is absolutely the intention of the Royal Navy to have more frigates and destroyers. The T32 programme is currently in concept phase, after which the procurement strategy will be decided.

In addition to this, you will be aware of the Type 31 (T31) Frigates under construction at Rosyth. This contract was awarded to Babcock after a genuinely competitive process, which will see all five ships delivered by the end of 2028 at an average production cost of £250 million each.

The suspension of the National Flagship has not created a gap in the pipeline. The decision was made to stop the programme in order to bring forward the Multi Role Ocean Surveillance (MROS) ships. Evolving threats demand that the MOD bring forward MROS ships that are critical to our underwater capabilities, including ensuring we have a capability to protect our undersea cables. It is right that Defence puts its focus on delivering capabilities which safeguard our national infrastructure.

18. The award of the contract to build five additional Type 26 frigates to BAE Systems is welcome news for Scottish shipbuilding, and importantly continues the shipbuilding 'drumbeat' into the medium-term. We note that, partly as a consequence of global challenges, the first batch of Type 26 vessels has faced delays and increased costs. (Paragraph 58)

18: The importance of maintaining the shipbuilding 'drumbeat' in respect of the Type 26 frigates is fully appreciated and it was for this reason that the contract for the second batch of Type 26 ships was awarded well before construction of the first batch has completed.

As confirmed by the Secretary of State for Defence in a Written Ministerial Statement on 2 November 2022 it is regrettably the case that, for a number of complex reasons including global challenges, the Initial Operating Capability date of the first Type 26, HMS Glasgow, will be a year later than anticipated and that this delay carries with it an additional cost. Work is already underway to increase productivity and improve on the revised forecast Initial Operating Capability date. In addition, an investment in a new Shipbuilding Hall to build ships undercover and to further improve build efficiency is in progress. BAE Systems are also working closely with DE&S and the Royal Navy to streamline the trials, testing and acceptance into service plans.

19. *Given the ongoing global uncertainties we ask the UK Government to provide annual updates on the construction of the Type 26 vessels to both Houses of Parliament. We note that the Defence Select Committee has made a similar recommendation, but that the Ministry of Defence has not yet provided such an update.* (Paragraph 59)

19: The MOD welcomes the committee's interest in the construction of Type 26 and will consider its request when providing updates to Parliament on key Defence programmes.

20. The decision to select Team Resolute bid as the preferred bidder for the upcoming order of Fleet Solid Support ships could create a potential gap in the workstream for the Scottish warship industry. (Paragraph 62)

20: The MOD does not agree that the decision to award the Fleet Solid Support contract to Team Resolute creates a potential gap in the workstream for the Scottish warship industry. Construction of the Fleet Solid Support ships will begin in 2025 with all three ships entering service by 2032. Construction of the Type 31 frigates will continue until 2028 with the final ship entering service in 2030, while construction of the Type 26 frigates is expected to continue into the mid-2030s. To have delayed the build of the Fleet Solid Support ships until after the completion of either Type 26 or Type 31 would have placed at risk the vital capability provided by the Fleet Solid Support ships in support of Carrier Strike.

21. *In its response, the UK Government should set out how much capacity it expects to now be available in the Scottish warship industry in each of the years between 2025–2032 as a result of the decision to select Team Resolute rather than Team UK as the preferred bidder for the latest order of Fleet Solid Support ships. It should also set out what work could potentially make use of that capacity in the absence of the FSS.* (Paragraph 63)

21: The Fleet Solid Support contract will still provide opportunities for Scotland in Harland and Wolff's Methil and Arnish sites. Furthermore, between the 13 Frigates in build at BAE Systems on the Clyde and Babcock in Rosyth, the vast Government shipbuilding pipeline and export prospects, there will be ample opportunity for Scottish naval shipyards to fill their order books over the next decade.

Nonetheless, the NSO recognises that key to delivering this Government's vision for UK shipbuilding is to better understand the opportunities and pressures across the sector.

Scottish SMEs and shipbuilding supply chains

22. We note that the MOD did not agree with the concerns expressed by Scottish SMEs during our Defence in Scotland: military landscape inquiry about the difficulties they experienced engaging with the Ministry. The steps the UK Government outlined in its response to our report are encouraging; however, we believe the Government is missing an opportunity by not doing more to encourage innovation and collaboration by supporting SME clusters around Scotland's shipyards. (Paragraph 69)

23. The Ministry of Defence should, in line with its commitments in the National Shipbuilding Strategy and the UK Government's commitments in Maritime 2050, work specifically to develop shipbuilding clusters in Scotland. In responding to this report, the UK Government should update us on what it has already done to support the growth of the Scottish Maritime Cluster as was promised in the Maritime 2050 strategy in 2019. To support the growth of these clusters the MOD needs to address barriers to Scottish SMEs working with the Ministry. (Paragraph 70)

22 & 23: The MOD published the SME Action Plan in 2022 which outlines the commitments being made to increasing and supporting opportunities for Small and Medium Enterprises (SMEs). It recognises that SMEs are at the heart of the vibrant and flexible UK defence industry, supporting a wide variety of high-quality jobs across the UK.

The SME Action Plan, sets out how the MOD will further improve the engagement the MOD have with SMEs, focusing on procurement models that are easier to navigate, a recognition of the role the MOD and its major suppliers play in supporting the whole of the defence supply chain, and understanding how best to support innovation and exports for UK suppliers.

The MOD also supports the Defence Suppliers Portal which offers SMEs access to view contracting opportunities as both prime contractors and sub-contractors. With the Defence Suppliers Forum SME forum, a number of SMEs and trade bodies collaborate to best inform the MOD how to support SMEs within this area. Through this forum, SME champions have been established within the range of Strategic Suppliers to encourage contracting with SMEs.

As part of the overall engagement strategy, the MOD have found digital outreach (including targeted webinars) an effective platform to reach smaller business. Recent outreach activity includes presentations delivered for the Scottish Supplier Development Programme (SDP) at their virtual "Meet the buyer" events. SDP are also part of our trade association network who receive our industry communications for wider dissemination to their membership.

With these initiatives, alongside the target to achieve 25% of Defence spend with SMEs to be met this year, the MOD are making in-roads into making it easier for SMEs to do business with Defence.

The Department for Transport is the lead Government Department for the Regional Maritime Cluster Development Programme, including the Scottish Maritime Cluster, and they are committed to working together to delivering their shared ambitions.

24. *The Ministry of Defence should report back to us at the end of the financial year to confirm whether it met its target of spending 25 per cent of its procurement spend with SMEs. In addition, it should provide an update on what proportion of its spend with SMEs is spent with Scottish SMEs. (Paragraph 71)*

24: The MOD had a stretching but achievable target that 25% of its procurement spend going directly and indirectly to SMEs by the end of 2022, and the Department expects Scottish SMEs played a significant role in the aim to achieve this target. The figures for Financial Year 2021/22 are currently being gathered and will be published on Gov.uk in as part of the annual data on central government SME spend.

Regional statistics for Financial Year 2021/22 have recently been published and confirm that £67M went directly to Scottish SMEs in that year, representing 7% of our total direct SME spend. This is in line with the Financial Year 2019/20 figure and broadly reflects the proportion of the Department's spend with Scottish suppliers, which is around 9.5% of the MOD's total spend with industry. It is also worth noting that direct spend only accounts for a small proportion of our overall spend with SMEs in the defence supply chain. Three quarters of the MOD's spend with UK SMEs occurs within the supply chain of prime contractors. The true contribution of Scottish SMEs to UK defence will therefore be substantially greater than the direct spend figures alone suggest.

25. **We heard that including a social value component in shipbuilding contracts can help deliver benefits for the wider economy and in shipbuilding communities. However, there are challenges in measuring how effectively those commitments are being delivered on. (Paragraph 74)**

25: Both the NSO and the MOD are committed to ensuring that social value commitments through Government shipbuilding procurements and investments are delivered. Under the Cabinet Office Social Value Model, the contracting authority is also mandated to assess the supplier's performance. This includes monitoring and recording any social value commitments made by the supplier for the entirety of the contract lifespan.

26. *The MOD should set out how it evaluates social value in competitions, how it measures the delivery of social value in the contracts it negotiates, and how it holds contractors accountable to ensure they meet those targets. It should also, as contracts progress, track the delivery of social value and challenge contractors where targets are in danger of being missed. We encourage the Scottish Government to provide any assistance it can in measuring and monitoring social value of these contracts to local authority areas and economies. (Paragraph 75)*

26: The MOD uses the Cabinet Office Social Value Model as the framework for applying Social Value to its competitive procurements. The MOD measures the delivery of social value in its contracts in the following ways:

- (1) By using the standard reporting metrics where appropriate, set out in the Cabinet Office Social Value Model;
- (2) Via contract specific metrics, specific to the Social Value being delivered and agreed prior to Contract Award; and

- (3) Through a Social Value Key Performance Indicator for Category A procurements, which are published quarterly in accordance with the Cabinet Office Transparency obligations.

Performance of Social Value is managed in the same way as any other contractual obligation. Contracts will include appropriate reporting obligations and performance management terms and conditions to hold Contractors to account, including Performance and Key Performance Indicators with associated remedies for under performance. Supplier performance issues, Social Value or otherwise, would be subject to normal escalation within the Department. In addition to the contract and internal departmental supplier management, the MOD has a formal framework for managing the relationship with its largest suppliers, including oversight of a supplier's performance at a multi-contract or portfolio level. If a supplier was found to have issues with social value performance across a range of contracts, it is anticipated that this route would be taken to ensure appropriate discussion and corrective action.

27. We heard that historically the Ministry of Defence's understanding of shipbuilding supply chains had been a vulnerability. The Secretary of State told us this had subsequently improved. The new Defence Supply Chain Strategy's emphasis on building resilience in supply chains is welcome, and improving understanding of supply chains further will help to achieve this aim. (Paragraph 78)

28. The Ministry of Defence should publish data on the composition of shipbuilding supply chains, to assist understanding of how the UK shipbuilding industry is structured. This should include regional breakdowns so that the extent of local supply chains and industry clusters can be better understood by Government and industry. (Paragraph 79)

27 & 28: Our critical supply chains, including those used within shipbuilding, depend on a diverse range of global trading partners to ensure a continuing flow of essential items and to avoid shortages. As the Committee has noted, the MOD operates a series of initiatives to improve our understanding of our supply chains, as well as identify and address any vulnerabilities. These include an extensive MOD-wide Supply Chain Resilience Programme, which aims to prioritise the mapping of our most critical supply chains, such as those used within the Type 26 Frigate programme, to ensure any impact on the delivery of Defence outputs is minimised.

The MOD have also sought to improve the quality of the mapping data received from our suppliers by introducing a new Defence Condition (DEFCON) in all new contracts over a certain value threshold. This requires contractors provide the Department with their supply chain maps down to Tier 4 of the supply chain.

The Department are also working with our industry partners to understand, map and, where appropriate mitigate common critical components and materials. This activity supports the assessment of risks and potential strategic mitigations in the end-to-end supply chain for these defence technologies.

29. We heard evidence that the MOD and the Scottish Government could both have a better understanding of the skills profile of the shipbuilding workforce. This makes workforce planning for a highly advanced sector like military shipbuilding more challenging. (Paragraph 87)

30. *Building on the work of the UK Shipbuilding Skills Taskforce, the Ministry of Defence should commission regular research to develop and keep up to date its understanding of the current and future skills profile of the shipbuilding workforce, and the skills needed by the shipbuilding sector. Given education and skills are devolved matters, we equally encourage the Scottish Government to develop its understanding of the skills profile required in the shipbuilding sector. This will help both Governments, education sectors and the shipbuilding industry to anticipate and respond to the needs of Scottish yards.* (Paragraph 88)

29 & 30: The UK Shipbuilding Skills Taskforce (UKSST) seeks to address this challenge by collaborating across Government, the Devolved Administrations, industry and training providers to develop and implement a future-focussed skills strategy. The UKSST includes representatives from both Skills Development Scotland and Scottish industry. The UKSST is overseen by the Department for Education (DfE), with close support from the NSO.

The UKSST will work to build a picture of industry's skills needs and provide solutions to skills shortages, particularly those relating to new and emerging technologies. It intends to publish a report of recommended actions in autumn 2023 in pursuit of the policy goals outlined in the NSbS Refresh, principally to reduce skills shortfalls and to increase reported improvements in the quality and availability of skills.

Skills in Scottish shipbuilding

31. **The creation of the UK Shipbuilding Skills Taskforce shows a welcome recognition of the importance of long-term workforce planning in shipbuilding. This kind of planning is essential if Scottish yards are to have the highly-skilled workers they need to thrive in the future. We look forward to the publication of the Taskforce's report in September 2023.** (Paragraph 93)

32. *We invite the UK Shipbuilding Taskforce, together with UK Government Ministers, to give oral evidence to the Committee when the UKSST's report is published in autumn 2023, so that its findings can be discussed further and priorities identified to ensure Scottish shipyards have the skills they need.* (Paragraph 94)

31 & 32: One of the most critical enablers of a thriving UK shipbuilding enterprise will be a highly skilled and motivated workforce. The NSO therefore wholeheartedly agrees that the workforce planning being undertaken by the UKSST will be essential. Additionally, the 30 Year Cross-Government shipbuilding pipeline set out in the NSbS Refresh seeks to provide industry with increased transparency to plan and manage its workforce, and to encourage investment in skills over the long term.

Specific to workforce planning for Scottish shipyards, the NSO also recognise the shared ambitions between the work of the UKSST and Scotland's National Strategy for Economic Transformation (NSET). NSET seeks to provide the skills for modern advanced manufacturing: namely, to shape skills provision to meet industry needs, and to support and incentivise industry to invest in skills and training so that they have a talented pool of people from which they can draw.

The Chair of the UKSST, with support from Government, would be pleased to meet with the Committee following publication of its report.

33. We wish to underline that the additional complexity of building warships demands highly specialised skills and knowledge, and that these will need to be updated and refreshed as warship design and manufacture evolves. (Paragraph 95)

34. The UK Shipbuilding Skills Taskforce's report should identify the skills demands of the warship industry specifically, as well as steps that can be taken to meet those needs. (Paragraph 96)

33 & 34: The scope of the UKSST aligns with the NSbS Refresh and it will therefore consider the skills requirements and know-how for the entirety of the shipbuilding enterprise, including the warship, commercial, workboat and leisure market sectors, both in the short and long term. The UKSST will also consider the impact of technological innovation on these sectors, including naval shipbuilding, by progressing skills foresighting in key areas of technological advancements in order for the industry to better understand how they to respond to that technological change.

35. Skills policies will best support the shipbuilding industry if the UK and Scottish Governments' approaches complement each other. For this to happen, education policymakers in Scotland will need to be able to receive clear signals about the skills needs of the defence sector, and will need routes for working together with the UK Government and other devolved administrations to respond to those needs. (Paragraph 97)

36. The UK Shipbuilding Skills Taskforce should have a specific objective to encourage coordination between different jurisdictions in the UK, so that a common effort can be made towards supporting shipbuilding in Scotland and other parts of the UK. (Paragraph 98)

35 & 36: The UKSST, NSO and DfE welcome this signal from the Committee to work collaboratively to meet the skills needs of the sector through the existing education system. The UKSST recognises skills is a devolved issue and is committed to ensuring its recommendations work for England, Northern Ireland, Scotland and Wales. As noted above, that approach is reflected in its membership and the UKSST has worked closely with the Devolved Administrations from its inception to take account of regional differences in the needs and provision of skills for shipbuilding.

In terms of setting out a clear signal against which to plan the skills requirements for the defence sector in Scotland, the NSO has committed to providing transparency on future orders and a stable baseline of work through the 30 Year Cross-Government Shipbuilding Pipeline. This pipeline provides a clear demand signal to industry about the needs of the defence shipbuilding sector going forward.