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PERMANENT SECRETARY

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**Dame Meg Hillier**  
**Chair of the Committee of Public Accounts**  
*Sent electronically*

Dear Chair,

## **EQUIPMENT PLAN 2023-2033: HEARING FOLLOW UP QUESTIONS**

I am writing to follow up the oral evidence session held on 22 January 2024 where I agreed to provide further information on the impact on defence manufacturing of Tata Steel closing its Port Talbot site; what the latest Armed Forces Continuous Attitude Survey (AFCAS) told us about retention; and the challenges faced to recruit skilled manufacturing workers. I also agreed to provide the number of contracts the Department has with Fujitsu, their duration and their current value and I will write separately on that. I have also provided further detail on Infrastructure and Project Authority (IPA) Assessments of "Red" rated projects, in particular in relation to Future Combat Air System/Global Combat Air Programme (FCAS/GCAP).

### **Impact of the Port Talbot Closure on Defence Manufacturing**

The principal product manufactured at Port Talbot is hot-rolled coil, together with some cold-rolled coil. These types of steel are unspecialised and are used in the manufacture of car bodies, consumer white goods, packaging and similar products requiring thin steel sheet. The MOD has investigated with its suppliers whether the closure of the blast furnace plant at Port Talbot will have any impact on the supply of steel to defence. These investigations have produced no evidence that steel produced at Port Talbot is utilised in any defence application. The closure of the blast furnaces at Port Talbot is thus not expected to have any impact on the supply of steel to defence.

### **AFCAS Results**

The latest AFCAS (2023) is published on GOV.UK - [Armed Forces Continuous Attitude Survey: 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118444/Armed_Forces_Continuous_Attitude_Survey_2023_-_GOV.UK.pdf).

AFCAS 2023 shows that the top two factors identified by Service personnel as affecting their intentions to leave the Armed Forces are the impact on family and personal life (63%), and opportunities outside the service (59%). These may be considered retention negative factors and have been the top two issues for at least the last five years.

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The proportion of personnel citing pay as a factor affecting their intentions to leave has risen considerably in the last two years, up 17 percentage points since 2021 to 47%. This is its highest level since 2018.

The top two factors behind an intention to stay in the Armed Forces are job security (79%) and dental provision (70%). These may be considered retention positive factors and have been the top two factors impacting intentions to stay for at least the last five years. The AFCAS 2024 survey is underway. We are currently aiming to publish the results in Spring/Summer 2024.

### **Recruiting Skilled Manufacturing Workers and Industrial Strategy**

Ensuring the right mix of skills across the Defence sector is critical to creating and sustaining the sort of vibrant, innovative and competitive industrial base we want to have in the UK. A 2023 UK national skills gaps analysis<sup>1</sup> highlighted 1.29 million vacancies, with significant national shortages in engineering, digital and software skills that are critical to DE&S. The data shows that two thirds of UK businesses were unable to fulfil their workforce skills needs. In addition, the MOD-Industry Defence Suppliers Forum has identified that defence companies, both in the UK and internationally, have been losing staff to more highly paid roles in the automotive, aerospace, and digital sectors.

It is generally the responsibility of industry to develop and employ the skilled workforce they need to win and deliver Defence contracts. However, the Defence Command Paper Refresh (DCPR) identifies skills as a priority area over the next three years and communicate what action Defence is taking to develop its workforce over the next 10 years. This includes action to address our most critical skills shortfalls, particularly in digital, cyber-STEM subjects (Science, Technology, Engineering and Maths), nuclear and space. As we tackle these challenges, we will continue to work closely with partners elsewhere in Government, industry and academia to ensure that we are growing these skills nationally.

MOD is taking steps itself to secure the future industrial base. As identified in the Defence and Security Industrial Strategy (DSIS) and more recently the DCPR, MOD recognises that it can help industry by being as transparent as possible about future requirements. To this end, the Department publishes its future pipeline of work via the Equipment Plan, Defence Capability Framework, Acquisition Pipelines, and sector strategies such as the National Shipbuilding Strategy and the Land Industrial Strategy. This ensures that industry has visibility of future programmes and therefore more confidence to plan and invest for the future, including in their workforce.

The Defence Suppliers' Forum (DSF) is taking a collaborative approach across the defence enterprise to address sector-wide issues, including recruitment and retention challenges. In particular, the DSF People and Skills Working Group has launched activity to identify and address the skills gap within the UK Defence sector around STEM-related skills. There is ongoing engagement between Defence and academia to develop a

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<sup>1</sup> [Skills Gap Statistics UK 2023 | Oxford Learning College \(oxfordcollege.ac\)](https://www.oxfordcollege.ac.uk/skills-gap-statistics-uk-2023)

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sustained partnership based around a clear demand signal, enabling higher and further education to deliver the skills needed. The DSF is also working on a cross-Government basis to simplify and optimise graduate and apprenticeship application processes within the Defence environment to enhance the inflow of these critical skills.

We are engaged with the Engineering Council and with the Professional Engineering Institutes to enhance Defence's reputation as a lead employer for Professional Registration amongst the Engineers and Technicians of the UK. The Head of Profession for Defence Engineering is engaged with the DSF and DE&S to consider the career proposition for young technicians and engineers within the defence sector. The Defence Engineering Profession is also working alongside the Professional Engineering Institutes to further standardise the recognition of training and engineering skills.

The Defence Engineering Profession is progressing with STEM Outreach activities and promoting the established Defence STEM Undergraduate Sponsorship Scheme (DSUS), which sponsors c.180 degree students each year across the Armed Forces and the Civil Service. We are also working closely with the Armed Forces Recruitment Programme to ensure potential STEM applicants are captured and supported accordingly.

In parallel, the Department for Education (DfE), alongside the National Shipbuilding Office (NSO) and the UK Shipbuilding Skills Taskforce, is leading work with stakeholders across Government, the Devolved Administrations, industry and training providers to develop and implement a future-focused skills strategy for Defence and the broader shipbuilding enterprise. The Taskforce published its recommendations on 11 September 2023 in a report called "A Step Change in UK Shipbuilding Skills", and the Government will publish a formal response to this shortly.

A Nuclear Skills Taskforce (NSTF) has been established to address how the UK continues to build nuclear skills across its Defence and civilian workforces. Building on work already undertaken by MOD and the Department for Energy Security and Net Zero, the NSTF will develop a skills strategic plan to address the significant growth expected across a range of roles in the Defence and civil nuclear sectors in the coming years, supporting industry to build a long-term and sustainable pipeline of skills to meet our nuclear ambition. The NSTF's findings and recommendations will be published in due course.

### **IPA Assessments of "Red" Rated Projects (FCAS/GCAP)**

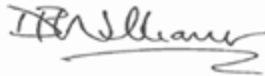
I wanted to elaborate on some of the points I made about defence major programmes with red delivery confidence assessments to emphasise that they reflect a judgement on the individual programme at a particular point in time. The latest IPA report to which Committee members and the panel referred in the hearing was published in the summer of last year and reflected judgements on project ratings as at 31 March 2023. As I said in the hearing, projects can and do improve over time: 6 projects rated as red in the 2022 report showed improved ratings in the 2023 report we discussed.

I was asked specifically how we had been able to sign the trilateral Treaty on GCAP with Italy and Japan in December if the programme was rated red. Through GCAP, we are working to deliver a next generation combat aircraft into service by 2035 with advanced

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sensors, weapons, and data systems providing a credible response to future threats. The landmark trilateral treaty signed in December 2023 established a GCAP International Government Organisation (GIGO) and agreed that the headquarters of the GIGO and the Joint Business Construct would be based in the UK. This is a significant milestone which required the alignment of all partnering allies' priorities and delivering the Treaty was by no means certain when the programme was "RAG-rated" in March. In other words the challenges in getting to a successful Treaty outcome was one of the risks reflected in that IPA rating and yet the team has managed to deliver on time.

Yours sincerely,

A handwritten signature in black ink, appearing to read "D Williams", with a horizontal line underneath.

**DAVID WILLIAMS**