

Scottish Affairs Committee

Securing Scotland's future: Defence skills and jobs

Second Report of Session 2026–27

HC 580

Scottish Affairs Committee

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Summary

1. Scotland has a world-leading defence sector and is well placed to benefit from increased UK and overseas government defence spending. Throughout our inquiry, we have examined how Scotland can maximise the opportunities presented by the Strategic Defence Review, Defence Industrial Strategy and Defence Investment Plan. We found that increased defence investment has the potential to create highly skilled jobs, strengthen supply chains and support economic growth across Scotland, including in rural communities. However, realising those benefits in Scotland will require the UK Government to provide greater certainty, stronger support for Small and Medium-sized Enterprises (SMEs), and sustained investment in skills. Whilst increased defence spending should present significant opportunities for Scotland, we heard concerns that current funding levels may be insufficient to deliver the ambitions set out in the Strategic Defence Review.
2. Skills shortages emerged as one of the most significant challenges facing the sector. Demand for apprenticeships and technical training is high, but we heard consistently that training provision is not keeping pace with future workforce needs. We welcome key initiatives to address these challenges, such as the Defence Growth Deal, the proposed Defence Technical Excellence Colleges and the Defence Universities Alliance. However, the UK and Scottish Governments must work together with greater urgency to expand skills provision and improve long-term workforce planning. We support the establishment of two Defence Technical Excellence Colleges in Scotland and urge the UK and Scottish Governments to work together to deliver them without delay.
3. We heard that Scottish SMEs face significant barriers to participating in defence supply chains, including complex procurement processes, high compliance costs and disproportionate levels of financial risk. We welcome the creation of the Defence Office for Small Business Growth, but it is too early to determine whether it will deliver meaningful improvements for Scottish firms. We call on the MOD to actively support SMEs in the defence sector by incentivising procurement practices that promote meaningful SME participation and growth within defence supply chains.
4. Finally, we heard that negative perceptions of the defence sector continue to affect recruitment and business sustainability. Some witnesses expressed a view that Scottish Government policies have also contributed to detrimental perceptions. Improving public understanding of the sector

and the opportunities it creates will be essential if Scotland is to develop the skilled workforce needed to support the UK's future defence ambitions. We are especially concerned by reports of defence businesses being denied access to banking services, which risks undermining investment and growth in the sector. The UK Government should take action to address this practice, which risks undermining SME growth, investment and the delivery of national security objectives. We also support efforts to launch a wider national conversation about defence and the role the sector plays in supporting jobs and innovation, as well as the UK's security.

5. Scotland has a significant opportunity to benefit from increased defence investment, but both Governments must now take the practical steps necessary to ensure that this opportunity is realised.

1 Introduction

6. Scotland is home to a world-leading defence sector, made up of a range of leading international companies operating across shipbuilding, aerospace, electronics, nuclear engineering, sensors, cyber and advanced manufacturing.¹ For example, BAE Systems, Leonardo, Boeing Defence UK, Babcock International, QinetiQ, Raytheon, Rolls-Royce and Thales all maintain a substantial presence in Scotland, working across shipbuilding on the Clyde and in Rosyth, the development of surveillance radar systems in Edinburgh, nuclear engineering expertise in Glasgow and supporting the RAF Typhoon and Poseidon fleets at RAF Lossiemouth.²
7. Supporting these major defence firms is a substantial network of smaller Scottish suppliers. In 2024, BAE Systems spent £550 million with more than 300 suppliers across Scotland, while Babcock spent £150 million with Scottish suppliers.³ Scotland's defence sector is also supported by a strong research base, with world-leading universities and research institutions advancing new technologies and capabilities, particularly in the maritime sector.⁴ These institutions are vital in supporting the long-term competitiveness of the defence sector, providing a bedrock of innovation, the creation of new start-ups and in developing future leaders in the defence sector.⁵
8. In response to an increasingly challenging and unstable international security environment the Ministry of Defence (MOD) has reoriented its planning towards warfighting readiness against potential peer adversaries.⁶ Russia's ongoing aggression in Europe and conflict in the Middle East have reinforced the need to strengthen the UK's defence capability and preparedness for future threats.⁷ Scotland is central to this effort, occupying a strategically important position in the North Atlantic and playing a critical role in the defence and security of the whole of the UK.⁸

1 Ministry of Defence ([SSF0013](#)); ADS Group ([SSF0005](#))

2 MOD, [UK Defence Footprint Making Defence an engine for growth](#), 20 October 2025

3 BAE Systems ([SSF0011](#)); Babcock ([SSF0007](#))

4 MOD, [UK Defence Footprint Making Defence an engine for growth](#), 20 October 2025

5 Letter from the Minister for Innovation, Technology and Tertiary Education, 17 July 2026; [Q47](#) [Professor Hopgood]

6 [Q180](#)

7 [Q141](#)

8 Ministry of Defence ([SSF0013](#))

9. As the UK Government faces growing pressure to invest in and enhance defence capability, we have examined the opportunities increased defence spending could create for Scotland's defence sector and its wider economy. We have considered how Scotland can maximise the benefits of this investment by creating highly skilled jobs, addressing skills shortages, strengthening Scottish SMEs and local supply chains, and supporting the delivery of the Defence Industrial Strategy. This inquiry follows on from work undertaken by our predecessor Committee, which conducted a three-part inquiry series into Defence in Scotland, concluding in July 2023.⁹
10. Defence, skills and jobs in Scotland sit across devolved and reserved policy responsibilities. Under the Scotland Act 1998, matters relating to defence and the armed forces are reserved to the UK Parliament.¹⁰ This includes defence policy, strategy, planning and intelligence, and plans for the maintenance of essential supplies and services in case of war.¹¹ However, education and skills provision, including in areas which are fundamental to a strong defence sector, is devolved.¹²

Our inquiry

11. Our inquiry spanned five public evidence sessions, in which we heard from witnesses across industry, education and the UK Government. We received 14 written submissions and hosted a private roundtable with Scottish SMEs in February 2025. The Committee visited BAE Systems in Glasgow and the MOD's Hebrides range on Benbecula, Western Isles, where we saw first-hand the contribution of defence industry employers to Scotland's skilled workforce and industrial base. We would like to thank everyone who contributed their time and expertise to this inquiry, including our Specialist Adviser, Air Vice-Marshal (Retired) Ross Paterson, for his invaluable support throughout this work.
12. We are grateful to Lord Robertson of Port Ellen and Luke Pollard MP, the Minister for Defence Readiness and Industry, for their oral evidence to the inquiry. References to evidence from or the policies or positions of the UK Government, relate to those of Sir Keir Starmer's Administration, unless otherwise stated. We also appreciate written evidence from the Scottish

9 Scottish Affairs Committee, First Report of Session 2022–23, [Defence in Scotland: military landscape](#), HC 82; Scottish Affairs Committee, Fourth Report of Session 2022–23, [Defence in Scotland: military shipbuilding](#), HC 1096; Scottish Affairs Committee, Seventh Report of Session 2022–23, [Defence in Scotland: the North Atlantic and the High North](#), HC 1576

10 [Scotland Act 1998](#)

11 [Scotland Act 1998](#)

12 [Scotland Act 1998](#)

Government, and the MOD's support in providing a private briefing at the outset of our work. However, we are disappointed at the MOD's slow response times to written correspondence.

2 Defence investment

Policy landscape

13. The Strategic Defence Review (SDR), published in June 2025, provided an overarching assessment of the threats facing the UK and the military capabilities, forces and reforms needed over the next decade and beyond.¹³ Since its publication the UK Government has assembled a framework of defence policies intended to deliver military capability, industrial capacity and economic growth. The implementation and major investment decisions to deliver the SDR's ambitions have been set out in the Defence Investment Plan (DIP), which was published after significant delay on 30 June 2026.¹⁴
14. The Defence Industrial Strategy (DIS), published in September 2025, sits alongside those plans. The DIS sets out the UK Government's strategy to strengthen the defence sector and focuses on ensuring the UK has the industrial base to meet current and future threats while supporting economic growth.¹⁵ This economic growth is a key ambition of the DIS, through supporting "British jobs, British industry and British innovation".¹⁶
15. Several programmes sit under the DIS, including five Defence Growth Deals, one of which is for Scotland. Defence Growth Deals are regional partnerships seeking to unlock defence and innovation opportunities across the UK.¹⁷ Proposals for Defence Technical Excellence Colleges (DTECs) are another key part of the DIS. DTECs are specialist training centres designed to deliver advanced technical skills for the UK defence sector.¹⁸ Similarly, the DIS also includes the Defence Universities Alliance (DUA), a UK-wide network of universities working in partnership with the MOD, Armed Forces and the wider defence industry to support defence innovation and promote the uptake of careers in defence related industries by graduates.¹⁹

13 UK Government, [Strategic Defence Review](#), 8 July 2025

14 UK Government, [The Defence Investment Plan](#), 30 June 2026

15 UK Government, [Defence Industrial Strategy](#), 18 September 2025

16 UK Government, [Defence Industrial Strategy](#), 18 September 2025

17 UK Government, [Scotland set for skills and innovation boost as £50 million defence growth deal unveiled](#), 12 March 2026

18 UK Government, [Next generation empowered through Technical Excellence Colleges](#), 15 April 2026

19 Ministry of Defence, [Student skills investment to boost UK defence industry](#), 5 February 2026

Current defence spending

16. Funding the ambitions set out across the SDR and DIS will be critical to their success. In 2024–25 the UK spent £66 billion, or 2.3% of GDP on defence.²⁰ This marks an increase in defence spending across the whole of the UK over the past five years, from approximately £59 billion in 2019/20 (in 2025/16 prices).²¹ Sir Keir Starmer’s Administration committed to increase defence spending to 2.5% of GDP by 2027,²² with plans to reach 3% in the next Parliament.²³ The new Prime Minister, Rt Hon. Andy Burnham MP, has not confirmed a timetable for reaching 3%, but has committed to a longer-term NATO target of increasing core defence spending to 3.5% of GDP by 2035.²⁴ As shown in Figure 1, 6.78% (or £2,165 million) of the money the MOD spent with industry was spent in Scotland in 2024/25.²⁵ Five years ago, in 2019/20, that figure was higher, at £2,553 million and 10.19% of total direct spend.²⁶

20 IFS, [UK defence spending: composition, commitments and challenges](#), September 2025

21 IFS, [UK defence spending: composition, commitments and challenges](#), September 2025

22 Alternatively, 2.6% of GDP when including additional elements of security and intelligence spending.

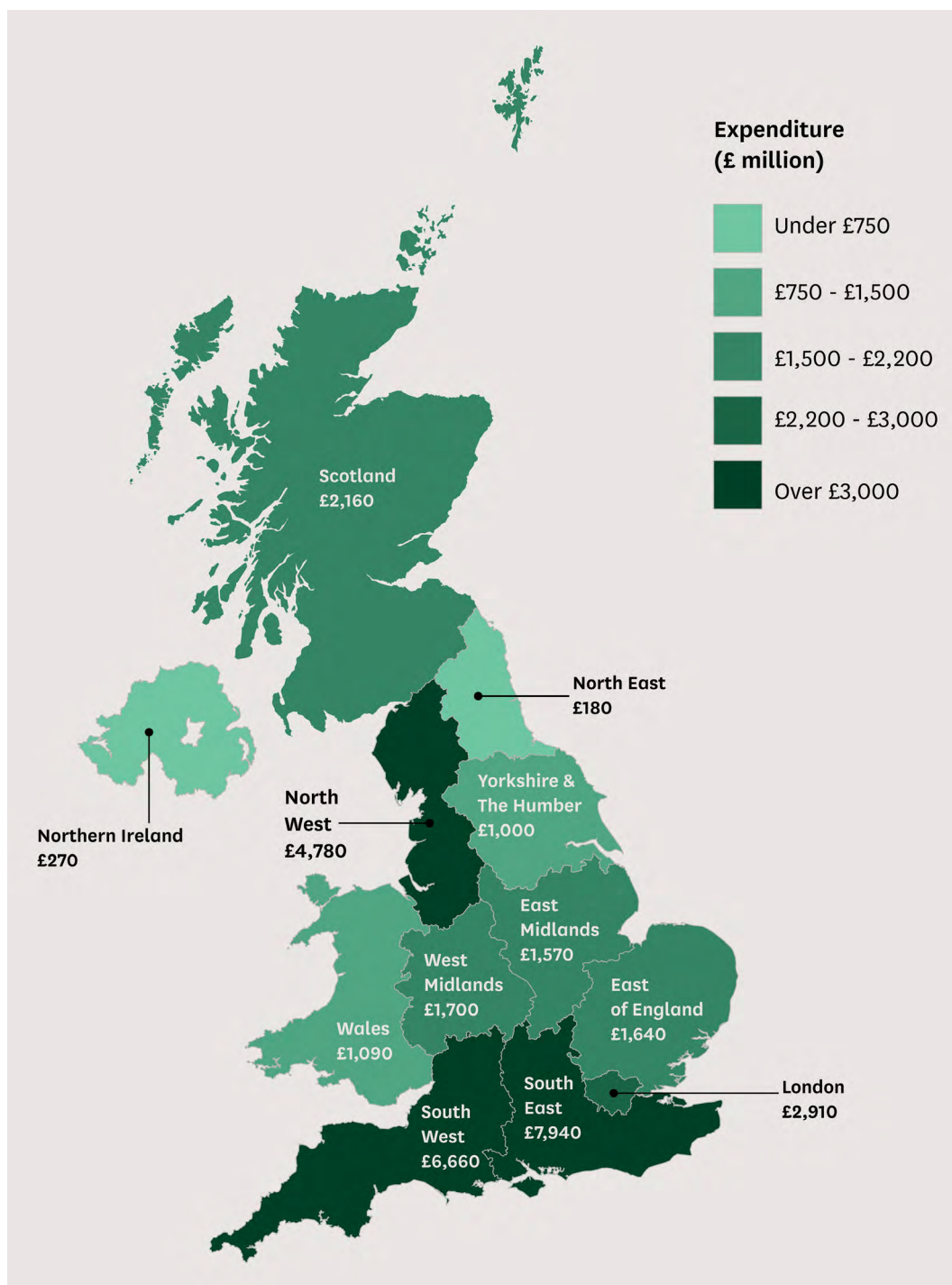
23 UK Government, [Strategic Defence Review](#), 8 July 2025

24 The Times, [Andy Burnham refuses to commit to 3% defence spending by 2030](#), 30 July 2026

25 Ministry of Defence, [MOD regional expenditure statistics with industry: 2024/25](#), 10 June 2026

26 Ministry of Defence, [MOD regional expenditure statistics with industry: 2024/25](#), 10 June 2026

Figure 1: MOD expenditure with UK Industry by Region 2024/25



Source: MOD, MOD regional expenditure with industry 2024/25, 10 June 2026

17. In those five years, despite a decrease in direct MOD spend with industry in Scotland, the defence sector in Scotland has grown by over two thirds, reaching 16,250 employees and turning over approximately £3.3 billion in 2024.²⁷ ADS, the representative trade body for the UK's aerospace, defence,

security and space industries, championed this “defence dividend” in Scotland and the benefits the sector’s growth has offered for national and economic security.²⁸

18. We heard that the sector makes an important contribution to communities across Scotland. ADS and the Society for Maritime Industries highlighted the contribution of defence activity to employment in Scotland’s rural, coastal and island communities.²⁹ Babcock similarly outlined how defence spending can act as a “critical economic anchor” in rural areas, stimulating growth in other areas of the economy such as transport, contracting, and specialist trades.³⁰ Throughout our inquiry, we heard that the planned increase in defence spending, in addition to the current growth in the sector, represents a significant opportunity to stimulate growth across the Scottish supply chain, benefiting the whole of Scotland, including rural areas.³¹
19. Alongside domestic spending, defence exports also play a substantial role in sustaining jobs and industrial capacity in Scotland. Frigate programmes, notably the Type 26 and Type 31, are central to Scotland’s naval shipbuilding sector and are expected to provide long-term opportunities for export-led growth. In August 2025 it was announced that the UK would supply Norway with Type 26 frigates as part of a £10 billion deal.³² The UK Government stated that the agreement would support 2,000 jobs at BAE Systems’ shipyards in Glasgow and a further 2,000 roles across the UK maritime supply chain until the late 2030s.³³ The deal is also expected to support 103 Scottish businesses, including 54 SMEs.³⁴ Neil Holm, Chief Operating Officer of BAE Systems, highlighted the success of the Type 26 frigate programme in securing orders from Australia and Canada, and expressed hope that a Norwegian order would “sustain shipbuilding and defence on the Clyde well into the next decade”.³⁵
20. Concerns have been raised, however, that anticipated increases in spending may not be sufficient to meet the UK’s defence needs. Chief of the Defence Staff Air Chief Marshal Sir Richard Knighton has said that the armed forces are currently “forecasting to spend more than the budget we have”.³⁶ In April, Lord Robertson of Port Ellen, co-author of the SDR, warned that

28 ADS Group ([SSF0005](#))

29 Society of Maritime Industries ([SSF0003](#)); ADS Group ([SSF0005](#))

30 Babcock ([SSF0007](#))

31 Thales ([SSF0004](#)); ADS Group ([SSF0005](#))

32 UK Government, [Major boost for Scottish shipbuilding as Norway selects UK warships](#), 31 August 2025

33 UK Government, [Major boost for Scottish shipbuilding as Norway selects UK warships](#), 31 August 2025

34 UK Government, [Major boost for Scottish shipbuilding as Norway selects UK warships](#), 31 August 2025

35 [Q99](#) [Neil Holm]

36 Defence Committee, [The work of the Chief of Defence Staff](#), 12 January 2026

the UK Government is “not willing to make the necessary investment” in defence.³⁷ He said that defence spending must take priority over other public expenditure, as the threat to our liberty “is no longer theoretical” and “the country needs to be defended”.³⁸

21. The policy focus on using defence spending to support industrial growth has been reaffirmed by Andy Burnham MP at the start of his premiership. Announcing £8.4 billion of investment in the Dreadnought submarine programme, the new Prime Minister said that “security is not only about what we build, it is about who builds it, and who benefits from it”, and described the investment as “British money, spent on British workers, British firms and British skills”.³⁹ He also highlighted the role of defence procurement in supporting jobs, apprenticeships and economic opportunity across the UK, stating that the programme would help “change lives” in communities that have experienced long-term economic decline.⁴⁰

Defence Investment Plan

22. We heard that delivering the reforms set out in the SDR will be essential to ensuring the UK has both the military capability and industrial capacity needed to meet the national security threats facing the country. The DIP, which sets out how those ambitions will be implemented and funded, is therefore of critical importance. As part of the SDR, the DIP is intended to strengthen the MOD’s demand signals, giving industry clarity about what equipment the Government will be looking to purchase over the next decade.⁴¹ The importance of these clearer and earlier demand signals has been emphasised throughout our inquiry, with Cathy Kane, Director, QinetiQ, highlighting that the DIP is needed to give industry clarity on the Government’s long-term strategy.⁴²
23. The DIP was due to be published by Autumn 2025 but was repeatedly delayed until its eventual publication on 30 June 2026. We heard that the vital demand signals the defence industry needs to understand the Government’s future equipment requirements may have been undermined by these delays. For example, Andrew Kinniburgh, Director of MAKE UK Defence, said that the delay in the DIP indirectly discouraged investment

37 Financial Times, [Starmer accused of ‘corrosive complacency’ on UK defence by former Nato chief](#), 14 April 2026

38 [Q141](#); Oral evidence taken by the Joint Committee on the National Security Strategy on 27 April 2026, [Q18](#)

39 UK Government, [Burnham drives defence to deliver security and growth in every postcode with £8.4bn nuclear submarine investment supporting 22,000 apprenticeships](#), 30 July 2026

40 UK Government, [Burnham drives defence to deliver security and growth in every postcode with £8.4bn nuclear submarine investment supporting 22,000 apprenticeships](#), 30 July 2026

41 UK Government, [Defence Industrial Strategy](#), 18 September 2025

42 [Q99](#) [Cathy Kane]

in the UK, with the lack of certainty signalling to global defence firms that they should “invest somewhere else”.⁴³ Mr Kinniburgh emphasised the importance of the global market in defence investment, and that the UK is in strong competition with other markets.⁴⁴ We also heard that, as well as limiting investment from overseas, the delay has impacted domestic investment. For example, Aeralis, a UK-based aerospace start-up with planned operations in Ayrshire, said the delay directly undermined its financial position by creating prolonged uncertainty over future defence spending decisions and programme commitments, which in turn made it harder to secure and sustain investment.⁴⁵ Aeralis entered administration on 14 May 2026, attributing its collapse to “sustained pressure” on cashflow caused by these continued delays, alongside wider geopolitical factors affecting funding.⁴⁶

24. The publication of the Defence Investment Plan (DIP) followed the resignations of Defence Secretary Rt Hon. John Healey MP and Armed Forces Minister Al Carns MP in June 2026, amid concerns that defence funding was insufficient to deliver the Strategic Defence Review.⁴⁷ Once published, the DIP allocated £298 billion over four years, £15 billion more than was provided at the 2025 Spending Review.⁴⁸ However, military chiefs reportedly sought an additional £28 billion, meaning the final settlement was only slightly more than half of the increase requested.⁴⁹
25. Minister for Defence Readiness and Industry Luke Pollard MP, speaking to us shortly before publication of the DIP, emphasised that the spending proposals in the DIP were scalable.⁵⁰ While he said that he would welcome higher levels of defence spending, he argued that the DIP’s strategic priorities would remain the same regardless of the funding settlement.⁵¹ Additional funding, he suggested, would primarily enable the Government to deliver existing ambitions more quickly, rather than pursue substantially different capabilities.⁵²

43 Oral evidence taken by the Defence Committee on 24 March 2026, [Q1](#) [Andrew Kinniburgh]

44 Oral evidence taken by the Defence Committee on 24 March 2026, [Q1](#) [Andrew Kinniburgh]

45 UK Defence Journal, [Aeralis collapses blaming UK Defence Investment Plan delay](#), 15 May 2026

46 UK Defence Journal, [Aeralis collapses blaming UK Defence Investment Plan delay](#), 15 May 2026

47 BBC News, [Defence Secretary John Healey and Armed Forces Minister Al Carns resignation letters in full](#), 11 June 2026

48 House of Commons Library, [Defence Investment Plan: Key decisions](#), 2 July 2026

49 [Q139](#)

50 [Q161](#)

51 [Q161](#)

52 [Q161](#)

26. The Scottish Government welcomed the publication of the DIP, but noted that earlier publication would have benefited industry, investors and skills providers by offering greater clarity.⁵³ It reiterated the concerns raised by businesses regarding the impact uncertainty about the DIP has had on workforce planning, investment decisions and supply chain development.⁵⁴ Ben Macpherson MSP, former Minister for Innovation, Technology and Tertiary Education, Scottish Government noted that the delivery of the DIP will depend on procurement decisions, implementation “and the pace at which commitments are translated into activity on the ground”.⁵⁵
27. The UK Government has argued that delays to the DIP have not impeded its ability to agree contracts, with the Minister highlighting that “1,200 major defence deals” have been signed since the general election in 2024.⁵⁶ The Minister told us that he heard industry’s calls for the publication of the DIP and that the UK Government recognises the need for a clear demand signal.⁵⁷ On the collapse of Aeralis specifically, the Minister said it was a “shame” the business could not be sustained during this period and highlighted the financial support the MOD had provided to the company over some time.⁵⁸ He also suggested that factors beyond delays to the DIP may have contributed to the company’s collapse.⁵⁹

28. **CONCLUSION**

Scotland remains central to the UK’s defence sector at a time when maintaining a resilient industrial base is more critical than ever. The context of increased defence spending presents a significant opportunity for Scotland. Meeting rising demand for defence capability, particularly in shipbuilding, aerospace and advanced technologies, offers the prospect of expanding the number of highly skilled, well-paid jobs in Scotland, and delivering supply chain growth for defence businesses across Scotland. Realising that opportunity demands long term investment that supports demand, skills and innovation across the supply chain. In contrast, inconsistent funding and stop-start procurement weaken sovereign capability, workforce retention and the longer-term value that the Scottish defence sector can provide.

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- 53 Letter from the Minister for Innovation, Technology and Tertiary Education regarding Securing Scotland’s Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)
- 54 Letter from the Minister for Innovation, Technology and Tertiary Education, regarding Securing Scotland’s Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)
- 55 Letter from the Minister for Innovation, Technology and Tertiary Education, regarding Securing Scotland’s Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)
- 56 BBC News, [PM wants delayed defence investment plan published by Nato summit, MPs told](#), 1 June 2026
- 57 [Q165](#)
- 58 [Q167](#)
- 59 [Q167](#)

29.

CONCLUSION

We welcome the new Prime Minister's continued emphasis on backing British businesses through defence spending. We hope to see that rhetoric translate into contracts for firms operating in Scotland, and tangible support for Scottish SMEs, supply chains and workers.

30.

RECOMMENDATION

The publication of the Defence Investment Plan provides a welcome degree of clarity on the UK Government's strategic direction, and the implications for Scotland's defence sector. In its response to this report, the UK Government should set out how the Defence Investment Plan draws upon the strengths of Scotland's defence sector, and specifically how the plan will maximise economic and employment opportunities for Scotland.

31.

RECOMMENDATION

The MOD must begin publishing data on defence expenditure with individual suppliers in Scotland to enable better and evidence-based procurement and policy decisions going forward.

3 Unlocking SME potential

32. SMEs underpin Scotland's private sector, making up 98.2% of all businesses operating in Scotland in 2024.⁶⁰ Effective engagement with SMEs by the MOD and prime contractors will be essential, if increased defence spending is to sustain high-quality jobs in Scotland's defence sector. This chapter considers how well positioned Scottish SMEs are to realise the benefits from increased defence spending.

SME participation in defence

33. While the MOD does not publish data on spending with individual suppliers in Scotland, UK-wide statistics show that around 39% of procurement expenditure is concentrated amongst the MOD's ten largest suppliers by procurement expenditure, which include BAE Systems, Babcock, Leonardo and QinetiQ.⁶¹ Defence SMEs in Scotland typically operate through the supply chains of these prime contractors.⁶² They will often have limited direct engagement with the MOD, instead engaging via these prime contractors, trade associations or the MOD's defence innovation body.⁶³ UK Government data shows that only 4% of MOD direct expenditure in the UK was spent with SMEs in 2024–25.⁶⁴ Of that expenditure, 1.95% of procurement spend with SMEs was spent with SMEs based in Scotland, as shown in Figure 2.⁶⁵ This means, overall, that approximately 0.078% of total MOD direct expenditure was spent with SMEs based in Scotland. The UK Government has set a clear ambition to increase indirect and direct defence spend with SMEs by £2.5 billion by 2028, which would equate to a 50% increase in the value of work compared to 2023/24.⁶⁶

60 Scottish Government, [Businesses in Scotland: 2024](#), 20 November 2024

61 Ministry of Defence, [MOD trade, industry and contracts: 2024](#), 6 March 2025

62 Babcock ([SSF0007](#))

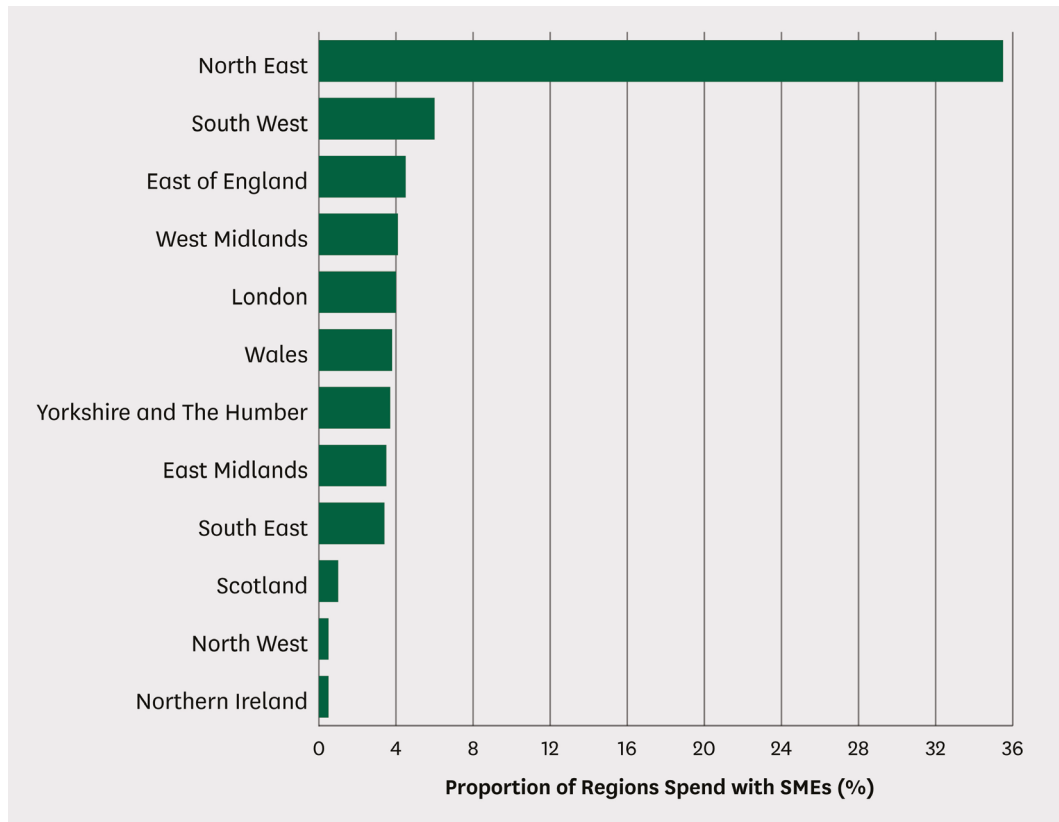
63 Thales ([SSF0004](#))

64 Ministry of Defence, [MOD regional expenditure with industry 2024/25](#), 11 September 2025

65 Ministry of Defence, [MOD regional expenditure with industry 2024/25](#), 11 September 2025

66 UK Government, [Defence Industrial Strategy](#), 18 September 2025

Figure 2: Proportion of MOD Expenditure with SMEs within each Region 2024/25



Source: MOD, MOD regional expenditure with industry 2024/25, 10 June 2026

Barriers to SME participation

- 34.** Throughout our inquiry we heard it can be particularly challenging for SMEs to secure contracts in the defence sector. During our SME roundtable, participants said that one of the persistent barriers for SMEs is the resource-intensive nature of bidding for defence contracts, particularly high participation costs and the risk of delayed payments.⁶⁷ In order to bid for defence contracts, companies must meet a range of technical, regulatory and security requirements. These can include requirements relating to quality standards, cybersecurity, export licensing rules, and security clearances.⁶⁸ These requirements can vary from contract to contract, and proving compliance with these requirements does not guarantee

⁶⁷ Scottish Affairs Committee, [Securing Scotland's Future: Defence Skills and Jobs – SME private roundtable](#), September 2026; ADS Group (SSF0005); Thales (SSF0004)

⁶⁸ Thales (SSF0004); Scottish Affairs Committee, [Securing Scotland's Future: Defence Skills and Jobs – SME private roundtable](#), September 2026

that a contract will then be awarded.⁶⁹ Faced with these costly and time-consuming requirements, SMEs often also have limited capacity to prepare bids and are less able to pursue multiple opportunities simultaneously.⁷⁰

- 35.** This financial exposure is a characteristic of the current commercial model in the sector. As explained by John Howie, Chief Corporate Affairs Officer, Babcock, the UK Government transfers risk to large contractors, and “that risk transfer then cascades down into the supply chain”, meaning SMEs can face disproportionate financial exposure when bidding for or delivering contracts.⁷¹ He explained that prime contractors can support SMEs through these challenges, however, highlighting the work Babcock is doing to mentor and coach SMEs through its SME Charter.⁷² Babcock’s SME Engagement Charter includes, amongst other commitments, a promise to adopt a “risk-proportionate approach to commercial terms” with SMEs, with simplified contracts and “proportionate liability aligned to the size, scope and risk of work”.⁷³
- 36.** The financial constraints Scottish SMEs face in procurement bids are further exacerbated by lengthy payment cycles.⁷⁴ The UK Government has committed to paying uncontested invoices within 30 days.⁷⁵ However, during our SME roundtable, we heard how a multi-year delay in payment from a contract awarded by the MOD pushed a Scottish SME almost to bankruptcy, leaving them in a position where they could no longer co-invest in the project as originally agreed.⁷⁶ Government data suggests this is not a widespread issue, as in the first half of the 2025/26 financial year, over 94% of MOD invoices were paid within five days, and over 99% were paid within 30 days.⁷⁷
- 37.** Minister for Defence Readiness and Industry Luke Pollard MP recognised the additional pressure on cash flows for SMEs. He said he does not want to see any delayed payments from MOD, and that he would like to see uncontested invoices paid sooner.⁷⁸ The Minister also said that he wanted industry to make payments to SMEs in their supply chains according to “terms and conditions that are decent”, noting the importance of cash flows for small

69 Scottish Affairs Committee, [Securing Scotland’s Future: Defence Skills and Jobs – SME private roundtable](#), September 2026

70 Thales ([SSF0004](#)); Society of Maritime Industries ([SSF0003](#))

71 [Q103](#) [John Howie]

72 [Q98](#) [John Howie]

73 Babcock, [Babcock aims to lead industry shift with SME Defence Charter](#), 16 March 2026

74 ADS Group ([SSF0005](#))

75 UK Government, [Prompt payment policy](#), 24 April 2025

76 Scottish Affairs Committee, [Securing Scotland’s Future: Defence Skills and Jobs – SME private roundtable](#), September 2026

77 UK Government, [Ministry of Defence supplier invoicing and payment information](#), 27 October 2025

78 [Q177](#)

businesses.⁷⁹ The Minister more broadly recognised the existing burden of risk and the strain it puts on SMEs.⁸⁰ As MOD shifts its focus to warfighting readiness, he explained that the risk model will have to adapt due to the necessity for agility and speed in procurement.⁸¹

38. Brigadier Andy Muddiman ADC RM recognised that the high regulatory bar set for SMEs can be expensive and burdensome.⁸² However, he said that these requirements are a necessary threshold to participate in the supply chain due to security considerations.⁸³

Defence Office for Small Business Growth

39. Supporting SMEs to overcome these barriers is a key challenge. Stakeholders have highlighted that the current mechanisms to engage Scottish SMEs in the defence sector are “only moderately effective”.⁸⁴ Thales suggested that SME participation, and therefore access to growth opportunities, is constrained by a lack of understanding amongst SMEs of how to engage with the MOD, prime contractors, and trade bodies.⁸⁵ Similarly, Babcock emphasised that many MOD processes are designed for prime contractors and that the system is difficult for SMEs to navigate.⁸⁶ These views are consistent with those raised during our private SME roundtable, which included calls for greater business support from the UK Government, tailored to Scottish SMEs in the defence space.⁸⁷
40. The UK Government has responded to these concerns by launching the Defence Office for Small Business Growth (OfSBG) in January 2026. The Defence OfSBG is designed to help SMEs and start-ups access the defence supply chain and scale up to meet defence challenges.⁸⁸ The UK Government says the Defence OfSBG will streamline SME support into a single place, making access easier and simpler, and increasing the opportunities for SME participation.⁸⁹

79 [Q177](#)

80 [Q180](#)

81 [Q180](#)

82 [Q181](#)

83 [Q181](#)

84 Thales ([SSF0004](#))

85 Thales ([SSF0004](#))

86 Babcock ([SSF0007](#))

87 Scottish Affairs Committee, [Securing Scotland’s Future: Defence Skills and Jobs – SME private roundtable](#), September 2026

88 UK Government, [Red tape to be slashed as MOD launches new team to back British small businesses](#), 27 January 2026

89 UK Government, [Red tape to be slashed as MOD launches new team to back British small businesses](#), 27 January 2026

41. During our private SME roundtable, the establishment of the Defence OfSBG was welcomed. However, participants felt it was too soon to judge its effectiveness. Some uncertainty was expressed about the potential benefits of the new office, noting that previous initiatives aimed at improving SME access to defence procurement and increasing SME spending have been pursued before.
42. Minister for Defence Readiness and Industry Luke Pollard MP recognised that many SMEs find engagement with the MOD challenging and “labyrinthine in finding the right person” to talk to.⁹⁰ He described the Defence OfSBG’s ambition to be a “single front door” for SMEs seeking support from and communication with the MOD, arguing it would be key to ensuring more money is spent with SMEs.⁹¹ In particular, he highlighted the opportunities this could create for SMEs with dual-use technologies, including firms that do not traditionally consider themselves part of the defence sector but whose products may have both civilian and military applications.⁹² The Minister explained that the Defence OfSBG, which launched at the start of the year, would be fully established by the end of 2026.⁹³ Calum Taylor, Deputy Director, Industry Skills and Place, MOD, said that the impact of the office could already be seen, having helped “over several hundred SMEs” each month since launching.⁹⁴

43. **CONCLUSION**

Only 0.078% of the MOD’s direct expenditure is with SMEs in Scotland. This is substantially lower than Scotland’s population share and is at odds with the scale and importance of Scotland’s defence manufacturing base.

44. **CONCLUSION**

Prime contractors play a pivotal role in engaging SMEs in the defence sector. Given the dominance of SMEs in Scotland, this relationship is particularly important in ensuring that Scotland shares in the potential benefits of increased defence spending. However, under the current commercial model, SMEs are operating in a fluctuating defence environment with multiple barriers to operation, and face a significant amount of financial risk that can be challenging to manage.

90 [Q178](#)

91 [Q178](#)

92 [Q178](#)

93 [Q178](#)

94 [Q182](#) [Calum Taylor]

45.

RECOMMENDATION

The MOD should incentivise prime contractors to take a more active role in supporting Scottish SMEs. Procurement processes should take into account the extent to which prime contractors help SMEs overcome barriers to participating in the defence sector, with a view to favouring companies that demonstrate strong support for SME growth and inclusion in defence supply chains.

46.

CONCLUSION

Scottish SMEs seeking to enter defence supply chains are also disserved by several barriers. Meeting the standards required by prime contractors is often costly and complex, with requirements varying across firms and contracts. We welcome the establishment of the Defence Office for Small Business Growth to help address these challenges. However, it is too early to assess whether the Defence Office for Small Business Growth will deliver meaningful improvements for Scotland's defence sector. Similar initiatives have been established in the past, yet challenges facing SMEs persist.

47.

RECOMMENDATION

The Defence Office for Small Business Growth should publish specific targets for the uplift it expects to deliver in MOD funding for Scottish SMEs, and the measurable outcomes it will use to assess progress in improving access to defence supply chains for Scottish SMEs. Progress against these targets should be published on an annual basis.

4 Defence skills gaps

48. We heard consistently throughout this inquiry that addressing skills shortages will be critical if Scotland is to realise the opportunities created by increased defence spending. As set out in the DIS, skills shortages, particularly in science, technology, engineering and mathematics (STEM) subjects, are constraining defence supply chains and must be addressed.⁹⁵ These pressures have been felt across the industry for many years. In April 2026 trade body ADS told us it was monitoring 10,000 live vacancies across Scotland in engineering alone.⁹⁶ In Scotland's defence sector these skills shortages can be seen across both traditional engineering trades and emerging technologies. Acute shortages exist in welding, fabrication and other shipbuilding-related occupations including steelworkers, platers, boilermakers, electrical and mechanical engineers, systems engineers and naval architects.⁹⁷ At the same time, Scottish employers have reported critical gaps in advanced manufacturing, digital, cyber, software and data skills.⁹⁸ Emerging capability areas such as artificial intelligence, autonomous systems, robotics, navigation and quantum technologies are also experiencing shortages.⁹⁹
49. Although the defence sector relies heavily on highly specialised engineering and manufacturing skills, shortages in these occupations are not unique to defence.¹⁰⁰ As we have heard through other inquiries, these skills shortages are mirrored in sectors including offshore wind, oil and gas and nuclear energy and construction, which are competing for the same pool of welders, pipefitters, electrical technicians and crane drivers.¹⁰¹ This competition risks cannibalising adjacent sectors' workforces, as defence employers recruit skilled workers from neighbouring industries, potentially creating labour shortages elsewhere in the economy rather than increasing the overall supply of skills.¹⁰²

95 UK Government, [Defence Industrial Strategy](#), 18 September 2025

96 [Q110](#) [John Howie]

97 RAND Europe ([SSF0009](#))

98 Babcock ([SSF0007](#)); Colleges Scotland ([SSF0008](#))

99 [Q50](#) [Professor Turney]

100 Letter from Minister for Innovation, Technology and Tertiary Education, regarding Securing Scotland's Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)

101 RAND Europe ([SSF0009](#)); Society of Maritime Industries ([SSF0003](#))

102 [Q51](#) [Jim Metcalfe]

50. Resolving these skills shortages is not easy. As set out by Cathy Kane, Director, QinetiQ, many defence roles are highly skilled and take a long time to nurture, meaning that even where demand is clear, workforce shortages cannot be filled quickly.¹⁰³ Even accounting for this lag, Mark Stead, SVP Radar and Advanced Targeting, Leonardo, was clear that “we are not getting enough people into those planned training programmes”.¹⁰⁴
51. This is particularly concerning given the workforce requirements of major defence programmes currently under way in Scotland. These programmes, including the building of Type 26 and Type 31 frigates and preparations for the Dreadnought-class submarines, require a sustained pipeline of highly skilled workers which, at current levels, will struggle to meet projected demand.¹⁰⁵

Box 1: Devolved policy landscape

Under the Scotland Act 1998, education is a devolved matter.¹⁰⁶ Responsibility for skills policy, including apprenticeship training and funding, is the responsibility of the Scottish Parliament and Scottish Government. Responsibility for funding and higher education policy also rests primarily with the Scottish Government, the Scottish Parliament and the Scottish Funding Council. Research and development funding operates through a dual-support system. The Scottish Funding Council provides block-grant funding for research infrastructure, while project-specific research funding is awarded through UK Research and Innovation (UKRI), the UK Government’s non-departmental body for research and innovation funding.

STEM skills

52. During our inquiry, we heard that addressing these skills gaps requires an increase in training opportunities. Demand amongst applicants for defence-related apprenticeships and other upskilling opportunities is currently high. However, as set out by Warrick Malcolm, former Director, ADS Scotland, strong demand should not lead to complacency in efforts to engage young people and schools.¹⁰⁷

103 [Q110](#) [Cathy Kane]

104 [Q109](#) [Mark Stead]

105 Society of Maritime Industries ([SSF0003](#))

106 [Scotland Act 1998](#)

107 [Q10](#) [Warrick Malcolm]

53. Much of this outreach is seeking to raise interest in STEM subjects, skills considered key to the UK’s economic future.¹⁰⁸ Indeed, there were an estimated 9.4 million people in the UK in STEM-related employment in 2023; we were told that STEM skills are “a vital part of Scotland’s economy”.¹⁰⁹
54. The Scottish Government has a longterm strategic framework for STEM, set out in its STEM Education and Training Strategy.¹¹⁰ First published in 2017, the Strategy is designed to build national capacity in STEM learning, improve equity of participation, and strengthen alignment between education and labourmarket needs.¹¹¹ While STEM programmes are delivered through the Scottish school curriculum, interest in STEM skills is also driven outside of the classroom. Steve Owens, Science Operations Manager, Glasgow Science Centre set out the vital importance of engaging young people with STEM at an early age, alongside the need for sustained engagement throughout school education.¹¹² Cathy Kane noted that the benefits of aspiring to and working in STEM fields needed to be more widely shared, from a young age and beyond.¹¹³ As set out by Susan Scurlock, CEO, Primary Engineer, children and young people must be exposed to the full range of opportunities available to them:

We want the children to have the choice. They cannot have a choice unless they know, and they cannot know unless they have seen that, and they see it regularly.¹¹⁴

55. During our inquiry we heard how both the sector itself and training providers are vital to informing young people of the opportunities available in high demand sectors. For example, the work of UK-wide training provider Primary Engineer - a not-for-profit organisation that promotes engagement with engineering in schools - was highlighted by some witnesses.¹¹⁵ Neil Holm, Chief Operating Officer, BAE Systems Naval Ships, praised the organisation for engaging school pupils in STEM by demonstrating that STEM careers are enjoyable, interesting and linked to real-world projects.¹¹⁶
56. Those living in rural communities can face increased barriers to accessing STEM programmes, as explained by Steve Owens, Operations Manager, Glasgow Science Centre.¹¹⁷ He explained that it is costly to engage pupils in formal science education and financial barriers can prevent pupils travelling

108 POST, [UK STEM skills pipeline](#), POSTnote746

109 POST, [UK STEM skills pipeline](#), POSTnote746; [Q84](#) [Steve Owens]

110 Scottish Government, [STEM education and training](#), [accessed 6 July 2026]

111 Scottish Government, [STEM education and training](#), [accessed 6 July 2026]

112 [Q85](#) [Steve Owens]

113 [Q110](#)

114 [Q85](#) [Susan Scurlock]

115 [Q84](#) [Susan Scurlock], [Q114](#) [Neil Holm], Thales ([SSF0004](#))

116 [Q114](#) [Neil Holm]

117 [Q87](#) [Steve Owens]

to central locations, which is why the Glasgow Science Centre works to deliver educational programmes out of house.¹¹⁸ Thales praised Primary Engineer for the similar work it does to promote STEM education in rural communities, where access to employers, specialist facilities and careers advice can be more limited.¹¹⁹

- 57.** Prime contractors also conduct outreach work to promote STEM amongst young people, and are amongst the largest contributors to this work in Scotland.¹²⁰ BAE Systems engaged with approximately 20,000 pupils in Scotland through face-to-face STEM outreach activities by the end of 2025.¹²¹ Thales highlighted its virtual work experience programme, noted for its accessibility for young people in rural communities and its partnerships with schools in disadvantaged areas of Glasgow to encourage applications from under-represented groups.¹²²
- 58.** John Howie recognised the industry must still do more to help support the talent pipeline, saying he fundamentally understands that “the skills challenge is ours to fix”.¹²³ However, alongside industry, he called for the UK Government to support an environment where such skills building “is an easier task, rather than a harder one”.¹²⁴ In particular, BAE Systems suggested that the UK Government should go further in its work with the Scottish Government by coordinating national and regional skills forecasts with industry data and expanding funding for technical education and lifelong learning.¹²⁵ Similarly, ADS called for the UK and Scottish Governments to work together to align skills strategies and share best practice.¹²⁶

Apprenticeships and colleges

- 59.** One of the most immediate methods to increase the supply of skilled workers is through apprenticeships and technical education. The important role of defence-related apprenticeships in addressing skills gaps has been emphasised to us consistently throughout this inquiry, as have concerns regarding a shortage of places. During our visit to BAE Systems in Glasgow, we were impressed by the trade and non-trade apprentices we met with.¹²⁷

118 [Q87](#) [Steve Owens]

119 Thales ([SSF0004](#))

120 Thales ([SSF0004](#))

121 [Q122](#) [Neil Holm]

122 Thales ([SSF0004](#))

123 [Q114](#) [John Howie]

124 [Q114](#) [John Howie]

125 BAE ([SSF0011](#))

126 ADS Group ([SSF0005](#))

127 Scottish Affairs Committee, [Note of the Committee’s visit to BAE Systems](#), January 2026

Box 2: Scottish Apprenticeship funding

In Scotland, defence-related apprenticeships most commonly operate through the Modern Apprenticeship (MA) or Graduate Apprenticeship (GA) systems.¹²⁸ MAs are administered by Skills Development Scotland (SDS) on behalf of the Scottish Government.¹²⁹ They are funded through a combination of SDS payments towards the cost of training and assessment, known as contribution rates, and employers' payment of wages to the apprentice.¹³⁰ GAs were introduced in Scotland in 2017/18 and are delivered via partnerships between employers and universities.¹³¹ Funding for GAs is shared between the Scottish Funding Council, Scotland's tertiary education and research authority, and Student Awards Agency Scotland (SAAS), an executive agency of the Scottish Government.¹³²

60. Defence-related apprenticeships were praised in evidence to us for the “highly prized” opportunities they offer applicants, while also helping employers to address skills gaps and potentially improve staff retention.¹³³ The popularity of these programmes was also stressed, with Gavin Donoghue, CEO, Colleges Scotland, estimating a 40:1 ratio of applicants per place for apprenticeship and engineering courses in Scotland.¹³⁴
61. Thales noted that the current shortage of apprenticeship places risks key skills “being lost from one generation to the next”.¹³⁵ It estimated that there were nearly 9,000 fewer apprenticeships than were required in 2024. This was a point echoed by ADS which said that, while demand for apprenticeships “far exceeds supply”, funding remains below 2019/20 levels.¹³⁶ This shortage reduces the size of the talent pipeline in defence, making it harder for employers to recruit the skilled workers needed to deliver complex defence projects.¹³⁷ Without the necessary workforce, projects cannot scale at the pace required, even if investment is available.¹³⁸

128 Skills Development Scotland, [Modern Apprenticeships](#); Skills Development Scotland, [Graduate Apprenticeships](#) [Accessed 6 August 2026]

129 Skills Development Scotland, [Modern Apprenticeships](#), [Accessed 6 July 2026]

130 Apprenticeships.Scot, [Build skills in your business with a Modern Apprentice](#), [accessed 6 July 2026]

131 Scottish Funding Council, [Graduate Apprenticeship Report](#), 2 July 2025

132 Apprenticeships.Scot, Funding, [accessed 6 July 2026]

133 [Q51](#) [Jim Metcalfe]; [Q52](#) [Professor Turney]

134 [Q49](#) [Gavin Donoghue]

135 Thales ([SSF0004](#))

136 ADS Group ([SSF0005](#))

137 Thales ([SSF0004](#))

138 Babcock ([SSF0007](#))

62. Increasing the number of apprenticeship places is key, both for economic growth and to ensure the UK has the skills needed to “meet the threats of the future”.¹³⁹ Warrick Malcolm, former Director, ADS Scotland, said that companies “recognise that it is in their interest to do everything they can” when it comes to addressing skills gaps.¹⁴⁰ Warrick Malcolm noted that the companies he speaks to are content to develop the bespoke skillsets they need and to overtrain or take on more apprentices than their own company may require in order to build that pool of talent, but that they require a basic level of skills to build from.¹⁴¹ This view was supported by Thales, which called for the expansion of co-funded apprenticeship and graduate programmes.¹⁴² Thales also highlighted the importance of supporting degree apprenticeships in systems engineering, software, cyber, autonomy, and advanced manufacturing.¹⁴³
63. However, Jim Metcalf, Principal and Chief Executive of Fife College, warned that expanding apprenticeship programmes will take time.¹⁴⁴ Designing and developing the programmes, identifying suitable experts to deliver them, and training those experts to become educators were all noted as time-intensive processes.¹⁴⁵ This expansion also cannot be delivered without adequate financial support.¹⁴⁶

Contribution rates review

64. Work is under way in Scotland to consider elements of apprenticeship funding. In March 2026, the Scottish Government announced a review of publicly funded contribution rates for Modern Apprenticeships to ensure they better align with future economic needs and deliver maximum public value.¹⁴⁷ The contribution rate is the proportion of funding that SDS contributes towards the costs of training and assessing an apprentice. The review will consider whether current funding for the programme, which supports around 39,000 apprenticeships each year with £90 million of government investment, remains appropriate and sustainable, particularly in light of financial pressures.¹⁴⁸ It will also examine how the funding system,

139 ADS Group ([SSF0005](#))

140 [Q25](#) [Warrick Malcolm]

141 [Q25](#) [Warrick Malcolm]

142 Thales ([SSF0004](#))

143 Thales ([SSF0004](#))

144 [Q51](#) [Jim Metcalfe]

145 [Q51](#) [Jim Metcalfe]

146 Babcock ([SSF0007](#))

147 Scottish Government, [Funding apprenticeships](#), 14 March 2026

148 Scottish Government, [Funding apprenticeships](#), 14 March 2026

delivered through Skills Development Scotland, operates across sectors and age groups while supporting wider economic growth priorities.¹⁴⁹ The two-stage review is due to conclude in 2028.

65. Gavin Donoghue, CEO of Colleges Scotland suggested that the current contribution rates for apprenticeships have been static for too long given the increasing cost of living, and costs to apprenticeship and training providers.¹⁵⁰ He welcomed the Scottish Government’s review, suggesting that updating those rates may “help the broader apprenticeship ecosystem”.¹⁵¹

Defence Industrial Strategy skills package

66. The UK Government announced a £182 million UK-wide defence industrial strategy skills package in September 2025, which is designed to “attract, develop and retain the high-skilled workforce required to meet the objectives of the Strategic Defence Review”.¹⁵² £20 million of this fund will be directed towards and split between skills initiatives in Scotland, Wales and Northern Ireland.¹⁵³ The Government has said that work is ongoing with key stakeholders in Scotland to determine how this funding is best spent to support defence skills development.¹⁵⁴
67. Calum Taylor, Deputy Director, Industry Skills and Place, MOD, explained that £7 million of the £20 million fund has been allocated to Defence Technical Excellence Colleges (DTECs) in Scotland.¹⁵⁵ This contribution forms part of a wider £10 million UK Government funding commitment for DTECs in Scotland.¹⁵⁶ When asked about the relative size of Scotland’s share of the overall £182 million, Minister for Defence Readiness and Industry Luke Pollard MP said it is not the only funding being provided for Scotland and that benefits would be driven by other initiatives, both UK wide and Scotland specific.¹⁵⁷

149 Scottish Government, [Funding apprenticeships](#), 14 March 2026

150 Q52 [Donoghue]

151 Q52 [Donoghue]

152 UK Government, [Major skills boost at the heart of transformative new Defence Industrial Strategy](#), 6 September 2025; [Defence: Oxford-Cambridge Arc](#) 12 November 2025, UIN 90645

153 UK Government ([SSF0013](#))

154 [Defence: Training](#) PQ 110171, 2 February 2026

155 [Q201](#) [Calum Taylor]

156 UK Government, [Scotland set for skills and innovation boost as £50 million defence growth deal unveiled](#), 12 March 2026

157 [Q201](#) [Minister Pollard]

68. CONCLUSION

Funding for apprenticeships remains an enduring risk to the ability of the UK Government to deliver the Scottish elements of the DIP in the coming years. We welcome the UK Government's plans for direct skills investment in the defence sector in Scotland. However, the allocation of £20 million for Wales, Scotland and Northern Ireland from a £182 million fund represents a disproportionately small share, and it is difficult to see how it can shift the dial on skills shortages in Scotland. We also hope to see the Scottish Government play its part in ensuring Scotland has the skills needed to meet demand in the defence sector.

69. RECOMMENDATION

The MOD should write to the Committee within six months to explain how it arrived at this £20 million figure, and how it is commensurate with the size, importance and potential of Scotland's defence sector. It should also explain how allocating such a limited share of funding will support the expansion of skills provision to the extent necessary to address persistent shortages across Scotland's defence industry.

70. RECOMMENDATION

In its response to this report, the MOD should set out the other UK Government initiatives, outside of the £20 million fund, that the Minister said will support defence skills development in Scotland. It should explain the benefits each initiative is expected to deliver in Scotland, and provide an assessment of their likely value.

Defence Growth Deal

- 71.** The UK Government intends to address some of these skills shortages through the launch of the Defence Growth Deal (DGD) for Scotland. Scotland's DGD will seek to support the growth potential of the defence industry, driving job creation and research and development.¹⁵⁸ The Government has set out its intention to build a long-term partnership with the Scottish Government through the DGD, bringing together business and research institutions to harness local expertise and resources in support of the UK Armed Forces.¹⁵⁹

¹⁵⁸ UK Government, [Scotland Growth Deal](#), 7 September 2025

¹⁵⁹ UK Government, [Scotland Growth Deal](#), 7 September 2025

72. Scotland’s DGD has £50 million in funding, drawn from a pot of £250 million for DGDs across the UK.¹⁶⁰ Part of the £50 million has been set aside to support two engineering and innovation facilities, with £5 million supporting the Arrol Gibb Innovation Campus in Rosyth, a new commercial innovation facility, and a further £5 million supporting the Clyde Engineering and Innovation Centre.¹⁶¹

Defence Technical Excellence Colleges (DTECs)

73. As part of the DGD, the UK Government has proposed the establishment of two Defence Technical Excellence Colleges (DTECs) in Scotland. DTECs are specialist training centres designed to deliver advanced technical skills for the UK defence sector.¹⁶² They were introduced as part of the UK Government’s Defence Industrial Strategy to address critical skills gaps and create a sustainable talent pipeline.¹⁶³ DTECs aim to operate in partnership with industry, universities, and colleges to provide apprenticeships, degree-level programmes, and upskilling opportunities aligned with defence needs.¹⁶⁴ The UK Government has said that the two proposed Scottish DTECs would connect “the next generation to opportunities in sectors where demand for skilled workers is rising rapidly”.¹⁶⁵ The UK Government has committed £10 million towards the establishment of two Scottish DTECs, one in the east and one in the west of Scotland. However, both DTECs will only be established if the Scottish Government agrees to match fund the initiative; otherwise, the UK Government says only one DTEC will be established.¹⁶⁶
74. The proposed Scottish DTECs were welcomed by witnesses, with John Howie highlighting “huge demand” for them in Scotland.¹⁶⁷ ADS argued that by co-funding apprenticeships through the DTECs, alongside aligning curriculums with defence skills needs, the UK Government could help address bottlenecks to growth in Scotland’s defence sector.¹⁶⁸ Both ADS and

160 UK Government, [Scotland set for skills and innovation boost as £50 million defence growth deal unveiled](#), 12 March 2026

161 UK Government, [Scotland set for skills and innovation boost as £50 million defence growth deal unveiled](#), 12 March 2026

162 UK Government, [Major skills boost at the heart of transformative new Defence Industrial Strategy](#), 6 September 2025

163 UK Government, [Major skills boost at the heart of transformative new Defence Industrial Strategy](#), 6 September 2025

164 UK Government, [Major skills boost at the heart of transformative new Defence Industrial Strategy](#), 6 September 2025

165 UK Government, [Scotland set for skills and innovation boost as £50 million defence growth deal unveiled](#), 12 March 2026

166 UK Government, [Scotland set for skills and innovation boost as £50 million defence growth deal unveiled](#), 12 March 2026

167 [Q126](#) [John Howie]

168 ADS Group ([SSF0005](#))

John Howie emphasised the importance of Scottish Government support for the initiative, suggesting that it would be a missed opportunity for Scotland if the Scottish Government does not match UK Government funding.¹⁶⁹

- 75.** The Scottish Government has not yet confirmed whether or not it will match fund the proposed DTECs, but has sought further information from the UK Government on their governance arrangements, outcomes, integration with existing education systems and alignment with wider economic priorities.¹⁷⁰ It has said that early and meaningful engagement is essential for the progress of the proposed DTECs and broader Defence Growth Deal.¹⁷¹ The Scottish Government confirmed its ambition to work constructively with the UK Government on issues relevant to defence jobs and skills as discussions continue.¹⁷²
- 76.** While negotiations are ongoing regarding the Scottish DTECs, progress on DTECs in England has been more advanced. In April 2026, the UK Government announced the first five English DTECs, which were selected through a joint Ministry of Defence and Department for Education competition.¹⁷³
- 77.** The Minister for Defence Readiness and Industry Luke Pollard MP described the DTECs as being critical to combatting skills shortages, and explained he was keen to collaborate with the Scottish Government on the programme.¹⁷⁴ However the Minister suggested that, without Scottish Government match funding, the UK Government would only establish one DTEC in Scotland.¹⁷⁵ More broadly, the Minister spoke positively about the opportunities to work in collaboration with the Scottish Government to tackle the skills challenges in the sector.¹⁷⁶ He confirmed that there is regular communication between the two governments at official level but said there is not the same level of interaction between ministers and that there is currently no regular forum to discuss skills issues.¹⁷⁷

169 [Q129](#) [John Howie]; ADS Group ([SSF0005](#))

170 Letter from the Minister for Innovation, Technology and Tertiary Education regarding Securing Scotland's Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)

171 Letter from the Minister for Innovation, Technology and Tertiary Education regarding Securing Scotland's Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)

172 Letter from the Minister for Innovation, Technology and Tertiary Education regarding Securing Scotland's Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)

173 UK Government, [Next generation empowered through Technical Excellence Colleges](#), 15 April 2026

174 [Q188](#)

175 [Q187](#)

176 [Q192](#)

177 [Q192](#)

78.

CONCLUSION

The availability of a skilled workforce will be a key factor in determining whether Scotland can realise the opportunities presented by growth in the defence sector. Apprenticeships play a vital role in developing these skills and, by extension, in ensuring the UK's national security. With expected growth in the sector driven by new international orders and increased demand, there is a growing need for skilled workers, both within defence and in other essential but competing industries, like energy and advanced manufacturing. The establishment of Defence Technical Excellence Colleges in Scotland is a welcome step in addressing these skills shortages.

79.

RECOMMENDATION

The UK Government must work proactively with the Scottish Government to expand apprenticeship provision for the defence industry in Scotland, given the vital role apprenticeships play in developing skilled workers and supporting the UK's national security. For the same reasons, we hope to see the Scottish Government match the UK Government's funding for the two proposed DTECs. However, if the Scottish Government does not agree to match funding, an important opportunity will be lost.

80.

CONCLUSION

Progress establishing DTECs in Scotland has fallen behind those in England. While it is important that both the UK and Scottish Governments are aligned on the establishment of DTECs, intergovernmental cooperation and engagement should not be a cause of delay. DTECs have the potential not only to strengthen the defence skills pipeline but also to expand access to highly skilled, well-paid apprenticeship opportunities that support communities and regional economic growth across Scotland. We hope to see both Governments work together with greater urgency to ensure that Scotland does not fall further behind in developing the skills base needed to support the UK's defence ambitions.

Retention and further education

81.

As well as developing the skills needed for the sector, we heard that more must be done to retain the talent emerging from Scottish education institutions. Scottish universities play a crucial role in developing the skills and expertise needed for the defence and security sector. Scottish universities offer education in the foundational disciplines that underpin much of the defence sector, including engineering, computer science,

maths and physical science.¹⁷⁸ As explained by Professor Hopgood, Dean of Quality and Enhancement, University of Edinburgh, graduates often go on to design and develop new technologies “that we know we want but need to design from scratch”, including many with defence and dual-use applications.¹⁷⁹ Meanwhile at postgraduate level, particularly through PhD research, graduates help drive innovation by exploring future technologies and creating solutions to challenges “that we don’t know exists yet”.¹⁸⁰

- 82.** Hiring skilled Scottish graduates and retaining that talent in Scotland remains a challenge for the defence sector. Cathy Kane, Director, QinetiQ, highlighted the difficulty the defence sector faces in recruiting graduate engineers, who can often transfer to industries that offer higher salaries than defence.¹⁸¹ Similar concerns were raised during our roundtable with SMEs, which identified competition on pay as a major recruitment challenge. Witnesses emphasised the importance of strengthening links between higher education and the defence sector to address this issue. Professor Hopgood set out the work many Scottish universities already do in setting up placements with industry partners.¹⁸² These placements were praised during our SME roundtable for the opportunities they offer students to build skills and establish their working networks in Scotland, encouraging graduates to remain in the Scottish defence sector.

Defence Universities Alliance

- 83.** The Government intends to strengthen links between industry and academia through the proposed Defence Universities Alliance (DUA) - an aspect of the DIS. The DUA establishes a UK-wide network of universities, working in partnership with the MOD, the Armed Forces and the defence sector.¹⁸³ The DUA is designed to support defence innovation and promote the uptake of careers in defence-related industries amongst graduates.¹⁸⁴
- 84.** We heard support for this proposal, with Professor Hopgood encouraging universities to help “students to make informed decisions about their future by providing access to a range of industries and professional networks”.¹⁸⁵ Professor Turney described the DUA as a valuable opportunity to harness university research with skills development and collaborate further with industry.¹⁸⁶ While the DUA reflects many activities that are already ongoing

178 [Q48](#) [Professor Turney]

179 [Q48](#) [Professor Hopgood]

180 [Q48](#) [Professor Hopgood]

181 [Q110](#) [Cathy Kane]

182 [Q48](#) [Professor Hopgood]

183 Ministry of Defence, [Student skills investment to boost UK defence industry](#), 5 February 2026

184 Ministry of Defence, [Student skills investment to boost UK defence industry](#), 5 February 2026

185 [Q57](#) [Professor Hopgood]

186 [Q57](#) [Professor Turney]

at Scottish universities, Professor Hopgood spoke positively about that being recognised through the DUA charter.¹⁸⁷ However, he also questioned whether the DUA will be a “talking shop” without substantial investment in subject areas.¹⁸⁸

85. When giving evidence to us, the Minister suggested that further information on the DUA would be published shortly but confirmed that Scottish universities would be participating in the programme.¹⁸⁹ In July 2026, it was confirmed that 35 Universities were appointed founding members of the DUA, including the University of Edinburgh, University of Glasgow and University of Strathclyde.¹⁹⁰

86. **CONCLUSION**

Recruiting Scotland’s talented graduates and keeping that talent in Scotland is a clear challenge for the defence industry and is particularly difficult for SMEs. We welcome the creation of the Defence Universities Alliance as a positive step to promote the uptake of defence-related careers and create closer ties between academic institutions and the defence sector. However, it is too soon to judge the programme’s success.

87. **RECOMMENDATION**

By June 2027, the UK Government should provide the Committee with a progress update on the implementation of the DUA, including early indicators of its effectiveness in supporting Scottish graduates and institutions. The UK Government should then publish annual reports on the DUA’s performance, including data on the impact it is having on the retention of graduates in the Scottish defence sector.

Immigration

88. Our inquiry has also considered the demand for and availability of international workers. In the short-to-medium term, it is clear that Scotland will not be able to deliver upcoming naval and civil programmes solely through the domestic labour market.¹⁹¹ Historically, a “controlled pipeline of overseas labour” has been used to meet demand peaks and this will likely continue to be needed while skills are being developed.¹⁹² Some defence

187 [Q57](#) [Professor Hopgood]

188 [Q57](#) [Professor Hopgood]

189 [Q184](#)

190 UK Government, [Boost for skills and research as 35 universities across the UK partner in new defence alliance](#), 13 July 2026

191 Society of Maritime Industries ([SSF0003](#))

192 Society of Maritime Industries ([SSF0003](#))

roles are subject to levels of security clearance that limits the extent to which shortages can be addressed through international recruitment.¹⁹³ However, overseas workers continue to play a role in meeting demand in roles where such restrictions do not apply. This is demonstrated by Babcock's decision to hire 300 welders from the Philippines to work at Rosyth in October 2025, a decision it said had to be taken due to a lack of skilled applicants from the UK.¹⁹⁴

89. At present, the principal route through which defence employers can recruit overseas workers is the Skilled Worker Visa. Skilled Worker Visas allow UK employers to recruit overseas workers in certain occupations. Applicants generally require a job offer from an employer approved by the Home Office for a role included on the list of eligible occupations, in addition to the relevant salary threshold and sponsorship requirements.¹⁹⁵ In May 2025, the UK Government published an Immigration White Paper which outlined changes to Skilled Worker Visas. These changes included increasing the skills threshold to graduate level and increasing the English language requirements for Skilled Worker Visas from a B1 level on the Common European Framework for Reference for Languages, considered intermediate, to B2, upper-intermediate.¹⁹⁶
90. Occupations which the UK Government considers to be important to the UK's industrial strategy or critical infrastructure are put on the Temporary Shortage List, which allows employers to sponsor workers that may not otherwise qualify for a Skilled Worker Visa.¹⁹⁷ Roles relevant to defence on that list include welding trades, engineering technicians and shipbuilders.¹⁹⁸
91. ADS Scotland has called on the UK Government to reform immigration policy to recognise defence as a strategically critical sector, suggesting there is a misalignment between industry demand and the availability of overseas labour.¹⁹⁹ This view was echoed by Babcock, which argued that greater access to visas for international workers is needed in the short term to address immediate workforce shortages.²⁰⁰ Babcock said that this increased access for international workers is "necessary to meet milestones on international programmes" until the domestic skills and training pipeline is sufficiently developed.²⁰¹ Babcock has also criticised the decision to raise

193 Thales ([SSF0004](#))

194 [Q110](#) [John Howie]

195 GOV.UK, [Skilled Worker visa](#), [accessed 20 July 2026]

196 Migration Advisory Committee, [Temporary Shortage List: Stage 1 report](#), 25 March 2026

197 Migration Advisory Committee, [Temporary Shortage List: Stage 1 report](#), 25 March 2026

198 GOV.UK, [Skilled Worker visa: temporary shortage list](#), 22 July 2025

199 [Q39](#) [Warrick Malcolm]

200 Babcock ([SSF0007](#))

201 Babcock ([SSF0007](#))

the English language requirement on the Skilled Worker Visa as “not being commensurate with the roles in question”, and risking the loss of critical skills.²⁰²

92. The Scottish Government highlighted the impact Brexit has had on access to talent across a range of sectors, including those relevant to defence.²⁰³ Ben Macpherson MSP, Minister for Innovation, Technology and Tertiary Education, Scottish Government, argued the UK Government needs to create a migration system that “better enables the attraction and retention of international talent to Scotland”, in support of Scotland’s demographic and economic needs.²⁰⁴
93. Minister for Defence Readiness and Industry Luke Pollard MP acknowledged that foreign labour has been needed to meet labour demands but emphasised the UK Government’s preference for home-grown talent.²⁰⁵ The Minister said that this preference is reflected in the current immigration requirements and companies should not rely on international workers when they have a responsibility to develop skills domestically.²⁰⁶

94. **CONCLUSION**

It is clear there will continue to be a role for international workers in Scotland’s defence sector for the foreseeable future, particularly given that demand for products from the defence sector has historically fluctuated. Current skills shortages have exacerbated this reliance as overseas recruitment is needed to meet immediate workforce needs. While international workers will remain an important part of the workforce, strengthening the domestic skills base would help ensure that future demand can increasingly be met from within the UK.

95. **RECOMMENDATION**

We recognise calls for the importance of defence and manufacturing sector needs to be reflected in immigration policies. The UK Government should regularly review defence roles included in the temporary shortage list to ensure defence skills gaps in Scotland can be adequately filled.

202 Babcock ([SSF0007](#))

203 Letter from the Minister for Innovation, Technology and Tertiary Education regarding Securing Scotland’s Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)

204 Letter from the Minister for Innovation, Technology and Tertiary Education regarding Securing Scotland’s Future: Defence Skills and Jobs Inquiry, [17 July 2026](#)

205 [Q195](#)

206 [Q195](#)

5 Public perceptions of defence

96. Many of the skills challenges discussed in the previous chapter are influenced not only by training provision but also by public attitudes towards the defence sector. The Strategic Defence Review (SDR) recognised this, highlighting the need to bring together “the state, business and society in pursuit of national security” as “a collective national endeavour”.²⁰⁷ Although the former Prime Minister Sir Keir Starmer MP committed to starting a national conversation on defence and security following the publication of the SDR, Lord Robertson of Port Ellen said this conversation had yet to commence as of April 2026.²⁰⁸
97. We found this view to be shared by the sector, which was emphatic that a continued negative perception of defence is one of the most persistent barriers to recruitment in Scotland, particularly amongst students and early-career professionals.²⁰⁹ John Howie suggested that this negative perception can be linked back to an ideological perception that defence is “bad and unethical”.²¹⁰ In part, witnesses suggested that this perception issue stems from a tendency to reduce the sector to a narrow focus on combat, munitions, and potentially controversial weapons.²¹¹ Professor Turney, Deputy Principal Research and Impact, Heriot Watt University, suggested that this view ignores the vast breadth of the sector, which includes logistics, AI and security operations.²¹² Furthermore, during the inquiry certain Scottish Government policies were cited as fuelling negative perceptions of the sector.
98. The important role for education providers in improving understanding of the defence sector has been raised throughout this inquiry. Professor Hopgood said that universities play a key role in demystifying the sector by highlighting that defence and security can include work in areas such as advanced communications and drone surveillance technologies, to

207 UK Government, [The Strategic Defence Review 2025 - Making Britain Safer: secure at home, strong abroad](#), 8 July 2025

208 [Q142](#); Oral evidence taken by the Joint Committee on the National Security Strategy on 27 April 2026 [Q17](#)

209 Thales ([SSF0004](#)); Babcock ([SSF0007](#))

210 [Q110](#) [John Howie]

211 [Q53](#) [Professor Turney] [Professor Hopgood]

212 [Q53](#) [Professor Turney]

protect military personnel in Ukraine.²¹³ However, witnesses said that raising awareness of defence-related careers at universities is challenging. Warrick Malcolm, former Director, ADS Scotland, noted the negative public response defence firms face and that defence related career fairs are “invariably” being shut down, which has a tangible impact on the attractiveness of jobs in the sector.²¹⁴ Professor Turney highlighted the role the Defence University Alliance could play in showcasing and celebrating the high value job opportunities available in the defence sector.²¹⁵

99. The negative perception of the sector is not solely an issue for recruitment. Mark Stead, SVP Radar and Advanced Targeting, Leonardo emphasised the heightened challenges faced by SMEs, who “suffer from the stigma” of the sector and risk vandalism to their sites.²¹⁶ He warned that smaller businesses could be encouraged to change sector as a result.²¹⁷ John Howie, Chief Corporate Affairs Officer, Babcock, similarly noted the institutional challenges SMEs face operating in the defence sector, including landlords who will not rent properties to defence companies and banks that will not allow them to open accounts.²¹⁸
100. Accessing financial services was also raised as an issue during our SME roundtable. Participants argued defence businesses are often viewed by financial institutions as carrying reputational risk.²¹⁹ Indeed, one of the companies we heard from had been “debanked” due to its connections to the defence sector. It was suggested that defence businesses are treated as “undesirable” by some institutions and support bodies.²²⁰ Minister for Defence Readiness and Industry Luke Pollard MP acknowledged the challenge this presents, saying that the MOD had seen examples of “good defence businesses supporting our national security” being debanked.²²¹ He said that this was “not acceptable in a time of increasing risk” and expressed hopes that financial institutions would increasingly support defence firms, particularly SMEs, and ensure they have access to appropriate banking services.²²²

213 [Q53](#) [Professor Hopgood]

214 [Q41](#) [Warrick Malcolm]

215 [Q53](#) [Professor Turney]

216 [Q121](#) [Mark Stead]

217 [Q121](#) [Mark Stead]

218 [Q123](#) [John Howie]

219 Scottish Affairs Committee, [Securing Scotland’s Future: Defence Skills and Jobs – SME private roundtable](#), September 2026

220 Scottish Affairs Committee, [Securing Scotland’s Future: Defence Skills and Jobs – SME private roundtable](#), September 2026

221 [Q177](#)

222 [Q177](#)

- 101.** Prime contractors also run a number of programmes seeking to improve public understanding and perception of the defence sector. This includes the STEM outreach work discussed in Chapter Two, as well as more targeted efforts to demonstrate the importance of their work in terms of national defence, as well as support for local communities.²²³ For example, Babcock has sought to attracting people who would not typically enter the defence sector through production support operative roles and pre-apprenticeship programmes that introduce school pupils to the industry.²²⁴

‘Destination Defence’

- 102.** To help tackle recruitment challenges and improve the sector’s reputation, the UK Government has announced plans for ‘Destination Defence’, a communications campaign intended to increase awareness of careers in the defence industry.²²⁵ In written evidence, the UK Government emphasised that the initiative is seeking to improve the sector’s reputation and attract new talent.²²⁶ John Howie is involved in the project through the Defence Industrial Council and highlighted the success of an existing programme ‘Destination Nuclear’.²²⁷ He explained that this similar scheme has been successful in increasing the number of applicants for jobs by raising awareness of less visible roles.²²⁸
- 103.** Minister for Defence Readiness and Industry Luke Pollard MP acknowledged that this was just one way in which the UK Government is combatting negative perceptions of the defence sector.²²⁹ Speaking two months after Lord Robertson suggested the national conversation had not yet begun, the Minister highlighted broader work to increase transparency regarding the ongoing live threats the country faces.²³⁰ The Minister more broadly emphasised the need to tell the positive story of defence.²³¹ In this context, the Defence University Alliance was also flagged here as key to combating negative perceptions, particularly in terms of encouraging universities to promote careers in defence on campus.²³²

223 [Q121](#) [Cathy Kane]

224 [Q111](#) [John Howie]

225 Ministry of Defence ([SSF0013](#))

226 Ministry of Defence ([SSF0013](#))

227 [Q124](#) [John Howie]

228 [Q124](#) [John Howie]

229 [Q203](#) [Minister Pollard]

230 [Q203](#) [Minister Pollard]

231 [Q203](#) [Minister Pollard]

232 [Q203](#) [Calum Taylor]

104. CONCLUSION

The Defence Industrial Strategy called for a public conversation on the importance of defence. However, sufficient progress has not yet been made in developing this national conversation. Delivering such a conversation will be essential to supporting recruitment and retention in Scotland's defence sector, and to building wider public understanding of it. Increased transparency regarding live threats and plans for the 'Destination Defence' campaign are a positive step, but more must be done to deliver this national conversation.

105. RECOMMENDATION

In its response to this report, the UK Government must set out how it plans to deliver this national conversation on defence in Scotland, in order to support awareness of the wide range of roles available within the sector. Both the UK and Scottish Governments have a part to play in building public understanding, reducing negativity and supporting a sector that is fundamental to the UK's security and resilience.

106. RECOMMENDATION

It is unacceptable that SMEs working to deliver the UK's national security objectives are being denied access to financial services through so-called 'debanking'. The UK Government should assess the impact of this practice on Scotland's defence industry and engage with the financial services sector to end this practice, which is damaging to the UK's national security objectives, SME growth, and the provision of highly-skilled jobs in Scotland's defence sector. The Scotland Office should report back to the Committee within six months on the findings of this work and the actions taken in response.

Conclusions and recommendations

Defence investment

1. Scotland remains central to the UK's defence sector at a time when maintaining a resilient industrial base is more critical than ever. The context of increased defence spending presents a significant opportunity for Scotland. Meeting rising demand for defence capability, particularly in shipbuilding, aerospace and advanced technologies, offers the prospect of expanding the number of highly skilled, well-paid jobs in Scotland, and delivering supply chain growth for defence businesses across Scotland. Realising that opportunity demands long term investment that supports demand, skills and innovation across the supply chain. In contrast, inconsistent funding and stop-start procurement weaken sovereign capability, workforce retention and the longer-term value that the Scottish defence sector can provide. (Conclusion, Paragraph 28)
2. We welcome the new Prime Minister's continued emphasis on backing British businesses through defence spending. We hope to see that rhetoric translate into contracts for firms operating in Scotland, and tangible support for Scottish SMEs, supply chains and workers. (Conclusion, Paragraph 29)
3. The publication of the Defence Investment Plan provides a welcome degree of clarity on the UK Government's strategic direction, and the implications for Scotland's defence sector. In its response to this report, the UK Government should set out how the Defence Investment Plan draws upon the strengths of Scotland's defence sector, and specifically how the plan will maximise economic and employment opportunities for Scotland. (Recommendation, Paragraph 30)
4. The MOD must begin publishing data on defence expenditure with individual suppliers in Scotland to enable better and evidence-based procurement and policy decisions going forward. (Recommendation, Paragraph 31)

Unlocking SME potential

5. Only 0.078% of the MOD's direct expenditure is with SMEs in Scotland. This is substantially lower than Scotland's population share and is at odds with the scale and importance of Scotland's defence manufacturing base. (Conclusion, Paragraph 43)
6. Prime contractors play a pivotal role in engaging SMEs in the defence sector. Given the dominance of SMEs in Scotland, this relationship is particularly important in ensuring that Scotland shares in the potential benefits of increased defence spending. However, under the current commercial model, SMEs are operating in a fluctuating defence environment with multiple barriers to operation, and face a significant amount of financial risk that can be challenging to manage. (Conclusion, Paragraph 44)
7. The MOD should incentivise prime contractors to take a more active role in supporting Scottish SMEs. Procurement processes should take into account the extent to which prime contractors help SMEs overcome barriers to participating in the defence sector, with a view to favouring companies that demonstrate strong support for SME growth and inclusion in defence supply chains. (Recommendation, Paragraph 45)
8. Scottish SMEs seeking to enter defence supply chains are also disserved by several barriers. Meeting the standards required by prime contractors is often costly and complex, with requirements varying across firms and contracts. We welcome the establishment of the Defence Office for Small Business Growth to help address these challenges. However, it is too early to assess whether the Defence Office for Small Business Growth will deliver meaningful improvements for Scotland's defence sector. Similar initiatives have been established in the past, yet challenges facing SMEs persist. (Conclusion, Paragraph 46)
9. The Defence Office for Small Business Growth should publish specific targets for the uplift it expects to deliver in MOD funding for Scottish SMEs, and the measurable outcomes it will use to assess progress in improving access to defence supply chains for Scottish SMEs. Progress against these targets should be published on an annual basis. (Recommendation, Paragraph 47)

Defence skills gaps

10. Funding for apprenticeships remains an enduring risk to the ability of the UK Government to deliver the Scottish elements of the DIP in the coming years. We welcome the UK Government's plans for direct skills investment in the defence sector in Scotland. However, the allocation of £20 million for Wales, Scotland and Northern Ireland from a £182 million fund represents a disproportionately small share, and it is difficult to see how it can shift

the dial on skills shortages in Scotland. We also hope to see the Scottish Government play its part in ensuring Scotland has the skills needed to meet demand in the defence sector. (Conclusion, Paragraph 68)

11. The MOD should write to the Committee within six months to explain how it arrived at this £20 million figure, and how it is commensurate with the size, importance and potential of Scotland's defence sector. It should also explain how allocating such a limited share of funding will support the expansion of skills provision to the extent necessary to address persistent shortages across Scotland's defence industry. (Recommendation, Paragraph 69)
12. In its response to this report, the MOD should set out the other UK Government initiatives, outside of the £20 million fund, that the Minister said will support defence skills development in Scotland. It should explain the benefits each initiative is expected to deliver in Scotland, and provide an assessment of their likely value. (Recommendation, Paragraph 70)
13. The availability of a skilled workforce will be a key factor in determining whether Scotland can realise the opportunities presented by growth in the defence sector. Apprenticeships play a vital role in developing these skills and, by extension, in ensuring the UK's national security. With expected growth in the sector driven by new international orders and increased demand, there is a growing need for skilled workers, both within defence and in other essential but competing industries, like energy and advanced manufacturing. The establishment of Defence Technical Excellence Colleges in Scotland is a welcome step in addressing these skills shortages. (Conclusion, Paragraph 78)
14. The UK Government must work proactively with the Scottish Government to expand apprenticeship provision for the defence industry in Scotland, given the vital role apprenticeships play in developing skilled workers and supporting the UK's national security. For the same reasons, we hope to see the Scottish Government match the UK Government's funding for the two proposed DTECs. However, if the Scottish Government does not agree to match funding, an important opportunity will be lost. (Recommendation, Paragraph 79)
15. Progress establishing DTECs in Scotland has fallen behind those in England. While it is important that both the UK and Scottish Governments are aligned on the establishment of DTECs, intergovernmental cooperation and engagement should not be a cause of delay. DTECs have the potential not only to strengthen the defence skills pipeline but also to expand access to highly skilled, well-paid apprenticeship opportunities that support communities and regional economic growth across Scotland. We hope to see both Governments work together with greater urgency to ensure that Scotland does not fall further behind in developing the skills base needed to support the UK's defence ambitions. (Conclusion, Paragraph 80)

16. Recruiting Scotland's talented graduates and keeping that talent in Scotland is a clear challenge for the defence industry and is particularly difficult for SMEs. We welcome the creation of the Defence Universities Alliance as a positive step to promote the uptake of defence-related careers and create closer ties between academic institutions and the defence sector. However, it is too soon to judge the programme's success. (Conclusion, Paragraph 86)
17. By June 2027, the UK Government should provide the Committee with a progress update on the implementation of the DUA, including early indicators of its effectiveness in supporting Scottish graduates and institutions. The UK Government should then publish annual reports on the DUA's performance, including data on the impact it is having on the retention of graduates in the Scottish defence sector. (Recommendation, Paragraph 87)
18. It is clear there will continue to be a role for international workers in Scotland's defence sector for the foreseeable future, particularly given that demand for products from the defence sector has historically fluctuated. Current skills shortages have exacerbated this reliance as overseas recruitment is needed to meet immediate workforce needs. While international workers will remain an important part of the workforce, strengthening the domestic skills base would help ensure that future demand can increasingly be met from within the UK. (Conclusion, Paragraph 94)
19. We recognise calls for the importance of defence and manufacturing sector needs to be reflected in immigration policies. The UK Government should regularly review defence roles included in the temporary shortage list to ensure defence skills gaps in Scotland can be adequately filled. (Recommendation, Paragraph 95)

Public perceptions of defence

20. The Defence Industrial Strategy called for a public conversation on the importance of defence. However, sufficient progress has not yet been made in developing this national conversation. Delivering such a conversation will be essential to supporting recruitment and retention in Scotland's defence sector, and to building wider public understanding of it. Increased transparency regarding live threats and plans for the 'Destination Defence' campaign are a positive step, but more must be done to deliver this national conversation. (Conclusion, Paragraph 104)
21. In its response to this report, the UK Government must set out how it plans to deliver this national conversation on defence in Scotland, in order to support awareness of the wide range of roles available within the sector. Both the UK and Scottish Governments have a part to play

in building public understanding, reducing negativity and supporting a sector that is fundamental to the UK's security and resilience.
(Recommendation, Paragraph 105)

- 22.** It is unacceptable that SMEs working to deliver the UK's national security objectives are being denied access to financial services through so-called 'debanking'. The UK Government should assess the impact of this practice on Scotland's defence industry and engage with the financial services sector to end this practice, which is damaging to the UK's national security objectives, SME growth, and the provision of highly-skilled jobs in Scotland's defence sector. The Scotland Office should report back to the Committee within six months on the findings of this work and the actions taken in response. (Recommendation, Paragraph 106)

Formal Minutes

Wednesday 9 September 2026

Members present

Patricia Ferguson, in the Chair

Maureen Burke

Dave Doogan

Lillian Jones

Douglas Lumsden

Angus MacDonald

Douglas McAllister

Susan Murray

Kirsteen Sullivan

Securing Scotland's future: Defence skills and jobs

Draft Report (*Securing Scotland's future: Defence skills and jobs*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 106 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjournment

Adjourned till Wednesday 14 October at 9.00am.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 14 January 2026

Warrick Malcolm, Director, ADS Scotland; **Andrew Kinniburgh**, Director-General, Make UK Defense [Q1–46](#)

Wednesday 18 March 2026

Gavin Donoghue, CEO, Colleges Scotland; **Jim Metcalfe**, Principal and Chief Executive, Fife College; **Professor Chris Turney**, Deputy Principal Research and Impact, Heriot Watt University; **Professor James Hopgood**, CDT SPADS Lead, The University of Edinburgh [Q47–83](#)

Kirsti Godson, Head of Skills and Social Impact, Thales UK; **Steve Owens**, Head of Operations, Glasgow Science Centre; **Susan Scurlock**, CEO, Primary Engineer [Q84–94](#)

Wednesday 22 April 2026

John Howie MBE, Chief Corporate Affairs Officer, Babcock; **Neil Holm**, Chief Operating Officer, BAE Systems Naval Ships; **Mark Stead**, SVP Radar & Advanced Targeting, Leonardo; **Cathy Kane**, LTPA Portfolio Director, QinetiQ [Q95–133](#)

Tuesday 9 June 2026

The Rt Hon. the Lord Robertson of Port Ellen KT [Q134–160](#)

Wednesday 24 June 2026

Luke Pollard MP, Minister of State (Minister for Defence Readiness and Industry), Ministry of Defence; **Brigadier Andy Muddiman ADC RM**, Naval Regional Commander Scotland & Northern Ireland, Ministry of Defence; **Calum Taylor**, Deputy Director Industry Skills and Place, Ministry of Defence

[Q161-208](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

SSF numbers are generated by the evidence processing system and so may not be complete.

1	ADS Group	SSF0005
2	AERALIS Ltd	SSF0014
3	BAE Systems	SSF0011
4	Babcock	SSF0007
5	British Private Equity and Venture Capital Association	SSF0010
6	Buziuk, Hleb (Independent policy researcher and human-rights advocate, FairGo CIC)	SSF0001
7	Colleges Scotland	SSF0008
8	Fragomen LLP	SSF0015
9	Ministry of Defence	SSF0013
10	RAND Europe	SSF0009
11	Society of Maritime Industries	SSF0003
12	Taylor, Professor Trevor	SSF0012
13	Thales	SSF0004
14	UK Institute for Technical Skills and Strategy	SSF0006

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2026–27

Number	Title	Reference
1st	Clean Power by 2030: A fair deal for Scotland?	HC 164

Session 2024–26

Number	Title	Reference
6th	Draft Scotland Act 1998 (Modification of Schedule 5) Order 2026	HC 1652
5th	The work of the Committee in 2024–25, and Industrial transition in Scotland	HC 1651
4th	The future of Scotland's oil and gas industry	HC 459
3rd	Problem drug use in Scotland follow-up: Glasgow's Safer Drug Consumption Facility	
2nd	Scotland's space sector follow-up: launch	HC 671
1st	The financing of the Scottish Government	HC 456
7th Special	Draft Scotland Act 1998 (Modification of Schedule 5) Order 2026: Government Response	HC 1708
6th Special	The future of Scotland's oil and gas industry: Government Response	HC 1603
5th Special	Scotland's space sector follow-up: launch: Government Response	HC 1495
4th Special	Problem drug use in Scotland follow-up: Glasgow's Safer Drug Consumption Facility: Government Response	HC 1485

Number	Title	Reference
3rd Special	The Financing of the Scottish Government: Government response	HC 1357
2nd Special	Scotland's space sector: Government response	HC 801
1st Special	Science and Scotland: Government response	HC 800