Defence Industrial Strategy Review 2025

Call for submissions - techUK response

1. About techUK & Summary of Submission

1.1 techUK is the trade association which brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve. We create a network for innovation and collaboration across business, Government and stakeholders to provide a better future for people, society, the economy and the planet. techUK represents over 1100 member companies working across the UK technology sector.

1.2 techUK welcomes the opportunity to provide written evidence to the 2025 Defence Industrial Strategy review. This submission is based on inputs received from techUK's member companies with interests in Defence and Security matters, ranging from multinational technology companies, prime manufacturers, consultancies, scale-ups and SMEs.

1.3 From techUK member submissions emerged three key priorities which are fundamental if the UK is to cultivate a vibrant and diverse Defence technology sector in the UK. The first, that the Ministry of Defence must act as both an intelligent and reliable customer and partner. This means understanding what it is buying and why, contracting promptly, paying on time, and accepting dependencies when necessary. Secondly, it must act in partnership with the rest of government in approaching technologies – setting standards and definitions – while tackling the 'core-enabler' challenges such as security vetting and clearances (a practical barrier to companies working across Defence and National Security). Finally, it must streamline and restructure the overly complex Defence innovation ecosystem, with clear delineations of responsibility across Head Office, Strategic Command, Front Line Commands, and delivery agencies.

2. DIS Chapter 1 - Prioritising UK businesses

2.1 Sovereignty is regularly cited as a priority for Defence, but the MOD has no clear definition of what it means by this (as with cloud, and the concept of resilience). The department must set out clearly what exactly sovereignty means, and what it looks like in practice. This should cover capabilities, supply chain management, and procurement processes, and how it matches with the demand for greater interoperability with allies. Answering this question is fundamental to understanding how best to prioritise UK businesses, as there are inevitably trade-offs that must be made between sovereignty and interoperability.

2.2 techUK members have consistently argued that the innovation landscape across the Defence ecosystem requires urgent consolidation with central oversight from a single innovation authority. At present there are far too many innovation units across the MOD, each with their own processes and routes to market. Such an innovation authority would have the responsibility to delegate acquisition powers to individual FLCs when necessary, preventing units from pursuing similar capabilities built on

common technology stacks. Without such oversight existing it proves impossible to pull through proved technologies from one FLC to another. In addition, a single innovation front door with the power to direct new suppliers to the appropriate internal MOD organisation would greatly benefit UK businesses seeking opportunities in the Defence sector.

2.3 For UK businesses to see the Defence sector as an attractive market, the MOD must provide clarity on the definition of social value as it relates to scoring in contracts. Clarity on how social value is measured, and how reported information is used by the department would be useful for industry as it prepares to bid for work. Furthermore, techUK members would like to see social value calculations take a wider, societal view beyond the strict parameters of individual contracts, including metrics such as job creation in the UK, and the contribution to the growth and prosperity agenda. The present approach does not lead to optimal outcomes, with one member raising a concern that MOD procurements can become 'a race to the bottom' on contract price without consideration of the contribution to UK growth and wider economic benefits.

2.4 Despite signalling by successive governments, techUK's members still report cases where companies working in or adjacent to defence are being denied banking (and insurance) services by both traditional and 'neo'-banks. techUK members argue that the MOD and HM Treasury must do more to ensure that companies are not being penalised for working in a strategically important sector to the UK. Maximum pressure on banks and other financial institutions must be applied by the government to counteract this behaviour.

3. DIS Chapter 2 - Creating Partnerships

3.1 techUK believes the MOD should consider interoperability through three prisms: within the Defence Enterprise; cross-government; and internationally.

3.2 Within the MOD, this first means those in leadership having sufficient understanding of the impact that new technologies will have on Defence and its ways of working. Members working on Zero-Trust security for instance highlight that while this is understood at a tactical level within the MOD, there is not a real appreciation at the strategic level of why such technologies must be a priority when developing or investing in new capabilities. The same principle applies to the impact of Quantum computing.

3.3 As mentioned in the previous chapter, techUK members have characterised the Defence innovation ecosystem as fragmented, disconnected and in the case of Dstl isolated from industry. To maximise economic return and delivery of growth, maximum use should be made of the private sector and government should focus on doing that which can only be done inside government. To quote one member, 'too often they are sat in silos celebrating siloed success but not delivering tangible impacts at the front line'. The MOD requires a single, central authority with the responsibility to delegate acquisition to FLCs when necessary, but oversight of capability integration, preventing duplication, and facilitating pull-through from one FLC to another when success is achieved.

3.4 As the MOD tries to break large incumbent contracts into smaller disaggregated contracts with more suppliers, it must recognise the impact of this on technical and commercial integration. An integration authority as set out at 3.3 would ensure that it all fits together, with the sufficient commercial capacity to manage the significant increase in contracts to be let and managed.

3.5 In overcoming the technological 'valley of death' the MOD must put in place an innovation pipeline driven by designated specialist capability sponsors with the authority to 'pull-through' technologies from conception through to the end-user, with a customer identified from the outset. This requires continuous-integration-and-continuous-delivery (CI/CD) assured pipelines with integrated testing and assurance processes and clear steps at pre-production and production phases.

3.6 Across wider government, this means ensuring that the MOD solution-seeking to 'core-enabler' challenges is firmly aligned with cross-departmental planning. This includes architectures, digital identification, and data services; a starting point for which would be a single, whole-of-government glossary. This also includes practical problems such as non-alignment of vetting and clearance processes. techUK members report frustrations around employees with 'MOD Developed-Vetting', are unable to work above Official on Home Office projects.

3.7 Globally, the MOD must engage fully with NATO DIANA, AUKUS, JEF and other shared international collaboration vehicles set up to signal demand and ensure interoperability by design. As the EU expands its role in defence with the European Defence Industrial Strategy, the UK government must have a clear and coherent plan for engaging with the European Defence Agency - which unlike the NATO Support and Procurement Agency and OCCAR has a direct role in defining capability requirements - to ensure that UK companies are not isolated from major international programmes. As Defence spending across Europe rises, the MOD should push NATO to set standards in open architecture platforms for tactical communications and ISR for instance, to ensure interoperability between allies built in from design, much as it did with standardising ammunition and artillery shells in previous generations.

3.8 Access to advanced manufacturing tools such as computer numerical control (CNC) machines is critical to maintaining high standards in production. However, the significant capital expenditure required for these tools often limits growth. techUK members recommend establishing a government-backed financing scheme to part-fund machine tool purchases, enabling SMEs to expand capacity and contribute more robustly to the Defence supply chain. Additionally, targeted business rates relief for manufacturing facilities—especially those dedicated to Defence-related projects—would ease the financial burden on high-potential companies and encourage long-term investment in critical infrastructure.

4. DIS Chapter 3 - Certainty and Stability

4.1 There remains the challenge of the MOD being regarded as a dependable partner and customer by industry. The view shared by members is that the published future procurement pipeline is 'poor quality, with gaps and inaccurate dates, and this means that suppliers do not know where or when to invest.' techUK members of all sizes highlighted repeated frustrations around delays in contracting processes, confirmed

projects that are then cancelled, and the refusal of the MOD to accept dependencies in contracts. Of serious concern was the 'financial furlough' experienced at the beginning of 2025 where members contracted to Defence Digital were required to stand down entire teams - including SMEs within supply chains – with little more than a week's notice. Members have reported that delays and cancellations are ongoing at the time of writing, affecting business confidence and a willingness to invest in Defence.

4.2 To achieve certainty and stability the MOD must build trust from the outset of any programme by setting simple and clearly defined deliverables and objectives. To build trust with industry, the necessary funding must be evident from the outset with a commitment that it will not be withdrawn immediately prior to the project starting or indeed after it has commenced. Industry must have confidence that they are not wasting time and resources as they look to align their limited resources to bid for work in the Defence sector.

4.3 techUK members have reported frustrations that their internal contracting and legal teams are unable to have 'intelligent conversations' with their MOD counterparts during complex commercial discussions. To work at pace the MOD must ensure that its commercial officers are suitably trained in understanding their own processes and empowered to take risks where appropriate. One techUK member shared an example of a contract issued in the past 12 months with 63 separate attached DEFCONs, some of which were withdrawn when challenged, but forcing the company to rule themselves out of the bidding process due to onerous and unmanageable requirements. This training must include an understanding of how SMEs work and the pressures they face. techUK members shared a worrying number of cases where delays in MOD contracts have directly resulted in bankruptcy for smaller companies operating in the Defence sector. The Home Office has achieved considerable success with its Accelerated Capability Environment, in delivering fast turnaround on challenges in the digital space from a broad ecosystem of SMEs, primes and academia, with 75% of the work going to SMEs.

4.4 There is now an urgent need to produce the revised SME Action Plan that has been under review since before Summer 2024. The SME Action Plan requires quantifiable, timebound KPIs, with demonstrable buy-in from the whole Defence enterprise. This means that Action Plan commitments match directly with contracting requirements on all suppliers responsible for subcontracting to SMEs. The Action Plan must include the removal of unnecessary and inappropriate application of DEFCONS, such as declarations on asbestos management for IT consultancy work as experienced by one techUK member.

4.5 The MOD should review whether a CAPEX approach to technology is appropriate for the acquisition of digital capabilities. Other models such as a supplier-owned and managed approach through licensing ('as a service') would best drive innovation and cost efficiency. Such a shift in the MOD's approach would also allow companies – particularly SMEs - greater control over their intellectual property, enabling better export potential. The MOD should issue clear guidance on DEFCONS 703 and 705, which while frequently applied, were never intended for software.

4.6 techUK members noted positively the decision to expand the Defence Industrial Joint Council to reflect a broader range of stakeholders, but the MOD must learn lessons from the Defence Suppliers Forum, with time-bound task and finish groups working against clear and measurable objectives. The DIJC requires a permanent SME sub-group with senior MOD chair to demonstrate serious commitment to improving access to opportunities for smaller companies. It also requires an established process for communicating decisions more publicly to ensure the work of the DIJC is well understood by the broadest possible range of stakeholders.

4.7 techUK would like to see the MOD look at standardisation across assurance and technical evaluation processes, including safety and security protocols, ethics framework compliance, simplifying and streamlining processes where possible. Also, aligning AI standardisation and insisting on this as standard in procurement (as has previously been done to ISO 15288 for systems engineering or ISO 9001 for quality).

5. DIS Chapter 4 - Seizing the Future

5.1 Achieving pull-through of new technology solutions means having full oversight of the innovation to acquisition pipeline to ensure there is a customer (with funding) waiting at the other end. As discussed in 3.5 this requires designated specialist sponsors who have responsibility to 'join the dots' from the earliest stages of problem identification and demand signals, to then match these demand signals up into funded programmes of record.

5.2 The MOD must urgently rationalise the number of frameworks used across the defence enterprise, and the failure of DSF SME group to be able to produce a definitive list of frameworks in use by the MOD should be cause for concern. techUK members have shared examples where decisions on procurement routes were made based solely on the familiarity of the procurement officers with particular frameworks, and not on appropriateness of the framework itself. The MOD should be able to produce a single list of all existing frameworks with clear guidance on their intended purpose and the process for joining them.

5.3 The MOD needs to understand its technical debt and the aggregated risks to operations and security. It is positive to hear senior officials talk of making obsolescence management 'a business-as-usual task' but to properly seize the future, the MOD must first fully grasp the IT estate as it stands today. As part of a wider audit of enterprise licences held, the MOD should urgently professionalise its contract management processes with a single, COTS contract management database. This would enable it to build a comprehensive map of dependencies across the enterprise.

6. DIS Chapter 5 - Spreading Prosperity

6.1 techUK members have reported that without a contract with the UK MOD it is hard to demonstrate the credibility of products or services when seeking to export. The MOD should therefore look at how it can provide companies with a Defence 'kitemark' or certificate that would allow companies working at a specific TRL to have those products independently evaluated and certified to demonstrate approval (if not firm orders) to international buyers.

6.2 As previously mentioned, a fundamental change in the MOD's technical acquisition with a supplier-owned and managed approach as default, would allow companies far greater control over their intellectual property significantly increasing export potential. Members noted positively the attitude of the Department of Business and Trade to IP ownership in comparison.

7. DIS Chapter 6 - Deterrence

7.1 The need for increased Defence spending is now a given, but what matters is a clear understanding of the capabilities the UK is prioritising investment in to send the right demand signals to industry. In the technology and digital space, this means the MOD setting clear guidelines on open architecture systems, Intelligence, Surveillance and Reconnaissance, and communication networks to drive interoperability from the outset, enabling companies to better shape products accordingly. And such decisions must be made in partnership with the allies that British armed forces will fight alongside.

7.2 The UK's National Technology and Industrial Capability (NTIC) is a key element of the UK's deterrence of adversaries, defeat of aggressors and ability to partner with allies. The capabilities delivered by the NTIC are an exercise in information warfare and the pace at which good ideas can be moved out of the labs and on to the frontlines, in any domain, is a deterrent in its own right. The MOD and other National Security customers must integrate the NTIC more closely with end-users and the intelligence community to ensure the path from tech evolution to integration into capability is a short as possible.