



SECURING OUR FUTURE, TOGETHER

ADS X GMB X PROSPECT

SPRING 2025



Disclaimer: This report is a culmination of discussions on areas of agreement and collaboration between ADS, Prospect, and GMB. We are proud to present such a comprehensive programme demonstrating our belief that working together is in the national interest, the interest of workers, and the interest of our defence enterprise. However, individual organisations may differ on particular policy points, and each organisation may also support further measures in each policy area which are not covered in this report.

TABLE OF CONTENTS

01	FOREWORD	04
02	INTRODUCTION	07
03	SIX AREAS FOR COLLABORATION AND GROWTH	08
	1. Fostering British Industry	08
	2. Delivering for the UK with International Partnerships	12
	3. Exports and the Growth Mission	15
	4. Procurement: Being a “Better Customer”	18
	5. Getting the Best Returns: Long-term Investment	23
	6. Skills for the Future	25
04	CONCLUSION	30
05	REFERENCES	31

Kevin Craven, CEO, ADS



I am delighted to introduce this joint report, a collaborative effort between ADS and our esteemed trade union partners, GMB and Prospect. As CEO of ADS, I am proud to represent the aerospace, defence, security, and space sectors, which are not only pivotal to the UK's economic landscape but also instrumental in shaping our country's future on the global stage.

Our sectors are vibrant hubs of activity, employing over 427,000 individuals and contributing £38.2 billion in added value to the UK economy in 2023 alone. The remarkable 50% growth in Gross Value Added (GVA) over the past decade is a testament to our sectors' robustness and their crucial role in driving national economic expansion. These sectors span across the entirety of the UK, bringing high-quality, innovative job opportunities to every corner of the nation and establishing themselves as key pillars of UK industry.

At the core of our sectors' success are our people. Their exceptional talent, innovative mindset, and dedication are what keep the UK at the forefront of aerospace, defence, security, and space industries. With many workers following in the footsteps of generations before them, it is clear that our sectors provide not just jobs but rewarding lifelong careers.

It is with great pleasure that we publish this report, which not only highlights the achievements and challenges of our sectors but also frames the essential support structures needed to sustain and enhance our national and global standing.

This report underscores the necessity of a thoughtful, place-sensitive Industrial Strategy and a robust Defence Industrial Strategy that ensure long-term growth and stability. By addressing these needs, we can continue to foster innovation, support our workforce, and maintain our competitive edge in an increasingly complex global arena.

Gary Smith, General Secretary, GMB



The challenges of a rapidly changing world are coming thick and fast, not least in the realm of national security. Established alliances and assumptions are under threat, demanding urgent action in the race to build greater readiness and resilience for our country.

If we are to secure the future, we need to break with the failures of the past and put key industries back at the heart of our national economic story. This calls for a new, common endeavour, between government, businesses, and unions.

For generations, GMB members have helped keep the nation safe - building ships, producing munitions, maintaining essential equipment. Their voices, laden with knowledge and experience, have much to offer in the

debates and decisions on our industrial future. And, the next generation of workers stands ready to play their part too, looking to embrace the opportunities provided by a new era of apprenticeships.

This report – produced by ADS, GMB, and Prospect – is an important moment. We look forward to working together to bring its valuable contribution to life.

**Mike Clancy, General
Secretary, Prospect**



Recent events have shown us that a nation's security is only as strong as the industrial base that supports the armed forces. Conflicts are won and lost on the supply of military equipment to frontline troops. Thousands of Prospect's members up and down the country devote their working lives towards this objective; designing, supporting and building the military equipment the country and our allies need.

It is through durable partnership working between government, industry and the trade unions that a defence industrial strategy will be forged. This will deliver one of the government's central missions, a well-equipped armed forces supporting thousands of jobs throughout the country. That is why we welcome the opportunity to work with ADS and GMB on this joint report.

The unity of purpose we have achieved in reaching our recommendations shows how powerful the defence sector can be when we bring together trade union and industry expertise in a common goal.



SUMMARY OF RECOMMENDATIONS

1. Fostering British Industry

- a. Recognise secure supply chains as integral to sovereign capability.
- b. Establish Centres of Excellence (CoEs) to foster industry in areas where investment is most needed whilst also building world-leading commercial capability and skills.
- c. Incentivise co-investment with international partners, allowing UK firms to develop expertise and retain more control over intellectual property (IP).

2. Delivering for the UK with International Partnerships

- a. Establish additional international skills-sharing initiatives through new and existing international partnerships in order to maximise career and training opportunities and fortify UK supply chains.
- b. Include UK workers' rights protections in international collaborations.
- c. Protect UK intellectual property in international partnerships in order to maintain sovereign capability in the long term.

3. Exports and the Growth Mission

- a. Provide tailored export support for Small and Medium Enterprises (SMEs), for whom regulatory burdens are often overwhelming and who face persistent difficulty accessing finance, particularly in defence.
- b. Increase transparency on defence exports through a more thorough auditing process, to increase trust from the public and investors.
- c. Maximise benefits of Government investment by assigning responsibility for creating cross-Government coherence in systems.

4. Procurement: Being a “Better Customer”

- a. Further strengthen the social value aspect of the UK's defence procurement framework, ensuring defence contracts create high-quality, secure jobs and boost economic opportunity.
- b. Create a working partnership between industry, unions, and Ministry of Defence (MoD) and Department for Business and Trade (DBT) to deepen their insight into the aerospace, defence, security and space sectors, thereby enhancing the Government's role as a well-informed and strategic partner.
- c. Embed exportability early on in the procurement process.

5. Getting the Best Returns: Long-term Investment

- a. Commit to longer-term funding models to ensure the sustainability of the UK's defence and aerospace manufacturing base, enabling companies to invest with confidence and maintain critical skills.

6. Skills for the Future

- a. Partner with industry and trade unions to accurately map the skills landscape, ensuring a devolved and localised approach can be developed to build necessary future skills.
- b. Ensure that the ongoing transformation of the Apprenticeship Levy into the Growth and Skills Levy reduces barriers for SMEs.
- c. Develop a sector-specific pooling system for apprenticeships.
- d. Increase the talent pool by making our national defence enterprise more attractive and accessible to STEM students and those choosing alternative pathways to employment.
- e. Further reduce the need for formal academic qualifications for apprenticeships to overcome barriers to entry.

In February and March of 2025, ADS (the trade association for the UK's aerospace, defence, security and space sectors) and the nationwide unions GMB and Prospect came together to discuss our shared goal to support the development and implementation of a successful Industrial Strategy (IS), Defence Industrial Strategy (DIS) and Strategic Defence Review (SDR).

We mutually recognise this is an enormous opportunity for positive change if done well – change that improves our national security, raises economic prospects throughout the nations and regions of the UK, sets us on a course for innovation, and secures high-quality jobs for workers. We know these values – positively contributing to our communities – are shared across all three of our memberships. We therefore approach this strategically important moment together, seeking to amplify the voices of our members and support Government in making the most of this opportunity. All three of our organisations are conscious of the jeopardy to our members if we do not realise the promise of this vision – the promises that Government has made to all workers, unions, businesses, and voters seeking opportunity and security.

Over the course of several in-depth sessions, we have identified 6 key policy areas where our priorities are shared:

- Fostering British Industry
- Delivering for the UK with International Partnerships
- Exports and the Growth Mission
- Procurement: Being a “Better Customer”
- Getting the Best Returns: Long-term Investment
- Skills for the Future

Our discussions have led us to a comprehensive set of recommendations detailed in this report, that reflect both the convergence of, and the nuances in, our strategies going forward. In many cases, recommendations in one area dovetail with, or reinforce recommendations in others. This reflects our belief that getting the system-level dynamics right in the IS and DIS can set off a “virtuous cycle” in our sectors and bring greater returns on Government investment as a whole.

First and foremost, our approach focuses on people. The workforce in the aerospace, defence, security and space sectors drives irreplaceable innovation, growth, and prosperity across the United Kingdom. They underpin UK industry, uphold international partnerships, and design and manufacture our world-leading exports. Across the devolved nations and regions of the United Kingdom, the people who knit together our national supply chains are the backbone of their communities, and crucial to both the domestic economic fabric and the international export footprint. However, our sectors are lacking sufficient support and collaboration to maximise these offerings. Our procurement system can stymie our export-led sectors, and it often fails to acknowledge the significant social value they create. Meanwhile, Government investment cycles do not align with the long-term nature of our work, restricting our ability to further invest in our workforce. We are disproportionately affected by a national skills shortage, despite the above-average wages careers our sectors offer.

This is an unsustainable situation in our increasingly uncertain world, and we have authored this report highlighting the contributions we offer and the barriers we face, to address these challenges together to create a more certain and prosperous way forward for our workforce. Our fundamental shared belief is in the social value our defence enterprise can provide, and that done well, support for defence can be synonymous with supporting our communities and society.

We very much welcome the steps that Government has already taken that recognise the value of our sectors, including the additional funds already committed to the Ministry of Defence (MoD) despite the challenging fiscal environment. We stand ready to partner with Government, with each other, with our workers and their communities, and with other unions and businesses who support these principles and equally are deeply invested in creating the prosperity and security the UK needs now more than ever.

Key recommendations

1. Recognise secure supply chains as integral to sovereign capability.
2. Establish Centres of Excellence (CoEs) to foster industry in areas where investment is most needed whilst also building world-leading commercial capability and skills.
3. Incentivise co-investment with international partners, allowing UK firms to develop expertise and retain more control over intellectual property (IP).

The Government's strategic planning is designed to set the UK on a clear path forward in an increasingly uncertain geopolitical context through the Industrial Strategy (IS), Defence Industrial Strategy (DIS), and Strategic Defence Review (SDR).

These consultations must balance our essential international partnerships with our need for sovereign capability and strong, resilient supply chains. This will require a clear strategy, based on a clear definition of sovereign capability with UK industry at its core.

We acknowledge that fiscal constraints are a real challenge and that to move forward and strengthen our position, Government will have to make hard choices with national security at their core. We recommend that the economic approach (which complements the core security-based decision-making) is guided by the principle of fostering UK industry. The Government should invest in nascent capabilities where the UK can build on our significant existing strengths and thrive in the future, whilst accepting that some capabilities may be most logical to obtain in partnership with trusted allies.

Established
technologyNascent
technology

We recommend three key measures that will incubate our future UK industry:

01 SUPPLY CHAIN SECURITY

A careful balance must be struck between maintaining a baseline capacity to do basic manufacturing domestically, and investing in innovation. As acknowledged above, the UK will need to make strategic decisions in recognition that it will not be best placed to produce every single product and service our national defence requires. However, a resilient and sustainable domestic industrial base, capable of quickly scaling up in periods of emergency, must also be recognised as fundamental to underpinning our national security.

Maintenance of a certain level of UK-based supply chain is not only beneficial for UK businesses and workers: it is also a security and operational concern: as an example, both businesses and government face significant obstacles vetting steel produced in nations considered adversaries. This both hampers business operations as well as delays production needed for our own national security. This report recognises that there is some level of incentive for UK-based supply in existing MoD practices, though at times this is not done in the most sensitive, efficient, or proactive way.

02 ESTABLISHING CENTRES OF EXCELLENCE

This report argues the most effective way to invest in nascent capabilities will be through the establishment of additional Centres of Excellence (CoEs), which bring together experts and a workforce toward a common goal of strengthening UK-based capability.

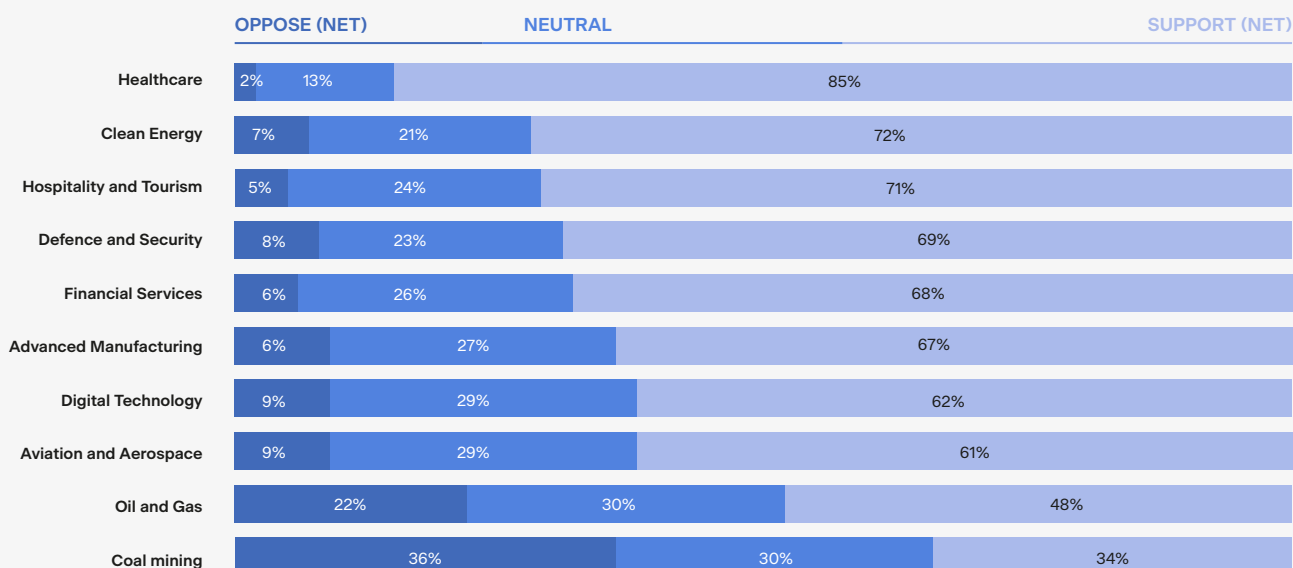
One example is the **Defence Artificial Intelligence Centre (DAIC)**, which was established by the Integrated Review in 2021. The MoD realised the potential applications of artificial intelligence for defence and established the DAIC to bring together experts across government, industry, academia, and our trusted allies. They function to increase the efficiency and operational effectiveness of our armed forces, and have proven the value of investing time and funding into technologies where the UK can potentially secure a competitive advantage. This could stretch far into the future including as part of our “national offering” to supply the nascent AUKUS Pillar II, focused on advanced capabilities including defence AI applications.

Space Park Leicester, which brings together scientists, engineers and industry to drive progress in space technology, is another example.¹ The UK is a world leader in satellite technology and manufacturing, and has recently developed the technology for orbital launch. In the era of the ‘new space race,’ continued investment in a CoE focused on space technology and supporting space companies is essential for the UK to be on the cutting edge.

In making strategic decisions about which capabilities the UK will seek to own, access or collaborate on, Government must assess the strengths of the aerospace, defence, security and space sectors and prioritise investment where the UK has both the greatest need as well as the greatest opportunity to lead: fostering UK industry also means fostering our future dual-use technologies and exports to our trusted allies. This must include maintaining our existing Centres of Excellence and looking for strategic opportunities where new ones might be established—drone technology, for example, is a clear need and area where UK companies have been innovating—but it must also protect UK communities. This means putting contingency plans in place to protect communities who might be impacted by closures that arise from strategic reviews or other re-evaluations of priority capabilities. These sectors provide highly skilled employment across the UK, and are a lifeline for underserved communities. Protecting UK industry, and the workers at the heart of it, must be the guiding factor. We also note the opportunity to engage directly with the nations and regions of the UK on Centres of Excellence and other similar initiatives, with various frameworks encouraged particularly by the governments of Scotland, Wales, and Northern Ireland.

Graphic: Communities welcome presence and investment from defence, security, aerospace, and advanced manufacturing – making Centres of Excellence that foster growth clusters in these sectors a valuable and welcome initiative.

% of voters who would support or oppose companies from the following sectors opening a site (factory, office,...) in their local community



DATA SOURCE: Stonehaven nat-rep polling, January 2025, n=2,008

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We caveat this recommendation by noting that CoEs, while effective and vital, cannot serve our national security needs if they are without some level of baseline “national industrialisation” as mentioned at the start of this section. A sector-specific example is our manufacturing capability of munitions, for example, which is an essential function, even though they are not a nascent technology that would benefit from a CoE. Our experience in contributing to Ukraine's stockpiles demonstrates the necessity of continuously maintaining this capability, and others like it, so that we can deliver industrial capacity at pace. When BAE Systems starts to deliver its eight-fold increase in production of 155mm shells, it will have been two years since the MoD placed the order. The later section on long-term investment will further explore how capabilities like this can be more effectively maintained so they can be scaled up in emergencies, avoiding the vulnerability of depleted stockpiles.

CASE STUDY:

155mm artillery rounds for Ukraine

As of February 2025, the UK has delivered 500,000 rounds of artillery ammunition to Ukraine in their fight against the Russian invasion.² However, this milestone has left the UK stockpile depleted. In June 2023, the MoD placed an order with BAE Systems to ‘provide an eight-fold increase in production capability of 155mm shells’ to restock our stockpile and ensure sovereign capability while continuing to support Ukraine.³ The company is actively ramping up production, and after increasing its workforce as well as more than £150m of investment in its UK munitions facilities since 2022, BAE Systems will ultimately deliver a sixteen-fold increase in production capacity of 155mm artillery shells when its new explosive filling facility at Glascoed, South Wales becomes operational in summer 2025.⁴ This illustrates the investment that can be unlocked with an order pipeline, however is a lesson for Government that it can take significant time from an initial order to realising increased capacity, if that order pipeline is not cohesively managed.

03 CONTROL OVER INTELLECTUAL PROPERTY

Also critical to supporting the growth of UK industry is ensuring that our international partnerships protect the interests of UK businesses. Our sectors cannot operate at their full potential when we buy technology and equipment from our partners and do not have access to their intellectual property. This access is necessary for both innovation and commercialisation. Incentivising co-investment with international partners would allow UK firms to retain more control over IP and develop domestic expertise.

It is possible for Government to maintain strong international partnerships while still actively supporting UK industry—in fact, it is critical that they do. Collaboration and sharing of ideas among allies is essential to making sure UK businesses can work with the most cutting-edge technologies and learn from the top experts and best practices the world over: our domestic industry cannot thrive in isolation. Maintaining our domestic industrial capability has never been more critical, and we must ensure that both domestic and international business serve that purpose. Government must be our advocate on the world stage as well as by giving our sectors and capability needs due consideration in both broad country-to-country and block trade deals, as well as in specific defence-related international collaboration agreements.



DELIVERING FOR THE UK WITH INTERNATIONAL PARTNERSHIPS

Key recommendations

1. Establish additional international skills-sharing initiatives through new and existing international partnerships in order to maximise career and training opportunities, and fortify UK supply chains.
2. Include UK workers' rights protections in international collaborations.
3. Protect UK intellectual property in international partnerships in order to maintain sovereign capability in the long term.

International partnerships are unquestionably vital for the UK's security, and for the commercial health of our powerhouse exporting aerospace, defence, security and space sectors.

In turn, our own national innovation and delivery plays a critical role in maintaining and strengthening our relations with our key allies. Those allies underpin our self-defence and operational readiness through partnerships like AUKUS, and they ensure access to important international markets for exports. However, Government must do more to balance these partnerships with clear advocacy for the UK in all trade and partnership negotiations – both broad and specific – to protect our jobs and skills pipelines. Without this protection, we risk reducing the offering of our well-equipped UK workforce. We note the particular potential of international partnerships to deliver an expanded international footprint for all the nations of the UK, including Scotland, Wales, and Northern Ireland.

SKILLS-SHARING INITIATIVES

Our international partnerships are based on the strategic advantages that our partners can offer to the UK, and vice versa. Our workforces, alongside those of our partners are ultimately the people who create these strategic advantages, and we have much to learn from each other. We are therefore losing out on a key opportunity to share and build our skills pipeline by not prioritising mutual skills-sharing initiatives as part of our international partnerships. At a national level, these initiatives can be a vital instrument of soft power, strengthening our relationships with our allies. For UK workers, they can present an opportunity to demonstrate and share our skills, while learning from our partners and adding to our own sovereign capability. From a commercial perspective, international skills-sharing opportunities are an attractive proposition in recruitment, as well as helping businesses work more efficiently and closely with “friend-shored” supply chains. It is a missed opportunity not to build these into existing and new international partnerships to upskill our existing workforce as the UK navigates a shortage of skilled workers.

CASE STUDY:

UK and Australia Aerospace & Defence Skills Sharing Initiatives

We recognise the critical importance of skills-sharing initiatives to address workforce shortages and build long-term capabilities. The collaboration between the UK and Australia stands as an exemplary model of how strategic partnerships can strengthen both nations' workforce through shared expertise in key technologies.

A prime example is the UK-Australia Defence Cooperation agreement, which focuses on skills development and knowledge transfer in areas such as advanced manufacturing, aerospace engineering, and defence technology.⁴ Through educational exchanges, joint research, and workshops, this initiative is playing a vital role in enhancing the capabilities of workers in both nations, strengthening our collective technical expertise.

The continued success of these skills-sharing initiatives demonstrates how international collaboration can bring tangible benefits to the UK. Trade unions have been integral in ensuring that the benefits of these programs are felt across the workforce, maintaining high standards and ensuring fair treatment for all workers involved. As the UK seeks to build a sustainable and innovative defence and aerospace industry, further strengthening such international partnerships will be crucial for maintaining a competitive edge and upskilling the workforce.

WORKERS' RIGHTS PROTECTIONS IN INTERNATIONAL COLLABORATIONS

Keeping our industry at the core of our partnerships must also entail protecting the rights of our workforce. The UK offers world-leading protections for our workforce, which is rightfully a source of pride and strength. However our international collaborations, which can create high-quality jobs for UK workers both at home and abroad, do not always guarantee access to these essential protections, including fair treatment, safe working conditions, and robust legal and social safeguards. While the collaborative nature of international partnerships can leave room for negotiation, Government has a responsibility to ensure that the rights of our workforce are fundamentally guaranteed in every international collaboration. Trade unions, as the representatives of the UK's workforce, have already made progress in protecting our workforce in existing partnerships – AUKUS Pillar 1 being a notable example of success and good practice in this area.

We recommend that the Defence Industrial Joint Council, upon its formation, undertake a survey of workers' experiences and workers' rights protections in our existing international partnerships, with a view to providing guidance to Government on best practice (and pitfalls to avoid) in future partnerships.

PROTECTING UK INTELLECTUAL PROPERTY

In protecting our workforce, we must also protect their knowledge and skills. International partnerships are fundamentally about collaboration, designed to leverage the best each country has to offer to enhance collective strength and influence. However, the UK does not sufficiently ensure equality in these partnerships, particularly in terms of safeguarding our intellectual property. As we have stated previously in this report, intellectual property is a crucial driver of growth, as it underpins innovation, sustains our long-term domestic industrial capability, and supports the potential that our sectors rely on. Recent cases, such as the transfer of UK intellectual property to Spanish firm Navantia following their acquisition of the Harland and Wolff shipyard, highlight the necessity of government emphasis in this area. The protection of UK companies and their intellectual property must be approached sensitively, taking into account the specifics of individual deals, as a one-size-fits-all strategy risks allowing nascent or unforeseen innovations to be overlooked.

CASE STUDY:

Harland and Wolff

The acquisition of Harland and Wolff shipyard in Belfast by Navantia, a Spanish state-owned shipbuilding company, was a prime example of the challenges posed by international partnerships when it was first mooted.

Since completion of the bid, this has been a relative success in terms of preservation of UK jobs, particularly in Northern Ireland. Prospect and GMB both argued strongly in favour of protection for workers and for the need for the UK to foster its own shipbuilding skills. A Navantia UK consortium (“Team Resolute”) was selected in 2022 to build 3 major fleet support ships, with the majority of the work spread around the UK, including in Devon, Belfast, and Appledore.⁵ This has involved workforce preservation as well as investment in upgrading technology and infrastructure at these sites.

However, portions of the build were also to be done at Navantia’s facilities in Cadiz, Spain, which the Government at the time presented as an opportunity for the UK to benefit from skills and knowledge transfer from Navantia’s workforce. However, there have been continued concerns for the longer term due to Navantia UK’s control by Spain’s Sociedad Estatal de Participaciones Industriales, and whether this places Harland & Wolff’s sites, knowledge, and capabilities in longer-term jeopardy unless there are further UK Government orders in which use of the Harland & Wolff UK sites is prioritised by Government as the customer.

UK workforces like that of Harland and Wolff, and the UK IP that underpins our products and innovation edge, are critical to domestic industrial capability, and retaining them is needed to facilitate future reciprocal knowledge sharing as part of the genuine partnerships the UK hopes to build. Government is needed to act as a guardian of and advocate for our industry.

EXPORTS AND THE GROWTH MISSION

Key recommendations

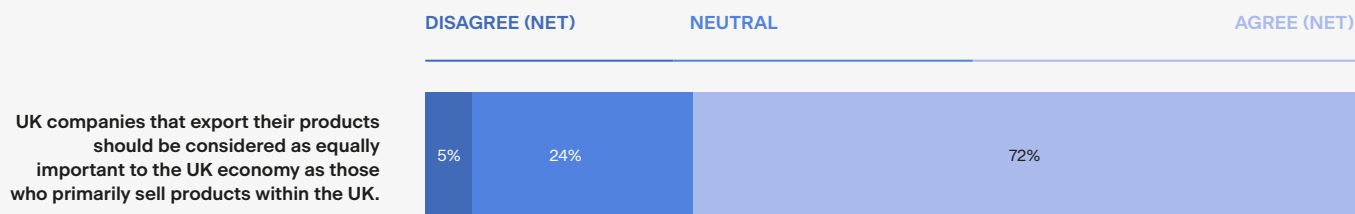
1. Provide tailored export support for SMEs, for whom regulatory burdens are often overwhelming and who face persistent difficulty accessing finance, particularly in defence.
2. Maximise benefits of Government investment by assigning responsibility for creating cross-Government coherence in systems.

Exports from the aerospace, defence, security and space sectors are irreplaceable for the UK economy: in 2022/23, exports from these sectors totalled £38.7b. Over the previous decade, industry turnover has increased 40%—with a combined turnover of £88.4b in 2023—and exports are responsible for almost half of this value.⁶

A large proportion of these exports come in the military aerospace sector, where the UK has effective international partnerships and is an acknowledged leader and innovator.

The numbers show that these sectors are more export-reliant than most in the UK. While private companies sometimes require significant support from Government to successfully export, this has historically been given short shrift by Governments that took the approach that this was a commercial concern more rightly borne by companies. Given the significant economic contribution of these sectors through exports, we hope to see the Government's forthcoming Trade Strategy recognise the value of these sectors (including their specific importance to the nations and regions of the UK, including Scotland, Wales, and Northern Ireland) and set out how SMEs can be supported to grow and reach international markets.

Graphic: Voters overwhelmingly recognise the value of exports, and Government should give due priority to supporting businesses and workers who are delivering on this economic opportunity.



DATA SOURCE: Stonehaven nat-rep polling, January 2025, n=2,008

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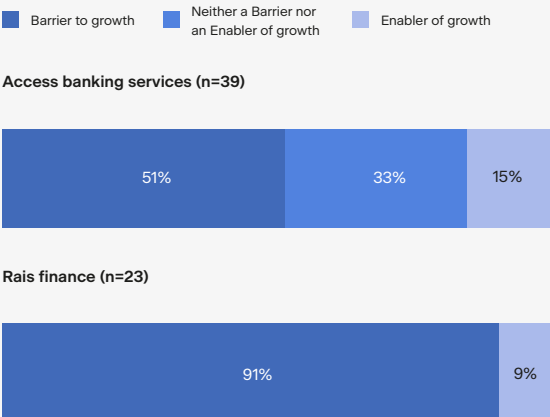
SME EXPORT SUPPORT

As with many challenges, SMEs find them compounded due to smaller margins and reserves, fewer specialists on staff or retainer, and a more precarious operating environment, which can prevent them taking full advantage of the value of exportability in these sectors. SMEs drive innovation and are more adaptable than larger companies, and account for 99.8% of the UK business population by number of businesses.⁷ They are agile enough to take risks, and are often the catalysts for transforming their sectors. However, as of Q4 of 2024, only 22% of SMEs across the UK reported an increase in overseas sales, while 52% reported no change and 26% reported a decrease.⁸

Despite the economic and security potential of the technologies and products they pioneer, SMEs struggle to navigate accessing finance. Concerningly, ADS research in 2024 found that a large proportion of SME members struggled to access finance and raise investment – both critical to their ability to innovate and export – and that these businesses referenced that common effects of these challenges involved their inability to grow the business (thus providing more opportunities to workers) or to devote as much funding as they would like to research and development. In order to capture their significant value, Government must provide targeted export support for SMEs so that they can thrive in ADS sectors.

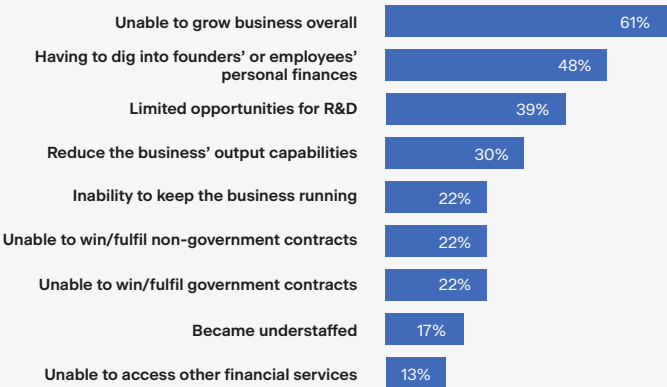
Graphic: Sector SMEs struggled to access financial services or raise much-needed funds, which hampered their ability to grow and export. Targeted support should therefore be provided.

“To what extent does your current ability to ___ act as a barrier or an enabler of growth for your organisation?”



“If/when you failed to access different banking services or secured this finance, what was the impact? Select all that apply.”

[Raising additional finance only]



DATA SOURCE: ADS Member Survey, Summer 2024

CASE STUDY:

Consequences of failure to enable SMEs to export

The situation for SMEs is extremely challenging. Many are unwilling to speak in detail outside of confidential fora (including those provided by ADS and the Department for Business and Trade) about the difficulties they face. They fear that investors or potential customers both at home and abroad will be put off by knowing the specifics of a company's struggle or the bureaucracy that they will have to contend with to fulfil an order or become a commercial success.

Labour MP and former Royal Marine Fred Thomas, representing Plymouth Moor View, has a prime view of the problem given the major defence presence in his constituency. In March 2025, he spoke out saying: "I am overwhelmed almost daily by individuals in the UK defence industry [over 1000 in total] reaching out on LinkedIn or by email, begging the Government to listen to what they are offering. They are patriotic people who think they can save us money and give us strategic advantage by delivering a piece of capability, when we currently spend obscene amounts of money on something that sometimes does not work well or produce the desired effect."

A further example is the difficulty UK SMEs have faced in supplying directly to Ukraine – possibly the starkest example of a country to which defence exports are widely supported, in contrast to some other export destinations which may carry reputational concerns. Yet, reporting by Army Technology in October 2024 found that Ukraine's own SME sector increasingly relies on China for subsystems and components. They cite the country's more relaxed rules on these types of exports and a direct contradiction to delays and difficulty in supply chains elsewhere across Europe which were burdened by bureaucracy.⁹



SYSTEM COHERENCE

This report strongly welcomes recent actions from the Government which will support exports, such as the planned SME Hub, and the additional £2b in lending capacity for UK Export Finance (UKEF) to support exports in defence. We also recognise the huge opportunity contained in the number of major ongoing strategy updates the Government is pursuing in 2025, including a new Industrial Strategy, a new exports strategy, and a new trade strategy. However, we note that these programmes – from the most overarching strategies to the most targeted support – must be delivered in a cohesive manner that is responsive to the particular needs of the aerospace, defence, security and space sectors, if they are to have the desired effects. We therefore recommend that as each strategy, body, or programme is finalised, that the Government include a description of how it will intergrade with other bodies, programmes, and strategies. Establishing effective linkage should be a specific objective or deliverable of each programme. This will give Government investment a magnifying effect as it will be more efficiently used.

A first-rate export regime must not only license exports (the reactive approach), but proactively ensure that quality products are being made to support those export sales. For example, a desire for maritime exports must link into shipbuilding and industrial strategies, and those strategies must include the product and how to sell it for export. This includes consideration of exports in drafting technical requirements for the UK's own procurement: if exportability is identified as an additional benefit of the UK's own investment, then the technical and design requirements for that product must be sufficiently simple to be a desirable product to other customers.

PROCUREMENT: BEING A “BETTER CUSTOMER”

Key recommendations

1. Further strengthen the social value aspect of the UK's defence procurement framework, ensuring defence contracts create high-quality, secure jobs and boost economic opportunity.
2. Create a working partnership between industry, unions, and MoD and DBT to upskill them in their understanding of the aerospace, defence, security and space sectors and help to make Government a “better customer.”
3. Embed exportability early on in the procurement process.

It is easy for us to rely on headline numbers, such as the £88.4b of turnover in our sectors or the 427,500 direct jobs they sustain.¹⁰

Where our sectors are undervalued is in the social value they deliver: high quality jobs, with training and career prospects, which have historically been major drivers of social mobility. Our sectors are among the best at spreading opportunity and investment outside London and around all the regions and nations of the UK. In many of these communities, the impact of even smaller-scale investment is felt much more potently than it might be in our biggest cities.

Our sectors are in the unique position of having Government as our primary end customer, unlike other manufacturing and technology businesses – and the social value these sectors deliver is reflective of many of the Government's own objectives. We therefore call on Government to maximise its impact in this area as well by creating procurement criteria that incentivise social value, and to work with us to understand what that means for day-to-day operations in our sectors, thus designing processes that are well-informed about our working reality.

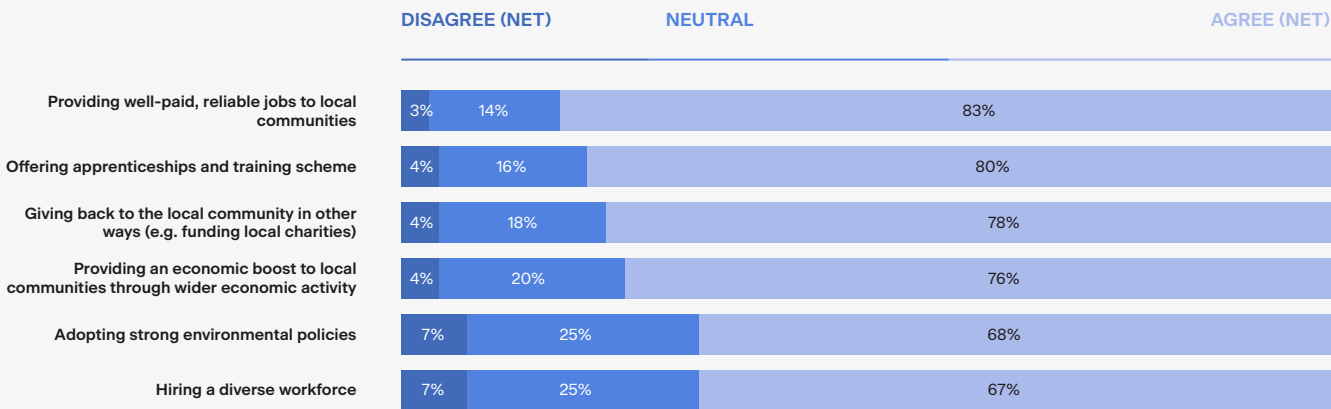


SOCIAL VALUE IN PROCUREMENT

Look around a shipyard: you will find hard-working, skilled engineers and craftspeople at all levels. They may not have excelled in school but found their path through an apprenticeship, leading them to an high-quality, secure, unionised job with opportunities for advancement and the ability to support a family and give back to the community. The same is true across so many of the workplaces in the aerospace, defence, security and space sectors: the social value they deliver is most seen and felt locally, in areas often left behind by other businesses.

Graphic: Voters recognise the social value that our industry and its workforce brings, and so should our national procurement policies.

% of respondents who agree, disagree or are neutral about whether the following factors should be considered social value



When the MoD takes a procurement decision to foster UK industry, bolster our economy and enhance our domestic capabilities, this social value is a direct result. Our businesses and workforces are proud to be providing domestic opportunity and regeneration as well as national security. Whilst the Government already has a minimum 10% weighting for social value in procurement,¹¹ the value our sectors create is not always adequately captured and acknowledged because of our export reliance.

Again, we seek to help Government strike a better balance: value for money is of paramount importance for the public purse, but we fail to achieve true value for money if we reduce this only to cost and capability without also considering the economic opportunities and community regeneration that defence investment can deliver. We are leaving value for our country, our taxpayers, and our workforce on the table if procurement does not better incentivise this.

CASE STUDY:

Defence Investment and BAE Systems in Barrow-in-Furness

Barrow-in-Furness, Cumbria, has seen an economic resurgence due to sustained defence investment, particularly through BAE Systems. As the UK's sole builder of nuclear-powered submarines, the town has become a centre for engineering and manufacturing and is well positioned for a future in which maritime capability is a major security need.

BAE Systems is the largest employer in Barrow, currently employing 14,500 people¹², with projections to reach nearly 17,000 in the next 10–15 years¹³, due to the award of major contracts such as the £3.95b for the AUKUS submarine programme and continued investment in the Dreadnought class of submarines. The local workforce benefits from a wide range of employment opportunities, from highly skilled nuclear engineers to essential support roles. A £25 million investment in a specialist apprentice training facility further ensures a steady pipeline of skilled workers for the future.

Despite economic growth, social challenges persist—12 communities in Barrow-in-Furness fall within the 10% most deprived areas in England¹⁴ and 45% of housing is over a century old¹⁵. The £200m “Team Barrow” initiative, a collaboration between the government, local council, and BAE Systems, aims to improve housing, education, and infrastructure, including the construction of 800 new homes and a new University of Cumbria campus¹⁶. Additionally, BAE Systems’ transformation of a closed Debenhams store into a new training facility will help rejuvenate the high street and attract new employees and their families to the region.¹⁷

Defence investment and BAE Systems have been instrumental developing plans to transform Barrow into a thriving hub of industry. The defence sector has not only secured long-term job opportunities but also positioned Barrow as a key player in the UK's advanced manufacturing and engineering future. As investment continues, Barrow stands as a model of how strategic defence spending can revitalise communities, drive growth, and reinforce Britain's industrial strength on a global scale.

BEING A BETTER CUSTOMER

A comprehensive understanding of the UK's aerospace, defence, security and space sectors cannot be obtained from the outside. This understanding comes from within – whether it is being a part of the community sustained by a defence business, feeling the pressure of ensuring sufficient funds to look after a workforce whilst managing long and/or erratic MoD payment cycles, or getting first-hand experience trying to shepherd an SME through the export licensing process. Neither our businesses, our workforce, or our Government and our national security are best served when those designing requirements, building procurement process, and making contracting decisions that lack perspective. ADS members and trade unions stand ready to be active partners in “upskilling” Government as a better customer.

This means understanding of our sectors must not sit in the Ministry of Defence alone, but is also vital for the Department for Business and Trade – in particular as it relates to industrial strategy, export strategy, and international trade negotiations. Improved commercial awareness and understanding in these departments could be achieved through greater tripartite collaboration involving industry, unions, and Government:

in a conversation at the National Manufacturing Conference in March 2025, Chancellor Rachel Reeves noted that more secondments between the private sector and the Civil Service would be beneficial for both.¹⁸ Acknowledging the already significant number of secondments from industry into the MoD, this report recommends expanding and regularising a programme such as the Chancellor suggests.

However this alone is not sufficient to ensure a permeation of expertise and understanding of the working reality of businesses and their workforces. With a staff of well over 60,000 in the MoD alone, achieving a thorough and lasting understanding of the UK defence industry will require an explicit effort to attract employees from the private sector into the Civil Service at a variety of levels. This will create opportunities where qualifications and experience developed in the private sector can be acknowledged in Government recruitment, and not just at junior levels. Equally, trade unions in particular have a vital role to play in establishing partnerships that ensure that this cross-pollination is not limited to a handful of senior leaders and managers. Whilst these individuals can be valuable leaders in strategic positions, it is also necessary to learn from the day-to-day experience of defence delivery by people who are doing this at all different levels: a major defence procurement contract needs to be smartly constructed from the macro strategy down to the design requirements that welders, engineers, metalworkers, and more, will be delivering.

EMBED EXPORTABILITY EARLIER IN PROCUREMENT

In line with a reformed calculation of the social value of ADS sectors, Government must embed exportability earlier in the procurement process. The integrated procurement model did not robustly embed exportability into the protocols early enough in the cycle, despite exports' major role in the sector's profitability (and therefore, its ability to support its workforce). Investors cannot adequately account for a sector's commercial potential, unless exports are included in the value they add – and despite the immense value of Government investment, it is not sufficient to sustain alone the innovation needed to maintain our national security edge. However, increased emphasis on export value in the procurement system would be best implemented with a balance of increased transparency on export licensing, as we have already noted in this report.

GETTING THE BEST RETURNS: LONG-TERM INVESTMENT

Key recommendations


1. Commit to longer-term funding models to ensure the sustainability of the UK's defence and aerospace manufacturing base, enabling companies to invest with confidence and maintain critical skills.

In February 2025, Prime Minister Keir Starmer committed to a fully-funded increase in defence spending to 2.5% of GDP from April 2027, with the goal of 3% in the next Parliament.

In March 2025, Chancellor Rachel Reeves announced plans to expand the remit of the National Wealth Fund to include defence as an Industrial Strategy priority. These announcements demonstrate an acknowledgement of the fundamental priority of the UK maintaining its domestic industrial capabilities in a changing geopolitical environment. However, short-termism in procurement and Government investment leads to skills loss, workforce and community uncertainty, and an inability for companies to maintain supply lines or translate investment into development of infrastructure, skills, or new technologies. In turn, this makes defence delivery more expensive, less reliable, and slower – all of which harm both the workforce and the country.

LONGER TERM FUNDING MODELS

In 2023/2024, the average contract duration across qualifying defence contracts (QDCs) and qualifying sub-contracts (QSCs) was 4.9 years.¹⁹ At the longer end, the new fleet of Dreadnought class ballistic missile submarines intended to replace the Vanguard Class will take approximately 20 years to complete.²⁰ The results differ drastically when there is longer-term surety of funding for sites and workforces, versus when there is not. As described previously, the long-term surety of funding for the submarine programme has produced massive benefits both for the community in Barrow-in-Furness, and for the country's infrastructure. In contrast, decades ago, Britain's shipbuilding capabilities were written off due to a lack of work – rebuilding these from a major state of disrepair was plagued by delays and inflated costs. We see this replicated on a smaller scale all too often – where restarting a closed production line demands significantly more time and resources than scaling up one operating at a low capacity. Even more concerning is when companies simply cannot survive the “boom and bust” nature of MoD procurement, and their offerings are lost while their workforces (and their vital skills and knowledge) dissipate, often to other sectors where it is much more difficult to attract them back.



The knock-on effects on communities that could otherwise be sustained with a longer-term, more strategic set of investments are also huge, and can be devastating.

Lack of long-term investment can also leave key production sites 5-10 years away from peak performance, when they cannot strategically develop and sustain their workforces. This means that when investment suddenly opens up (rather than being more sustained) there can be a demographic imbalance, such as the workforce majority being made up of inexperienced younger workers, and older workers nearing retirement age. This significantly impacts productivity and production quality. We need assured and quick delivery, exemplified by Govan shipyard's announcement last year of their goal to reduce the shipbuilding and launch timeline from 8 years to 5.²¹ Such efficiency is fundamentally not possible with a team hastily assembled. Instead, it demands a team that has cultivated their expertise and collaborative methods over time, continuously refining processes.

Key recommendations

1. Partner with industry and trade unions to accurately map the skills landscape, ensuring a devolved and localised approach can be developed to build necessary future skills.
2. Ensure that the ongoing transformation of the Apprenticeship Levy into the Growth and Skills Levy reduces barriers for SMEs.
3. Develop a sector-specific pooling system for apprenticeships.
4. Increase the talent pool by making our national defence enterprise more attractive and accessible to STEM students and those choosing alternative pathways to employment.
5. Provide greater flexibility for employers regarding requirements for formal academic qualifications for apprenticeships to overcome barriers to entry.

The aerospace, defence, security and space sectors provide high-quality, highly-skilled, and highly-paid jobs for UK workers.

The median average salary in the aerospace sector, for example, is 39% above the UK average.²² Our careers provide excellent opportunities for personal, community, and national growth. Our workforce underpins the UK's international partnerships and generates exceptional revenue for the country. Given the current geopolitical climate, the skills our workforce offers —particularly in defence—have never been more important. “Fostering UK Industry” equally means “fostering UK skills”, without which the UK's defence industrial base cannot remain robust and adaptable to future challenges. However, similar to the broader national engineering recruitment landscape, our sectors are facing an unprecedented skills shortage. We are consistently faced with vacancies of over 10,000 roles, which directly impacts our ability to deliver and innovate, and could also strengthen unions and communities if incorporated into our workforce. Coupled with the previously-described misalignment with government funding timelines, our sectors are placed at an unsustainable disadvantage.

MAPPING THE CHALLENGE

In order to durably address the skills shortage in our sectors, we must take a targeted approach that goes beyond the headline figure to understand the needs that exist in different localities. We are not just creating skills nationally, but bringing those skills to the places they are needed. Our future workforce cannot access the opportunities we offer if those opportunities are not fostered and promoted locally. Given our positions representing industry and the workforce, ADS and trade unions are already undertaking our own work to address the skills shortage in a way that benefits workers. As such, we are well-placed to partner with Government to deepen our understanding of the skills landscape and develop a devolved, localised approach. We welcome all further collaboration from additional industry and trade union partners to contribute to this effort. Through our individual workstreams, we have identified several barriers to access to careers in our sectors and which impact our current landscape. In the following sections, we explore how we believe we can effectively address them in partnership.

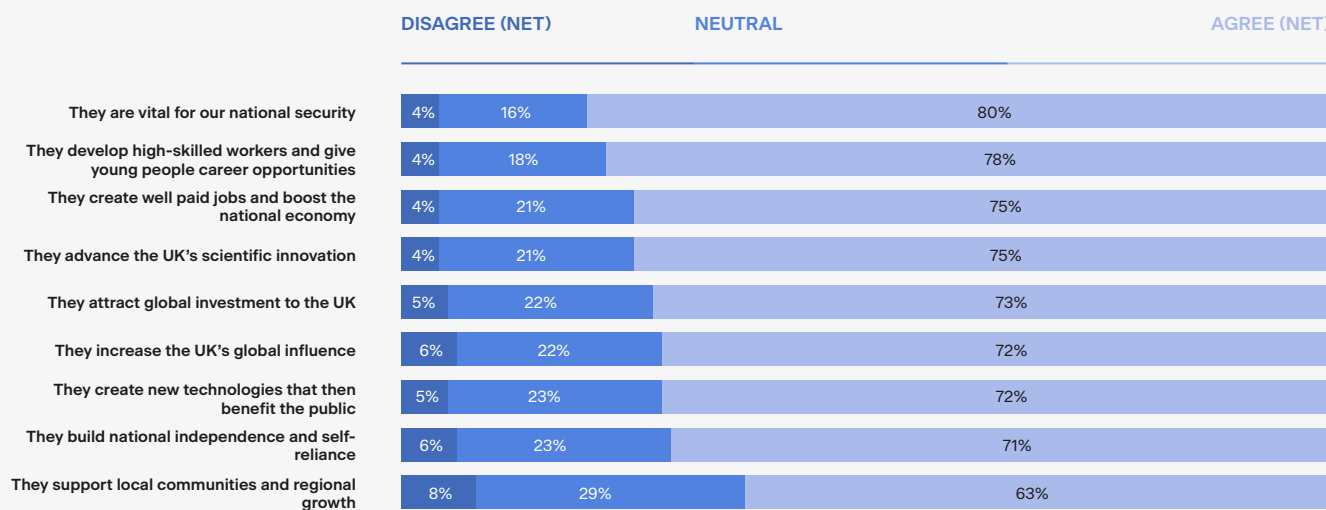
A localised and detailed skills map is necessary to be able to take the urgent action needed in particular areas where the skills gap is largest. Identification of the major gap in the need for welders and platers means skills academies can be developed, mirroring the Centres of Excellence approach. For example, the welding academy being brought to life in the North East will help bridge this gap, in local proximity to many of the

jobs that need these skills. We believe Government has a responsibility to provide as much support as possible in the areas with the most critical shortages. The Australian model used to fill the critical need for qualified welders to serve the AUKUS Pillar 1 programme is a great example of success that we should learn from – particularly as it emphasises the social value of addressing the longer-term skills challenge.

A UK model for success comes from the nuclear power sector, where Hinckley Point C needed to urgently address a major shortage of electricians. In the case of defence and skills needs critical to national security, many opportunities are ripe for direct Government support. These opportunities include establishing and scaling up local initiatives, such as transforming training centres that are organised and supported by local colleges into comprehensive training academies.

Graphic: While people recognise national benefits of the defence, security, and aerospace sectors, there is significant room to improve local outreach and understanding of local impact by bringing targeted benefits to more communities – a key priority for both ADS member businesses and trade unions, who have committed to delivering for their communities.

% of voters who agree, disagree or feel neutral about the following statements about the UK aerospace, defence, security, and space sectors



DATA SOURCE: Stonehaven nat-rep polling, January 2025, n=2,008



CASE STUDY:

Bridgwater and Cannington Centres of Excellence

Hinkley Point C (HPC), the major nuclear power project located in Bridgwater, Somerset, UK, has made significant investments in workforce development to support its construction, including the establishment of the Hinkley Point C Welding Training Centre in partnership with Somerset College. This facility trains workers in essential welding techniques, producing over 500 qualified welders annually.²³

In addition, HPC, led by EDF Energy, has developed the Bridgwater and Cannington Centres of Excellence, in collaboration with local educational institutions such as Bridgwater & Taunton College, to provide training in key areas like electrical engineering and mechanical engineering. These Centres of Excellence are a significant part of the broader workforce development efforts, focusing on building a skilled, local workforce that can support not only the Hinkley Point C project but also future infrastructure and energy projects in the region.²⁴

The centres offer a range of apprenticeships and programmes, helping to foster career progression and equip workers with the skills required for the project. By prioritising local recruitment, more than 36% of the workforce is drawn from the surrounding area, contributing to both the success of the project and the long-term retention of skilled workers in the region.

This model of targeted skills development, local engagement, and long-term workforce planning offers valuable insights to help address skills shortages in the aerospace and defence sectors.

REDUCING BARRIERS FOR SMES TO ACCESS THE SKILLS LEVY

Apprenticeships are an essential pathway into long-term employment in our sectors. As mentioned previously in this report, aerospace and defence apprenticeships are a top driver of social mobility in underserved communities across the UK.

The introduction of the Apprenticeship Levy in 2017 was an important acknowledgement of this value and a necessary measure to begin widening access to apprenticeships. Under the Levy, employers paying a wage bill that exceeds £3m per year are required to pay 0.5% as tax to fund apprenticeship training. Smaller businesses—those paying less than £3m per year—were intended to be able to access 95% government funding for their apprenticeship training. However, this model has fallen short for our sectors, due to the very high proportion of SMEs we cover – of ADS's approximately 1,400 members, over 1,200 are SMEs. These small businesses have reported that navigating the complex system to access apprenticeship funding is often beyond their resources, and as a result, it is mostly larger primes that can access levy funding, which reduces apprenticeship opportunities.

Additionally, the funding is highly inflexible and often fails to align with the specific training needs of individual businesses and sectors. For example, primes largely do not have flexibility to disburse their Apprenticeship Levy funding widely through their supply chains, which could in many cases be

more useful to both the prime and the smaller supplier. The Government's movement to transform the levy into the Skills and Growth Levy is positive. The newly-designed levy has promised to simplify the process for SMEs to access the funding and apply it in a way that is flexible enough for their specific needs. Removing these unnecessary barriers to access for the SMEs in our sector will have a significant impact on our ability to train our workforce. It is now the responsibility of Government to implement these changes in a transparent and timely manner.

SECTOR-SPECIFIC POOLING SYSTEM FOR APPRENTICESHIPS

The next step is to ensure wide and simple access to apprenticeship opportunities, as funding alone is not useful unless it reaches a trainee. While we welcome generalised efforts to increase apprenticeship recruitment, we believe that given the specific and urgent needs of our aerospace, defence, security and space workforce, Government should collaborate with industry and trade unions to develop a sector-specific pooling system for our apprenticeships. This would reduce the burden of recruiting apprentices, particularly for smaller firms which do not have the same name recognition or channels to promote their opportunities, but who nonetheless urgently need to connect with their future workforce. It would also work to retain apprentices' interest in their sectors and local supply chains. Where an apprentice has expressed sufficient interest in defence to apply to a programme that may be oversubscribed, they need to be guided to appropriate opportunities rather than likely lost to another sector. This retention in our training pipeline is crucial, and only possible with a specialised approach.

ATTRACTING RECRUITS

Beyond improving access to apprenticeships, we must also make a career in our national defence enterprise more attractive in a highly competitive environment. It is vital to widen the talent pool to which we have access via opening up pathways to employment beyond traditional apprenticeships and formal education. The competition for skilled recruits is dramatic: in 2021/2022, 42% of all graduates in the UK were in STEM disciplines, and we produce more STEM graduates per capita than most similar countries. However, of the 934,000 reported vacancies in the UK in 2023, nearly half were in STEM disciplines. Of those that choose to pursue STEM careers, only a small percentage enter engineering, manufacturing and construction.²⁵ There is a clear disconnect in our approach to attracting qualified students, given the above-average benefits of working in our sectors, as previously detailed. More must be done to showcase our sectors to STEM students who are looking for ways to apply their knowledge that will make an impact both in their communities and in the world. In particular, we must commit to more effectively promoting careers in our sectors to underrepresented communities, such as women and ethnic minorities. These messages can be more powerfully deployed by industry and trade unions working together.

It is also imperative that we can reach the young people with practical skills who are looking for alternative pathways into employment, beyond university education or apprenticeships. Early-career opportunities need to be varied and offer clear pathways for advancement within the sector.

Training opportunities attached to local colleges or supported by individual businesses in defence and aerospace can provide this access, but they are often siloed, which means they vary in quality and qualifications may not be transferrable. Joining up these opportunities in a national framework with augmented support would benefit both businesses looking to hire, and trainees who deserve to see their efforts go to useful, widely-recognised qualifications that will help them access a broad range of opportunities and advance in their careers.

QUALIFYING FOR APPRENTICESHIPS

Apprenticeships are, and have been, an essential pathway to the social mobility in which our sectors have historically excelled. In particular, our sectors have provided a route upwards for working-class young people. But the rise in popularity of and respect for apprenticeships – which is positive – has been accompanied by increasingly high barriers to entry. Some are increasingly targeting students who have excelled academically and are more likely to be training for management positions rather than filling essential technical roles which lead to long-lasting, high-quality unionised jobs. We believe that whilst apprenticeships expand, companies and regional training centres must have the flexibility to define their own qualification requirements. This is key to preserve this access route for working class young people. There will be a lasting negative impact across UK communities if this does not happen.

There has been some positive progress from the Government to maintain this pathway. During National Apprenticeship Week in February 2025, Education Secretary Bridget Philipson announced that businesses will have the flexibility to decide whether adult learners (over 19 years of age) will need to complete a Level 2 English and Maths qualification (GCSE equivalent) in order to pass their apprenticeship course.²⁶ For young adults who may not have excelled in the classroom but have practical skills, this requirement has presented a significant barrier to entry into the defence and aerospace sectors. This change will allow up to 10,000 more people per year to complete their apprenticeship,²⁷ which is a step in the right direction. However, we align ourselves with the warnings from the Association of Employment and Learning Providers (AELP) that this reform does not go far enough. Excluding 16 to 18 year old apprentices from these reduced requirements makes them less attractive to potential future employers and reduces their chances for growth in and through our sectors.²⁸ As we work to address this pressing skills shortage, we cannot afford not to give our youngest apprentices these opportunities.

In a productive partnership with Government, we believe that these reforms could drive significant progress in addressing the skills crisis that our sectors face. We are at a critical moment for national security, and we cannot meet the moment without a sufficient workforce underpinning a strong manufacturing base. ADS and unions are well-placed to partner with Government to address this issue and meet this moment.

CONCLUSION

We hope this report leaves the reader with an understanding of the incredible scale, potential, and contributions of the dynamic, driven, highly-skilled workforce that powers our sectors, who are as vital to their communities as they are to national security. While we have detailed many of the significant barriers that we face in maximising their potential, giving them the best competitive tools and job security, and maintaining our national innovation edge, we are also inspired by the possibilities for change in the many strategies and actions the Government is developing – in industrial strategy, skills policy, procurement reforms, alliances and partnerships, and investment in defence. The recommendations we have presented throughout this report represent our view of strong, strategic, cohesive way forward with uplifting our workforce at the core – which is only possible with collaboration among industry, trade unions, and Government.

We are keenly conscious of the incredible work being done across our sectors, from industry to academia to Government, to push us forward, and we consider this report to be in addition to that work. Through our partnership, we at ADS, GMB and Prospect hope to foster a more productive and lasting relationship with each other and as “allies in delivery” for critical Government priorities.

We face a geopolitical situation that is unprecedented in many of our lifetimes, with conflict across the globe and shifting international relationships. In order to meet this moment, manufacturing and defence industrial bases must be resilient. Our domestic industrial capability must be unshakeable, so we have the continued ability to defend UK interests, both at home and abroad. Our workforce, and our communities, are at the heart of what we are defending, and how we will secure our future together.

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