

Unlocking private investment to drive UK defence as an engine for growth

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The UK defence industry stands to benefit as the Government considers new ways to unlock private investment to drive military readiness, create jobs and deliver economic growth across the UK.

- The Government is exploring how private investment can be leveraged to accelerate defence readiness, with the Defence Secretary and Chancellor today meeting leaders from UK banking, venture capital and strategic finance.
- Ministry of Defence-led sprint announced looking at how private investment could be leveraged to drive innovation and growth across the UK.
- New programme will see industry secondees into the Ministry of Defence to embed private sector expertise at the heart of Government.

The Ministry of Defence will explore how private investment can be leveraged for areas of defence to drive innovation and growth during a meeting of the Defence Investors' Advisory Group (DIAG) - which brings together leaders from UK banking, venture capital and strategic finance to advise the Government on investment priorities.

The Defence Secretary also announced the expansion and permanent footing of the DIAG, to deepen the partnership between government and the UK's world-leading financial sector. As part of this, industry secondees will join the Ministry of Defence through a new Defence Finance Zig-Zag secondment programme, aimed at embedding private sector expertise at the heart of Government.

Defence Secretary John Healey MP said:

In a more dangerous world, our national security is the guarantor of our economic security and investment confidence. A strong UK economy needs strong UK defence.

The Chancellor and I are determined to bring together investors in a new partnership that delivers for our security, for our economy and for hard-working families up and down the country.

As part of this, we are exploring how private investment can be leveraged to help build the defence capability Britain needs - creating jobs, making defence an engine for growth and making every pound go further.

Chancellor Rachel Reeves said:

National security is this government's first responsibility, and in an increasingly uncertain world we must explore how we can leverage private sector investment and expertise to keep the country safe.

Alongside the largest sustained increase in spending since the Cold War, this government is committed to working with the financial sector to explore how we

accelerate the creation of defence capability in ways that creates jobs, supports economic growth and always has value for money for the taxpayer at the forefront.

Today's announcements are backed by the largest sustained increase in defence spending since the end of the Cold War, hitting 2.6% of GDP from 2027.

HM Treasury and UK Government Investments will support the Ministry of Defence's sprint to explore how private investment could be leveraged to drive innovation and growth across the UK defence sector.

This work builds on work under this government to build a new partnership between defence and the private sector and break down barriers to investment in defence.

This includes the Defence Secretary holding a first-of-its-kind meeting with venture capital firms last year as well as a Dragon's Den-style event where pioneering defence firms pitched innovations directly to major investors.

The Government has also launched a bespoke £20 million fund to offer accelerated contracts to small, innovative British startups with limited or no previous business with MOD - as the search for the UK's next defence unicorn gets under way.

Cathal Deasy, Global Co-Head of Investment Banking at Barclays and a member of the Defence Investors' Advisory Group, said:

These steps are about building the right long-term framework for partnership between defence, industry, and finance. Clearer priorities, better engagement routes, and more modern delivery models will help attract private capital at scale, support innovators and supply chains, and strengthen resilience across the UK.

We are seeing strong appetite from our clients to invest in UK Defence and this framework provides the infrastructure to modernise our defence capability, including the estate and energy systems, while ensuring the UK can respond with greater speed, flexibility, and endurance in a more contested world.

Emily Turner, CEO HSBC Innovation Bank and a member of the Defence Investors' Advisory Group, said:

We are proud to be part of the Defence Investors' Advisory Group and to help the UK Government build close and constructive partnerships with lenders and investors on issues of national security and resilience. As government spending in this area increases, these partnerships can help drive innovation and economic growth across the country as well as delivering the capability that will keep us safe.

<https://www.gov.uk/government/news/unlocking-private-investment-to-drive-uk-defence-as-an-engine-for-growth>