

**BSA SUBMISSION TO MOD GREEN PAPER:
EQUIPMENT, SUPPORT AND TECHNOLOGY FOR UK DEFENCE AND SECURITY:
A CONSULTATION PAPER
MARCH 2011**

Introduction

1. The BSA - Business Services Association - is the industry body that represents companies, and their advisors, delivering outsourced and business services across the private and public sectors. A full list of members is provided in Annex 2.
2. BSA members are involved across the full range of public service provision - including health, education, defence, environmental, food service, waste management, housing and other local services, IT and digital services, security and transport.
3. Full members have a combined worldwide turnover of c.£80 billion and employ around two million people. In the UK the combined turnover is c.£30 billion and around half a million people are employed across the country.
4. We welcome this opportunity contribute to these important proposals for rethinking the Ministry of Defence's commercial operations in these sectors. Since we represent companies with a record of success in providing support services to the MoD, we will respond only to those consultation questions which address the issue of military support roles.
5. We wish to outline the following basic principles which underpin our response:
 - The MOD is under increasing pressure to reduce costs whilst improving service quality. Intelligent use of outsourcing can assist in achieving these aims, not just in areas currently outsourced like hard and soft facilities management, infrastructure and housing, but also in other non-core functions including back-office, administration, energy and utilities and highly skilled support roles.
 - It is important that the MoD retains expertise in its commissioning and a regulating role - the Ministry must know what type of service it wants, and it must be able to acquire it. That said, the delivery of such services should only be performed in-house where that is the most effective option and demonstrably represents the best value for money.
 - The procurement capabilities in the MoD are not always geared to providing the best value for money. Commercial skills should be prized in the MoD, and cultivated to the point where procurement officials can be considered experts. We understand the need for rigour and accountability but these should not be obstacles to progress. Higher levels of skill will lead to better decision making and increased pace so savings can be realised earlier.
 - The need to deliver smarter, more flexible and responsive services, which will certainly include greater private sector support service provision, is crucial if the MoD is to meet its challenging fiscal goals. Many contracts are too rigid and

prescriptive and stifle the ability of the industry to innovate. Contracting out some of the MoD's lower end functions will allow it to focus better on troops and their families.

- The industry is increasingly able to perform tasks while on operational deployments, meaning there is a diminishing justification for the armed forces to employ so many people in support roles.
- We welcome the creation of the Defence Infrastructure Organisation as an important step in bringing integrated services to the market. We are also heartened to note the Secretary of State's announcement that a new Defence Business Services organisation will be created to consolidate the MoD's business service operations. We strongly encourage the new organisation to strongly consider increasing the proportion of outsourced business services as a means to finding efficiencies.
- The question MoD officials should ask of every support service operation is "why shouldn't this be outsourced?", rather than "why should it?".

Q57: What approach should be taken for assessing value for money in fulfilling defence and security requirements and why?

6. Any organisation facing financial challenges as pressing as the MoD's should take a comprehensive approach to assessing how it spends its money. We recommend that the MoD conduct an independent value for money analysis as part of the contract award process, with transparent outcomes which are capable of being challenged.
7. The Ministry has tended to rely on criteria which mean spending in different projects is easily comparable, but the downside of this is that an emphasis is placed on the cheapest option rather than the one which represents the best value.
8. We particularly recommend that the MoD looks closely at outsourcing more of its back-office and support functions for forces in their home locations, which have traditionally been delivered in house, and bundle such service contracts together to achieve better economies of scale. Person for person, civilian staff are significantly cheaper than servicemen and women when hired to perform supporting tasks. We already embed servicemen and women within our businesses for particular tasks, and could do so more broadly where this is necessary to have resilience for operations.
9. Members of our industry perform well for both public and private sector clients, and we are poised to do as much for the MoD in its efforts to find efficiencies. Our industry is increasingly comfortable in committing to payment by outputs and outcomes rather than simply delivering prescribed inputs.

Q69: Does the MoD involve industry sufficiently in providing support to the Armed Forces?

10. No. We believe that the Ministry of Defence is occupied more than is necessary in the actual delivery of support services. The private sector, which has become exceptionally adept at meeting the rapidly changing nature of demand, has the skills and the capability to adjust services at relatively short notice. BSA members have clearly demonstrated this in response to pressure from the Cabinet Office.
11. Three fifths of our industry's work is business to business, demonstrating our breadth of experience and our record of success. This capability can readily be deployed in support of public services. BSA members have an excellent record of providing support services to the MoD and Armed Forces, but much of this is at the fringes of what the MoD does, but much more could be done.

12. We provide a range of services to businesses, central and local government and the wider public sector. These include back-office outsourcing, hard and soft facilities management, energy and waste management, catering services, pest control, streetscene and more, and we want to bring these capabilities to the MoD. Such an approach would free the MoD of its supporting processes and allow it to focus on its primary roles. The understandably complex nature of the MoD's organisational structure can often mean that it can be more difficult to promote innovative solutions and efficiencies across the boundaries of responsibility. Over-prescription has inhibited providers and potential providers from coming up with imaginative solutions.
13. The MoD is not and should not be an exception to the wider government imperative of opening up public services to greater competition, save where this may adversely affect security or threaten operational capability. Indeed, the complex nature of the MoD's big-ticket projects mean that this is more important than anywhere else. In February the prime minister wrote about the capabilities that the private sector can bring to public services except in areas such as national security, "where this wouldn't make sense". The government now needs to provide greater clarity as to what is classified within the national security sphere as being only appropriate for the state to take on. Whilst we would agree that only the state should provide a military and certain aspects of intelligence, this should not be thought to include cleaning, catering or facilities management, to name a few.

Q70: What support roles should only be delivered by the Armed Forces?

Q71: What support roles could legitimately be provided by industry?

14. We believe that it is possible to outsource the delivery of all support service roles (meaning those activities other than policy, strategy, assurance or operational) for military forces in their home locations to private industry. Support services (when not on deployment) are not a core function of the MoD and there is no reason that they cannot be performed as well or better by external providers.
15. Our members have experience providing support role services from everything to catering and laundry, to energy management - which should be a critical imperative for the MoD given the size and state of the defence estate - to the training of military pilots. We believe we can provide high-quality, cost-effective services in the areas of catering, cleaning, leisure, retail, transport management, security, accommodation services, secretarial services, energy and waste management, hotel services, logistic storage, distribution and issue, firefighting and laundry. A more complete list is attached in Annex 1.
16. That said, we are increasingly able to provide support services even on deployed operations. We understand the culture and requirements of the armed forces - with many of our staff having previously worked within one of the three branches - and can provide perfectly adequate support to deployed operations. Some of our members are already operating alongside the armed forces in Afghanistan, Iraq and Kosovo.
17. We are eagerly awaiting the forthcoming public service white paper which we hope will promote competition and sensible outsourcing as a solution to waste and inefficiency. We are keen to stress that the MoD should not be seen as an exceptional area of the public sector.

Q72: How can the MoD remain an intelligent customer if it outsources more activity?

18. It is vital that the MoD continues to develop its important skills in procurement and regulation. We are not making the point that everything relating to support services should be outsourced - only that the delivery of such tasks should be outsourced where external providers can do it better.

19. The MoD needs to be able to determine what it wants and how to get it, and to those ends there will always be a role for officials who understand support services, particularly within the commercial staffs. But they should operate in a commissioning and regulating role, with the bulk of activity contracted out to external providers.
20. This does require the MoD to have the right people with the right skills to best harness the capabilities of industry. The Ministry ensures that this is the case with the specialists who purchase the costly and complex equipment, but the same focus is not always applied to contracting for support services. Key commercial and operations staff must have the right skills levels and experience to engage with industry to best effect.
21. Intelligent outsourcing and meaningful dialogue with providers will encourage partnerships and trust levels. This should allow the MoD to adopt a lighter touch as a client. Furthermore, we must collectively move away from input specification via outputs to outcome contracting if innovation amongst contractors is to be enabled and the MoD is to get the best solutions that industry can offer.
22. It is important for the MoD to retain (and develop) this commissioning capability so that it can promote competition and hence best practice amongst contractors, and does not become wed to a particular provider. Both government and the industry will benefit from a healthier level of competition, facilitated by officials who are able fully to understand and make objective assessments about the merits of each tender. Indeed the MoD should consider regularly enhancing its commercial staff by bringing in expertise from industry either on secondment or for fixed period contracts.
23. Part of achieving this could come in the form of re-emphasising the importance of commercial staff secondments, and redoubling efforts to ensure that commercial staff get as much exposure to industry executives as possible. Building the skills and talents of MoD procurement officials is essential if long-term culture changes within the Ministry are to be instituted.
24. The intelligent customer should remain within the new Defence Infrastructure Organisation. However, it will need the confidence of other MoD bodies so that those bodies do not duplicate such capabilities within their own organisations.

Q74: How could the MoD simplify interfaces, relationships and decision making to improve the provision of support to the armed forces?

25. In its dialogue with Defence Estates, the BSA has made the case that a constant flow of information is needed for the support services industry to understand fully the requirements of government. This stands true for the wider MoD's commercial operations. Officials should proactively engage with industry to provide updates, even where there has been no change. Defence Estates has agreed to provide a monthly industry update via email so that the private sector can understand how far along the Next Generation Estates Contract programme is.
26. The MoD should also seek to eliminate multiple interfaces where such points of contact offer no additional value. Furthermore, the number of service partners should be rationalised by providing greater scope for service integration. While we recognise that the government has publicly committed to holding 25% of its contracts with SMEs, companies operating in the defence sector have supply chains of up to several thousand SMEs, which are supported by the stability afforded to them by having large clients. There is also a question surrounding how such a target will be imposed.
27. The Ministry should give serious consideration to overhauling its website, which is not easy for those from outside the MoD to use. Businesses find it a challenge to navigate, and it would be helpful if procurement issues could be brought together in one place along with

the Defence Contracts Bulletin, and information on projects provided and updated regularly.

28. It is vital that the new Defence Reform Unit simplifies the structures and processes of the Ministry of Defence. This means a thorough and constant dialogue with industry, accessible officials and the promotion of competition in contracts.

Q79: How should government encourage coordinated and/or centralised procurement while maintaining competition and innovation? How should government encourage coordinated and/or centralised procurement without disadvantaging SMEs?

29. Centralised procurement procedures, with their associated benefits of reducing waste and duplication and enhancing value for money, are vital across government, but nowhere more so than the MoD.
30. There is absolutely no reason why healthy competition and innovation cannot be maintained in an environment of centralised procurement - in fact, it can be strengthened. Having a clear understanding of what the government needs eliminates some of the barriers to competition, in that the MoD becomes a single commercial operator rather than a fragmented one with a variety of actors.
31. In terms of innovation, centralised procurement means that companies can imagine new solutions to a common problem. Private sector organisations compete to innovate for the same thing, diversifying the range of potential solutions and providing the government with a variety of options, rather than having to pursue piecemeal regional or sectoral solutions.
32. We recognise that the defence market is a particularly difficult one in which to engage with SMEs on an individual basis. That said, there is already a major involvement of smaller companies in defence through the supply chains of larger contractors. SMEs are relied upon by the support services industry to be key elements in providing services to government.
33. We feel that far more could be made of the vast number of SMEs that are being used in Regional Prime Contracts. The good work being done by them and the value for money they provide should not be discounted, and should be taken into account when new NGEC contracts come to the market.
34. It is important for the government not to mandate how much work goes to SMEs, as the cross-government goal of 25% attempts. To do so could mean unnecessary involvement in the internal workings of commercial partners resulting in a strong possibility of increased costs to the MoD. What the government can do for SMEs is keep them up to date by fully including them in communications to industry, and value their input into consultation processes.

Annex 1: Potential areas for outsourcing

Catering	Cleaning	Leisure	Retail
Transport management	Non-strategic security	Accommodation	Secretarial services
Energy management	Waste management	Hotel services	Logistics
Storage	Distribution and issue	Firefighting	Laundry
Grounds maintenance	Asset management	Vending	Portering
Messenger services	Postal services	Reprographics	Conference rooms
Tailoring/uniforms	Hairdressing	Fitness instruction	Health and safety
Energy management	Spatial planning	Furniture supply	Passes

Annex 2: BSA members

Full Members

Amey	www.amey.co.uk
ARAMARK	www.aramark.co.uk
Babcock International Group	www.babcock.co.uk
Balfour Beatty	www.balfourbeatty.com
Berendsen plc	www.berendsen.com
Capita	www.capita.co.uk
Carillion plc	www.carillionplc.com
ClearSprings	www.clearsprings.co.uk
Compass Group	www.compass-group.com
Ecovert FM	www.ecovertfm.co.uk
Enterprise	www.enterprise.plc.uk
G4S	www.g4s.com
Interserve	www.interserve.com
ISS UK	www.uk.issworld.com
John Laing	www.laing.com
Kier	www.kier.co.uk
MITIE Group	www.mitie.co.uk
Morrison Facilities Services Ltd	www.morrisonplc.com
OCS Group	www.ocs.co.uk
Pinnacle	www.pinnacle-psg.com
Rentokil Initial	www.rentokil-initial.com
Serco Group	www.serco.com
Sodexo	www.sodexo.com

Associate Members

3i	www.3i.com
Barclays Commercial	www.barclays.co.uk
Deloitte	www.deloitte.com
Grant Thornton	www.grant-thornton.co.uk
Harvey Nash	www.harveynash.com
KPMG	www.kpmg.co.uk
Lyceum Capital	www.lyceumcapital.co.uk
Metzger	www.metzger.co.uk
Navigant Consulting	www.navigantconsulting.com
Pinsent Masons	www.pinsentmasons.com
PricewaterhouseCoopers UK	www.pwc.co.uk
Reynolds Porter Chamberlain LLP	www.rpc.co.uk
Serco Institute	www.serco.com/institute
Trowers & Hamblins	www.trowers.com