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BSA – The Business Services Association

Response to call for submissions to shape the next Defence Command Paper:

‘How could UK Defence build on the last Defence Command Paper (2021) and the Integrated Review Refresh (2023) to deliver enhanced strategic value for itself and its Allies?’

April 2023

Background

The Business Services Association – BSA – brings together organisations delivering services and infrastructure projects across the private and public sectors. The business services sector as a whole accounts for over 8 per cent of economic output and employs 3.3 million people across the UK, equivalent to over 10 per cent of UK jobs¹. A full list of members is included as an annex.

In Defence, members deliver a range of services, from construction, infrastructure and estates and facilities management services at UK and overseas military bases to equipment support, military training programmes, digital services, cyber, telecommunications, professional services and administrative services. We are an important part of Defence industry. The services provided by BSA members support not only the operational readiness of the Armed Forces but also the lived experience of Service Personnel and their families, and Defence’s contribution to the UK economy.

It is in this context that we make this submission, focusing on the areas in which members operate. In this paper, we focus on sections of the 2021 Defence Command Paper of most relevance to our sector, including building the relationship with Defence industry, Defence procurement, closer partnership working, and workforce. We welcome the opportunity to feed into SONAC and would welcome a roundtable discussion on the points raised below.

¹ Oxford Economics - The UK market for business services - 2015 - <http://www.bsa-org.com/wp-content/uploads/2017/04/OE-BSA-report.pdf>



Embedding a stronger relationship with industry

Chapter 8 of the Defence Command Paper, along with the Defence and Security Industrial Strategy, focuses on Defence's relationship with industry, setting out a welcome ambition to adopt a more strategic relationship and build a more sustainable industrial base.

In order to achieve this, it is important to recognise and understand the full breadth of the industry, including industry partners in infrastructure and technology as well as their supply chains. The Defence Estate Optimisation (DEO) portfolio, for example, is a critical and ambitious programme to transform the estate, on a par with equipment platforms in terms of the length of the programme (25 years) and with investment in it (£4.3bn)². The Ministry of Defence should ensure these parts of the Defence industrial base are fully represented in their thinking and at relevant MoD fora. Taking full account of Defence industry will also help to give MoD a clearer view of Defence's wider contribution to UK prosperity across the range of sectors it works with, beyond those who work only and specifically in Defence.

The Defence Command Paper also notes that social value delivered through Defence contracts can be another way for Defence to contribute to UK prosperity. The BSA has been working with Cabinet Office and other central government departments on their approaches to social value and to PPN 06/20. We would welcome a discussion with the Ministry of Defence on this too, as well as on how Defence could apply social value in contracts to best effect.

Defence Procurement

The Defence Command Paper highlights the need to make acquisition and procurement policies and processes more agile. The three primary Defence agencies, Defence Equipment and Support, Defence Digital, and the Defence Infrastructure Organisation, operate in fundamentally different industry areas with different procurement risks. Despite these differences, Defence has tended to apply the same processes for both high risk/high complexity equipment procurement, and low risk/low complexity infrastructure and estate procurement.

If left unchecked the consequence of this would ultimately be slow and ineffective delivery, ineffective use of Defence resource, and therefore, poor value for money. This impacts directly and demonstrably on Front Line Command operational efficacy.

We are therefore encouraged by the work already underway across Defence in this regard, including by Caroline Boughton, Director of Acquisition and Project Delivery, MoD, and her team to look at ways to build agile and iterative procurement and delivery routes to ensure MoD can meet the challenge of rapid technological innovation and to assess levels of risk across different projects and procurements which, in turn, will inform an appropriate approvals process and reduce delays to procurement processes. A proportionate and risk-based approach can also be applied in relation to support services in such areas as cyber and data residency.

Infrastructure project approvals are an essential and supported part of public sector procurement. The current Defence infrastructure approvals process, however, is unnecessarily layered and similar levels of approvals are applied across most contracts rather than the approvals process being proportionate to the service or product being procured. Some services and projects, such as infrastructure, facilities management and some aspects of digital services, are also procured at scale across other parts of the public and private sectors. Therefore, these could be deemed to be lower risk and not require the same level of approval as highly complex or bespoke procurements.

² Ministry of Defence - Defence Command Paper: Defence in a Competitive Age - 2021 - <https://www.gov.uk/government/publications/defence-in-a-competitive-age>



Defence should move from the current 'cost based' to a more 'risk based' approvals process, with approvals granted on a 'not to exceed' basis to limit the delay caused by the need for Defence to generate Review Notes to close with small scale project changes. These changes would enable Defence to adjust the disproportionate amount of time spent managing project administration and apply more resource towards driving project delivery. Defence could also achieve demonstrable speed and efficiency benefits if multiple approvals gateways with different stakeholders were combined into a single approval gateway with all stakeholders present.

Furthermore, Additional Works Services across the Defence built estate, training estate, housing and PFIs account for a significant proportion of Defence infrastructure and estate spend. Despite these works being individually low value, low complexity and low risk, the delivery process is at times perceived to be overly bureaucratic and unnecessarily long. This constrains industry's ability to deliver in a timely and effective manner, impacts on the lived experience across Front Line Commands, and encourages a perception that Defence delivery is slow and ineffective.

With over £3 billion of billable works now packaged within the Future Defence Infrastructure Services (FDIS) contracts, there is significant opportunity to increase delivery speed and effectiveness. At the same time, however, proposed 'trust with consequences' for works of less than £25,000 value with assurance post-delivery has not yet been implemented optimally. Approvals are still sought pre-works as opposed to post-works, resulting in unnecessary delays to simple tasks. Defence should also consider raising the value of such works to more than £100,000 to capture the majority of simple minor new works outputs. Limiting the delays to commencement of such works would allow industry to optimise its resource and capacity to best effect.

Furthermore, greater use of schedule of rates for repeat infrastructure works, in addition to estate services, should also be considered. Industry is able to provide pricing structure menus for such works, including small scale projects at Cat E (less than £10 million) such as temporary accommodation.

Timelines for projects at Cat C and above often take over five years to navigate through the procurement process. Lengthy procurement processes increase the likelihood of a change in personnel and a change to requirements, which can add cost. Delays to procurement timescales have a significant impact on bidders, particularly SMEs. Where there are delays, it is important that these are communicated to the market in a timely way such as through an online portal, reducing uncertainty for suppliers.

To further streamline the procurement process in Defence and to reduce the impact of delays, Defence should consider earlier industry engagement, make greater use of two-stage open book contracting, and overall, encourage greater collaboration and transparency between Defence and industry.

The delivery Agency should better empower Front Line Command leads, not only ensuring that they are fully informed regarding detailed cost estimates but also granting them the authority to adjust delivery dynamically with an approved budgetary limit. Defence must reduce the sequential repetition of business case detail and seek a simpler approach, potentially leveraging from more detailed Outline Business Cases to streamline the Full Business Case stage and removing the need for a 'Develop Preferred Options' stage when requirements are most straightforward.

The Defence Infrastructure Organisation (DIO) now publishes and updates its pipeline on a regular basis and holds webinars on the pipeline, keeping industry abreast of the latest updates and giving potential new entrants and SMEs notice about upcoming tenders. This is welcome progress, but these practices remain inconsistent and some pipelines remain outdated and unchecked mid-cycle.



This has a direct cost on businesses and their bid teams, which inevitably results in cost transfer through end-pricing. This work should therefore be developed further to indicate the route to market for tenders where possible. Where framework agreements will be used, for example, it can take time and resource for suppliers to get onto those frameworks in order to bid for the Defence contract, and therefore as much detail at an early stage would be useful.

The BSA and members have been working for some time now with Cabinet Office on the Sourcing Playbooks³ and fully support the principles outlined in the guidance. Implementation of the Playbooks across central government departments is ongoing. We would like to see this work continue and develop further to ensure the principles outlined in the Playbook are implemented consistently across government. This should be coupled with further investment in commercial skills to support the modernisation of commercial practice.

Alongside implementation of the Playbook principles, a cultural change is required to ensure procurement can truly deliver high value, high quality outcomes and to develop further collaborative partnership working between contracting authorities and suppliers. Continuing to move away from the 'process' being seen as the deliverable output, as opposed to infrastructure or estate product, requires robust leadership to unlock cultural change.

Partnership working is particularly important and appropriate for more complex services and projects, such as in many areas of Defence, building trust between contracting authorities and the market. Again, however, these strategic relationships can be inconsistent: whilst relationships are generally excellent with Strategy and Operations, they can be suboptimal and underused with Commercial teams. Partnership working is also complicated by a high turnover of senior officials. There is now, however, a sense of optimism from new leadership along with the concept of Whole Force supporting a partnership approach. Implementing the Playbook principles will also play a key role in this cultural shift.

In Defence, whilst there is a lot of discussion with the market about large equipment acquisition programmes, there is less engagement about future requirements for equipment support services, digital and infrastructure services. Engagement is important. It enables contracting authorities to learn from the market about the latest technologies or approaches for the outcome they are looking to achieve, thereby helping to shape a robust business case. It enables the market to feed into the specification, leading to a smoother procurement process, and signals to the market to start to speak to their supply chain and prepare to bid.

Enabling more SME participation in Defence contracts

Another ambition of the 2021 Defence Command Paper which should continue and be built on is enabling more SMEs to participate in Defence. The procurement process can have a significant impact on how successfully SMEs can participate in delivering public sector contracts either directly or as supply chain partners. Early market engagement and regularly updated pipelines, as outlined in the Sourcing Playbook, give organisations of all sizes notice of upcoming procurements so that they can begin to shape their offer and start to scope and source supply chain partners. Appropriate procurement timelines also ensure larger organisations have sufficient time to research and source new partners, including SMEs they may not have worked with before.

³ Cabinet Office - The Sourcing Playbook - May 2021 - <https://www.gov.uk/government/publications/the-sourcing-and-consultancy-playbooks>



The contract itself can also act as an enabler or barrier to inclusion of SMEs in supply chains. For example, inappropriate risk transfer requirements on supply chain partners can deter organisations of all sizes particularly SMEs. Security requirements are necessarily high in Defence contracts, however the relatively high cost of meeting these requirements can also be a barrier to SMEs. Careful consideration needs to be given to how the terms of the contract affect supply chains and how these could be mitigated.

One way to enable more SMEs to participate is by encouraging partnership working with larger organisations. The business services sector has the experience and professional expertise to help SMEs take the crucial next step to becoming medium-sized businesses. Larger organisations can have the capacity and reach to help support and build local SME capacity in their supply chains. They can help to shoulder the risk and provide the scale and up-front finance which are often necessary parts of contracts with public and private sectors alike. Meanwhile, smaller organisations bring their strengths and innovation so that the two learn from each other. Working collaboratively can help them do so. The focus on, and assessment of, collaborative working capability within the FDIS procurement process is an example of how these behaviours with the contracting authority and supply chain partners can be encouraged.

Good partnership working within supply chains involves fair treatment of supply chains, prompt payment of bills, and fair allocation of risk and reward. The BSA highlighted the importance of equitable collaboration between different sizes of company in its Statement of Best Practice on Partnership Working between larger businesses or VCSE organisations and SMEs⁴.

Closer partnership working with the private sector in the face of common threats and opportunities

In the 2021 Defence Command Paper, the Secretary of State highlighted the mission to understand future threats and to invest in the capabilities to defeat them. In the current global climate, unlike in the past, many of the threats to our national security that Defence will be concerned with are the same threats that the private sector and global corporate businesses face. Cyber-attacks, particularly those against critical national infrastructure, are a prime example of this. In perceiving future threats, and arming ourselves against them, it will be imperative that government and the private sector work hand-in-hand. This is especially true for the business services sector, which delivers essential services to support critical national infrastructure across the UK, from rail and roads to broadband, telecommunications and social infrastructure such as prisons and hospitals. This potentially makes the sector a target.

This requires a new level of partnership working between Defence and the private sector, not just a commissioner-supplier relationship but also one of sharing intelligence, data residency, systems, ownership of key assets and systems, and processes to protect our economy and our people. An evidence and risk-based sectoral approach may be a good place to start for this, focusing on building partnerships with the sectors most at risk or where cyber-attacks could have the most detrimental impact.

It also requires closer partnership working with other government departments and agencies, particularly the Department for Business and Trade, the Department Science, Innovation and Technology, National Cyber Security Centre and Information Commissioner's Office. Again, this builds on the ambitions outlined in the 2021 Defence Command Paper in a practical way.

⁴ BSA - Statement of Best Practice on Partnership Working between larger businesses or VCSE organisations and SMEs - April 2021 - <https://www.bsa-org.com/wp-content/uploads/2021/04/BSA-best-practice-document-FINAL-WEB-1.pdf>



This partnership approach could also be developed to help identify new opportunities as well as threats. Where there are new technologies emerging, such as in AI or green technologies, private sector is often more advanced in their development and application. Through true partnership working, Defence will be able to identify and access viable new technologies and their potential applications to Defence much quicker, or to work to develop technologies of its own working with innovative, agile private sector partners.

Defence workforce

The 2021 Defence Command Paper is right to highlight Defence's workforce as its "finest asset" and that a more modern approach is needed, particularly to incorporate and build the range of specialist skills that will be required to meet future threats. Cyber is another example of a different approach leading to good outcomes, like attracting people with the required skills.

Defence and industry as a whole are competing for people and facing potential skills shortages in the years ahead across a range of sectors including nuclear, engineering, catering, green skills and digital skills. To address this, government is looking to invest in education and skills to build a pipeline of homegrown talent going forward, and business including the BSA is feeding into this work. The Ministry of Defence should ensure it is also fully engaged in this.

For Defence specifically, there may be more that can be done through models such as sponsored reservists to get required skillsets in place sooner. We would welcome a discussion about how the sponsored reserve concept could work in practice and which skills areas might be most appropriate.

More widely, BSA members do much to support Service Personnel and their families. The BSA and many of our members are Armed Forces Covenant signatories and involved in the Defence Employer Recognition Scheme. Many have internal policies in place to support veterans, reservists and the spouses and families of service personnel in a number of ways, from work placements and recruitment initiatives to organisational networks, additional annual leave when required and mentoring.