



MINISTRY OF DEFENCE

**DE NEXT GENERATION ESTATE
CONTRACTS (NGEC):
FREQUENTLY ASKED
QUESTIONS**

3 August 2010

How will the NGEC programme ensure improving value for the taxpayer?

We have been working with other Government and private sector clients to see what has worked well in their current procurement models and the areas that they would wish to improve. We have also undertaken a "lessons learnt" exercise with our current suite of contracts and with wider industry, through a series of industry days and focus groups. We intend to bring this learning together in the development of the new contracts and in our procurement strategy.

Given the current fiscal position it is absolutely essential that we can demonstrate that the contracts we put in place will not only deliver the estate required by our Armed forces, but that they will also do it a cost-effective way. We will be using the tendering process to ensure that we get contractors with the right culture of continuous improvement and value for money to be able to achieve this.

Industry is moving away from frameworks and collaborative partnering, so why is NGEC moving towards them?

Both frameworks and partnering are used by other Government departments, and for a large estate-owning department like the MOD there are clear benefits. Partnering capitalises on industry's ability and expertise in risk-management, managing large supply chains, and developing innovative approaches to service delivery. Frameworks offer ongoing competitiveness between approved suppliers, the selection of best value, flexibility, and – because heads of terms are pre-signed – speed of contract development.

We have conducted a wide consultation with representatives across the Defence estate community and industry on the best combination of these two arrangements.

How have you captured lessons learnt from the current set of contracts?

We have gathered evidence from DE staff, industry and customers about their experiences with the current set of prime contracts. This has been submitted via template forms so that we get the necessary evidence in a usable state. From this material we have captured "lessons learnt" on a database, and will be analysing these and using them to inform the Model Development phase. We have also consulted industry through a series of seminars and questionnaires to capture ideas and best practice.

Additionally we are undertaking an OGC Programme 0 "Stage 5 review" this summer, for an independent assessment of the benefits provided by the current set of contracts.

How are you capturing and presenting what the future contracts need to achieve?

We are developing these requirements on two levels. Firstly at a strategic level we are working with customers and DE estate managers to develop high-level "key user requirements" (KURs), which are likely to include themes such as maintenance of essential assets, statutory compliance, information management and project delivery.

Secondly as we develop the contract models, we will develop lower-level user requirements, such as reactive maintenance response times and call-desk performance.

What are the anticipated benefits of the NGEC contracts?

We are working closely with organisations right across government and industry to accumulate best practices, and learn from experience and expertise, with a view to maximising operational efficiency, and creating contracts that enable contractors to deliver the best results they can.

We are designing to contracts to be as flexible as possible, so that new projects and changes to contract scope can be accommodated during the life of the contracts. We are embedding cross-Government aims such as improved sustainability, energy management, and procurement efficiency into the contracts.

The NGEC programme is running alongside the Strategic Defence Review, to ensure that the new arrangements are best able to meet the evolving requirements of the Armed Forces.

Robust performance evaluation is central to NGEC, and to ensure that the contracts are fully evaluated, we are developing a “benefits management strategy” for recording the practical performance of the new contracts against the benefits that are identified at the outset.

How are you introducing sustainable procurement and energy efficiency into contracts?

Sustainability and energy performance are vital to delivering improved value for money, and these principles will be embedded into the new contracts.

NGEC has worked with representatives from across industry in a dedicated focus group to explore the best approach to incentivising contractors to deliver against Government sustainability targets, including on energy efficiency and carbon emissions. These discussions included the potential for incentivising contractors to fund the delivery of low-carbon facilities and recover their costs through the energy savings.

The programme is also developing appropriate criteria for scoring and prioritising estate management work in sustainability terms, and for evaluating ongoing contract performance against departmental targets.

Given that the value of an estate increases over time, have you explored leasing options?

Yes, at the outset of the programme, concepts such as sale-and-leaseback of the whole Defence estate and a “whole estate” PFI were analysed the NGEC team as potential options. These were then included in the Initial Gate business case submitted to the IAB. However the IAB confirmed that these options were not appropriate.

How important is NGEC?

The NGEC programme is a key component of the Defence Change Programme to modernise MOD business processes. It will result in contracts amounting to £500m-£600m pounds sterling per annum (exclusive of major estate projects and work funded by DE customers) for future maintenance and development of the Defence estate.

Are there any parts of the Defence estate which NGEC will not cover?

Yes, it has been decided that the Volunteer Estate (VE), which covers facilities for the Reserve Forces, Territorial Army and cadets associations, should not be included within NGEC until issues such as asset ownership, funding and functional role have been resolved. It has also been decided to exclude any soft facilities management which is currently controlled by top-level budget holders and is therefore not included in the current contracts from NGEC. However both VE and soft facilities management could be integrated into NGEC in future.

The overseas Defence estate (including in Germany, Gibraltar, Cyprus, the Falklands, and Kenya) and the US Forces estate in the UK are also currently excluded from the programme.

Who is in charge of the NGEC programme?

The "Senior Responsible Owner" is the Chief Executive of Defence Estates, who leads the programme and ultimately ensures that it meets its objectives. The programme director is Steve Rice, who provides strategic direction and represents the NGEC team at the programme board. The programme is managed by Mike Pearson, and contract development is led by Mark Grant.

What will be the impact of Defence spending cuts on the future contracts?

NGEC seeks to ensure best value for money, and is working with industry and customers to achieve best effect with every pound spent, and realise efficiency savings. It is too early in the programme to identify how and how much.

However within NGEC development work we are incorporating some outputs from Programme Promptu, under which the existing prime contracts are being renegotiated to cope with reductions in funding and to deal with injected work where it is most needed.

Are foreign companies entitled to bid for contracts?

Yes, the future contracts will be advertised across the EU in the Official Journal of the European Union (OJEU), and any company in the world is entitled to bid. However all companies will be judged equally in terms of their ability to deliver on the Key Business Requirements, working closer Defence customers.

How many staff are working on the NGEC programme and how much will it cost?

We are currently working on the programme resource plan, including manpower and funding requirements, as part of the PR11 financial planning round.

Will any jobs be lost across Defence Estates and in industry as a result of NGEC?

It is too early to give any detail of the consequences to the structure of DE and to staff positions in the MOD. We will however, following ministerial approval work up the detail of such implications and work with the Trades Unions in doing this. Informal consultation will continue with the TUs and formal consultation will take place as soon as we have sufficient details to do so.

What involvement can regional companies and small-to-medium enterprises (SMEs) have in these contracts?

We are considering how best to incentivise our suppliers to involve SMEs in the supply chain. Industry is being consulted on this within the NGEC Industry Focus Groups.

Will the work delivered by non-DE contracts like the Colchester PFI and Project Allenby Connaught be included under NGEC?

The current estate PFIs are long-term, established arrangements, and for this reason it was recommended within the Initial Gate business case, and approved by the IAB, that they should be excluded from the NGEC programme.

Will the future contracts be making use of project bank accounts to ensure prompt payment for subcontractors?

The "project bank account" is currently being trialled by DE Operations International with the aim of reducing payment times for supply chain members. We are closely following the trial, and will consider incorporating project bank accounts into the new contracts when the trial outcomes are known.

How did you decide which companies should participate in the Industry Focus Groups?

Delegates were selected for the Industry Focus Groups via a questionnaire circulated after the Industry Day that was held in February 2010. Delegates were assigned to specific groups on the basis of the preferences that were specified in those questionnaires. We ensured that across all the groups there was no more than one representative, that within each group there was a mix of current DE suppliers and potential suppliers from wider industry, and where possible a broad range of expertise.

Are companies not represented at the Industry Focus Groups still in with an equal chance of winning contracts?

Yes, absolutely. The purpose of the Focus Groups has been to harness industry expertise, and to identify best practice from across industry to enhance contract development. Participation in the Focus Groups in no way implies any commercial advantage for those companies involved, and results from the groups have been made available to all, including on the Defence internet. The process of selecting companies to bid for the contracts is subject to European legislation and Defence procurement processes, and remains independent of the Focus Groups.

What characteristics are you looking for in potential suppliers to Defence Estates?

While NGEC will maintain a level playing field for all potential suppliers, Defence Estates will be looking for particular qualities that will help towards meeting its strategic aims. This includes being prepared to work with the MOD to achieve value for money in everything it does, reducing estate running costs, and helping to rationalise the estate and its assets through innovative approaches to disposals.

Defence Estates is looking for suppliers which can help the MOD reduce its carbon emissions through innovation, and which are prepared potentially to invest in the Defence estate to conserve energy.

Agility will also be an important quality, as contractors will need to be able to adapt to the outcomes of the Strategic Defence and Security Review (SDSR) with innovative ideas and solutions.

