

DEFENCE SUPPLIERS FORUM

SME FORUM

Record of Meeting – 14 July 2015

Government

Philip Dunne MP – Minister for Defence Procurement [Chair]
Will Jessett – Director Strat Planning DSP
Stephen Phipson – Head UKTI DSO
Fiona Phillips – Acting Defence Commercial Director
David Morgan – Asst Head Supplier Relations Team, Def Comrcl
Andy Sams – Asst Head Industrial Policy
David Lines – Asst Dir Business Support (UKTI DSO)
Daniel Harrison – Asst Head of Aerospace Marine and Defence (BIS)
Oliver Harry – PS to Minister(DP)
Craig Deal – Industrial Policy-5
Alyson Rees – Industrial Policy-2 [Secretary]

Industry Trade Bodies

Clive Davenport – Federation of Small Businesses (FSB)
Mike Maiden – NDI
Paul Everitt – ADS
James Murphy – techUK
Christopher McHugh – SMI/BNEA

Trade Association Invited SMEs

Andrew Kerr – Director Englands Specialist Safety Equipment Ltd (FSB)
Craig Priday – Managing Director Pearson Engineering Ltd (NDI)
David Hansell – Non-Executive Director MSI Defence Systems (ADS)
Graham Booth – CEO 2ic Ltd (techUK)
Ed Bates – Aish Technologies Ltd (SMI/BNEA)

Guests

Steve Brittan – CEO UK DSC
Will Searle – Managing Director Axillium Research
Nancy Pallares – Head Oldbury UK & Boughton Engineering, part of Skan Group Holdings
Dr Yoge Patel – CEO Blue Bear Research Systems
Keith Hammond – CEO Optima Group
John Guest – Group Director Optima Group

Welcome and Introductions

1. Min(DP) welcomed attendees to the second DSF SME Forum of 2015 and the first since the General Election. Ministers are committed to implementing the manifesto commitments in full, and in Defence this includes maintaining a four-boat Nuclear Deterrent, no reductions in the number of military personnel and the defence equipment plan to be funded at one per cent above inflation for the duration of this Parliament.
2. On the Budget announcement, Min(DP) explained that this was extremely good news for Defence. The Government had committed to raising the Defence budget by 0.5% in real terms each year in this Parliament. The Chancellor also announced that an additional £1.5Bn per year will be available to the Armed Forces and security and intelligence agencies by 2020/21 and overall the UK will maintain the NATO pledge to spend 2% of GDP on Defence every year of this decade.
3. Key developments since the last SME Forum on 26 February 2015, included the opening of UK Defence Solutions Centre and announcement of a £10 million 'DGP Innovation Challenge', and Tony Douglas confirmed as the new Chief Executive of DE&S (he will begin the handover process in October 2015).

4. The last main Defence Suppliers Forum meeting was held on 9 July, where the Secretary of State for Defence, reaffirmed the importance that he attaches to this Forum and its sub-groups in our strategic engagement with industry and in particular, at this time, our engagement on SDSR.

Strategic Defence and Security Review (SDSR)

5. The 2015 SDSR will build on the 2010 review. The work is being led by the Cabinet Office in conjunction with the main government departments including MOD, FCO, HO, BIS, UKTI, and HMT. The SDSR has a number of themes, including alliances and partnership, innovation and prosperity. There are many different current lines of enquiry including: ensuring we have the defence and security industry for our security and prosperity; using innovation and research to maximise opportunities and ensuring we can respond to technology driven threats; and maximising the private sector contribution to our national security.

6. One suggestion was around SME capability clusters, an idea which will be considered as part of the SME policy refresh (see agenda item 'Defence SME Plan and Target').

Action 1: Following recent workshops, the Department would welcome written contribution by the end of August. There will be further engagement with Industry, including a workshop hosted by Min(DP) in Sept 15.

Defence Growth Partnership (DGP)

7. The Government remains committed to the DGP, and Min(DP) was pleased to open the UK Defence Solutions Centre (DSC) alongside the Rt. Hon Matthew Hancock MP in March. The UK DSC is a strategic planning and development organisation for defence industry; designed to enable UK businesses to win significant new business in export defence markets.

8. Steve Brittan, the CEO of the UK DSC, outlined their commitment to reach out to the SME community and is taking steps to build relationships with all the main defence trade bodies. UK DSC operates in the pre-competitive space, fostering collaboration, understanding customer needs and developing concept-level solutions. The DSC intent is to take an open innovation approach and are looking at ways it can 'spin ideas' from other sectors, such as motorsport and automotive, into defence.

9. At the UK DSC launch Min(DP) announced the £10m DGP Innovation Challenge. The Challenge is attracting significant interest, including from SMEs (over two hundred companies have attended awareness events on the DGP Innovation Challenge). The first global showcase of the DGP will be at DSEI in Sep 15 where the initial winners of the Challenge will be announced.

UKTI DSO

10. Stephen Phipson outlined the services UKTI DSO provides to SMEs. These include: High Growth High Potential programme for Medium Size Businesses; their small business unit provide guidance to companies looking to exporting overseas, and Market Technology programme which looks to bring together Primes and SMEs who are working in the same space. The Market Analysis Team within UKTI DSO provides international trade advice and are working on a five year outward programme.

11. Collaboration between UKTI DSO and the UK DSC will become an increasingly important feature of the future exports business model, and the relationships between the different trade bodies and these two centres will be important to ensure SMEs benefit. Stephen outlined the important role trade bodies play in acting as a conduit to the SME community, and questioned how we could do more to reach out to SMEs who are not formally part of a trade body.

Defence SME Plan and Target

12. Fiona Philips outlined the MOD's SME policy refresh following the manifesto commitment of 33% of direct and indirect procurement with SMEs. The previous government exceeded its 25% SME spend target with a significant direct MOD contribution of nearly £1Bn directly per annum, and a further £3Bn through the supply-chain. Given the proportion of the MOD's budget this means that Defence will need to make a significant contribution to the new overall target of 33%.

13. With the SME Action Plan largely complete MOD want to refresh its approach to help SMEs access defence opportunities by working with the SME community to develop a new approach that drives better behaviours across Defence, including suppliers.

14. Initial work to develop the department's SME policy has identified three key pillars of activity based on feedback received from the SME community and internal stakeholders:

- Broaden engagement through the supply chain
- Reduce bureaucracy in procurement activity
- Ensure direct communication with the MOD is simplified through a supply-chain champion

15. A new MOD Supply Chain Champion will be established within the Supplier Relations Team to be a first point of contact for the supply chain, and act as a sounding board for innovation and a matchmaker service between MOD, its prime contractors, and prospective suppliers.

16. Red Tape – The manifesto pledge to cut £10Bn of red tape as part of a plan to back UK business and boost productivity. MOD, whilst not a Regulator under the Better Regulation Executive definition, is looking at how it can contribute to this initiative. As the MOD's lead for the Red Tape Challenge Min(DP) asked for ideas on where MOD can remove red tape, process and bureaucracy that will help SMEs to access defence opportunities. One of the initial suggestions was to remove multiple accreditations for suppliers.

Action 2: Trade Associations to coordinate a response on behalf of their SMEs on what opportunities there are for MOD to simplify its procurement practices to deliver a more efficient and productive relationship with Industry, by mid Sep 15.

Any Other Business

17. The next Defence Suppliers Forum main meeting is scheduled to take place on Thursday, 15 October 2015, with the Federation of Small Businesses (FSB) to represent the SME Forum.

Date of Next meeting: Tuesday 20 October 2015 (10:00 to 11:30) venue to be confirmed.

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