



Defence
Infrastructure
Organisation

DIO Commercial Strategy

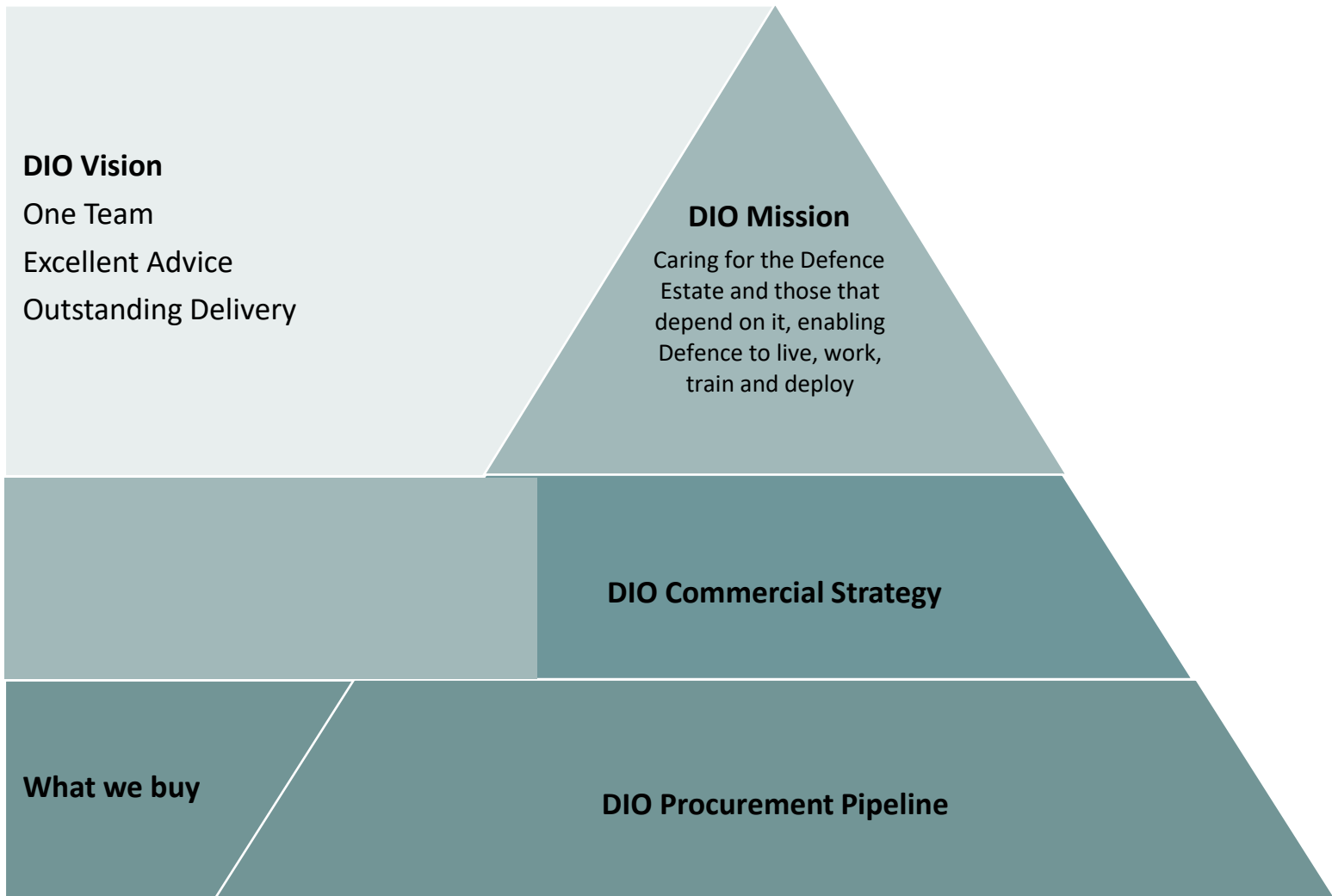
Transforming how DIO buys for its
customers

Revised November 2022



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Introduction

This document sets out the commercial strategy for the Defence Infrastructure Organisation (DIO) for 2022 and onwards. It highlights how we deliver our services for our customers and how we work in partnership with our supply chain.

We, the DIO, provide infrastructure services to the Ministry of Defence (MOD), Front Line Commands (FLCs) and other Top Level Budgets (TLBs) through our suppliers. We are passionate about the work we do to support our armed forces, commissioning, building, and maintaining what the men and women who serve our country need to safely live, work, train and deploy on operations.

To effectively deliver pan-estate expertise for our customers and value for money for the UK taxpayer into the future, we must harness this passion and look at new ways to improve our services for our customers. This need is reinforced as we optimise the defence estate and have concluded the transfer of budgetary responsibility for it to the FLCs and TLBs.

Our suppliers deliver 95% of our infrastructure services by value, to support our FLC and TLB customers' operational output

With an annual spend of **£3.3bn** on construction and infrastructure services on behalf of our customers, we recognise the opportunity that we have to optimise our market position, particularly in the face of continued economic uncertainty. For our part, we will continue to be easier to do business with and lay out our customers' long term challenges and needs to the market, and in turn ensure that customers understand how important this planning is to suppliers to allow them to meet their needs.

A coherent commercial strategy is key to achieving this, and we have developed this document to inform our customers, suppliers and wider government

stakeholders on how we do business and build our presence with industry. It highlights how we create and sustain a competitive market to deliver goods and services that meet FLCs' and TLBs' performance and affordability needs, now and in the future.

With an annual spend of £3.3bn on construction and infrastructure services, we recognise the opportunity that we have to optimise our market position, in face of continued economic uncertainty

This Commercial Strategy outlines the range of services by value that we require, and the likely nature of the contracts by service. It is underpinned by our commercial principles, which have been developed to continually improve our services and deliver increased and measurable value to our customers.

Finally, this DIO Commercial Strategy should be read in conjunction with [the DIO Procurement Pipeline](#) and [Procurement at MOD](#) webpage content. These provide detail on individual procurements that we will commission on behalf of our customers, the procurement routes that will be used, and how suppliers can access these opportunities.



‘My vision is for us to be the best at what we do and to continue to build on our success and reputation as a trusted infrastructure organisation. To transform the services we provide to Defence, we will continue to work collaboratively with our suppliers and customers

Mike Green, DIO Chief Executive,
August 2022

Our Vision

To be a high performing team, consistently delivering value for money commercial outcomes across Defence Infrastructure.

Our vision is central to our role as a strategic advisor and commissioning agent, supporting our customers and our suppliers by being more transparent, responsive, and easier to do business with.

Our vision and guiding principles support the DIO Vision of **One Team, Excellent Advice and Outstanding Delivery.**

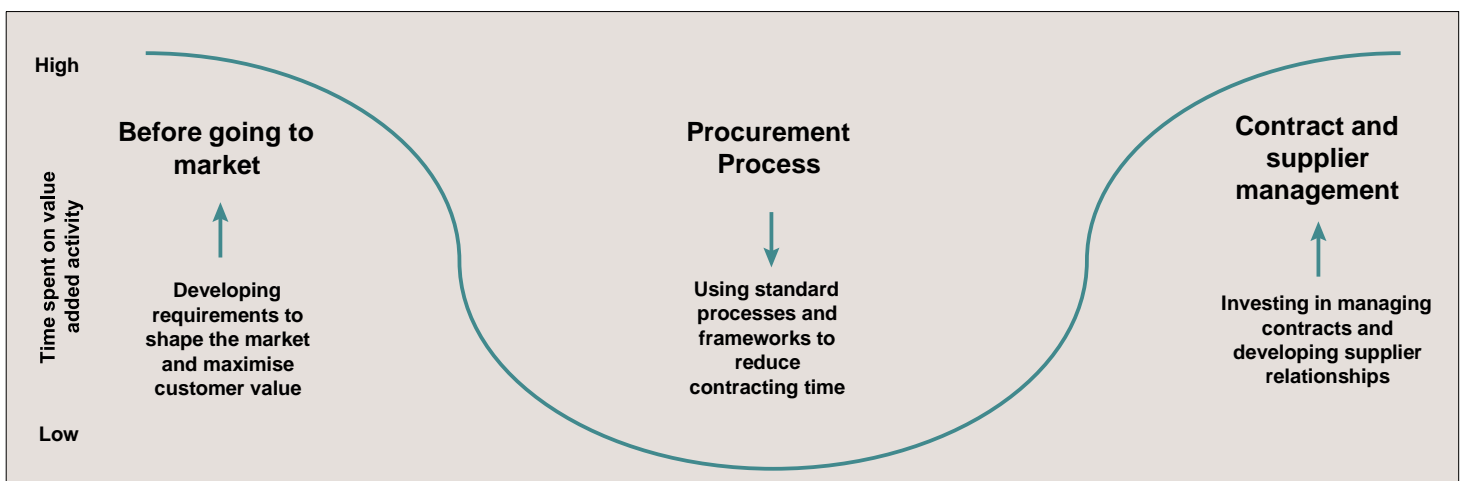
As a **key infrastructure client**, we will engage with suppliers, sharing pipeline information to shape the market, drive innovation, and invigorate and sustain a diverse portfolio of suppliers. Developing a competitive environment enables us to **leverage effective supplier delivery** and ensure our customers' performance and affordability needs are met.

Maintaining our infrastructure and professional services expertise and information enables us to **exercise clear customer leadership**, supporting

our customers to develop and prioritise their portfolios of projects. We act as an intelligent, trusted supplier of professional services, guiding our customers through requirements setting and providing advice on design and build, by proactively proposing the 'right' questions to ask. This supports the development of clearer requirements for the market.

In delivering against our vision, the focus we put on different parts of the procurement lifecycle has changed to **focus on increasing customer value**. As the diagram below illustrates, we:

- Invest more time upfront before going to market, including proactive pipeline planning with our customers.
- Reduce procurement time by exploiting standard processes and frameworks.
- Invest time to improve managing each contract, including its processes and suppliers.



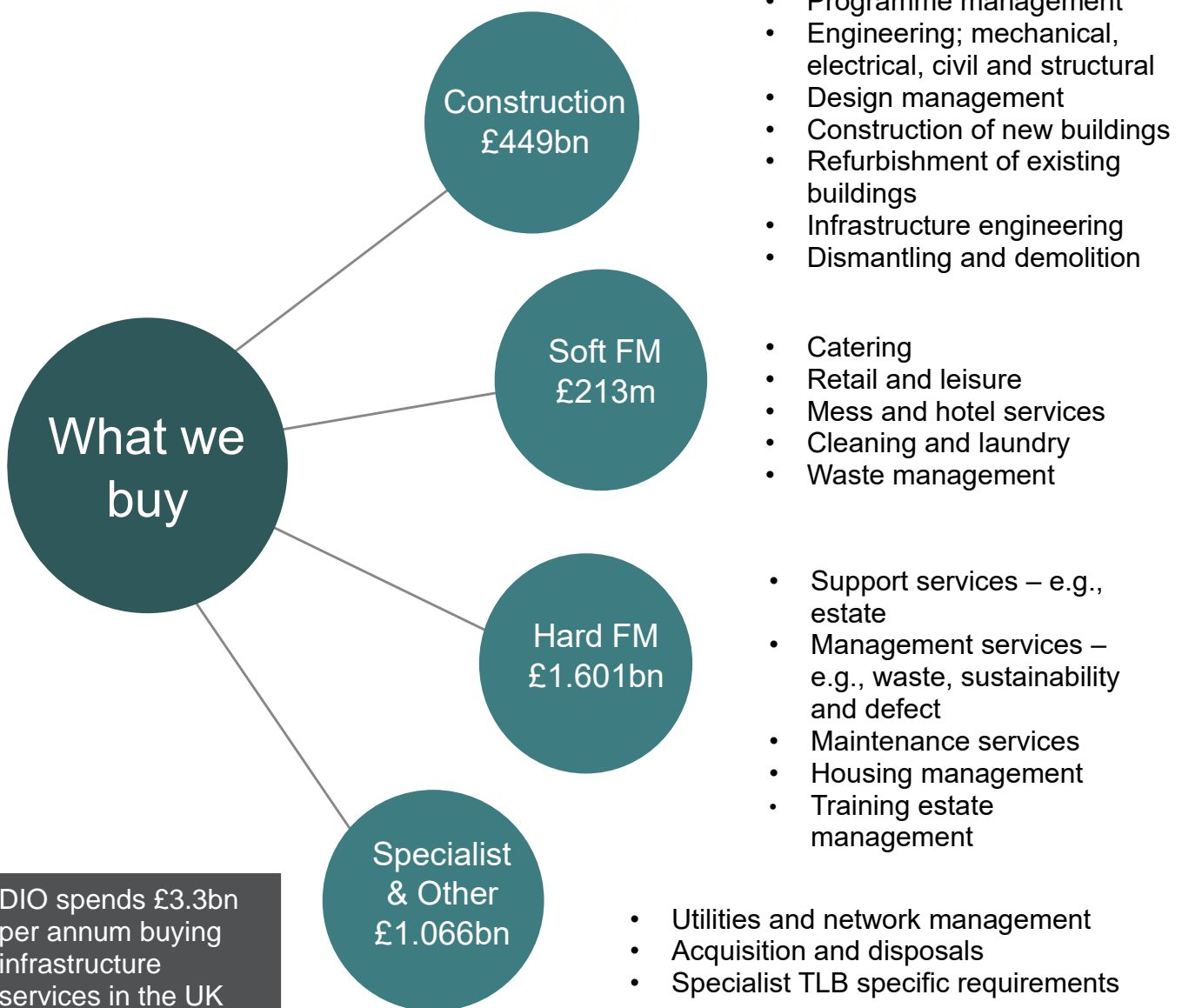
Adapted from CCS's procurement Lifecycle model	Before going to market		Procurement process		Contract and supplier management		
	Engage supplier base to inform requirements	Define business needs and develop business case	Set strategy and agree specification	Procure and contract	Implement	Operate and contract manage	Review and/or exit

How DIO buys for its customers

Our customers need diverse, innovative and resilient suppliers, and the infrastructure services market should recognise the opportunity offered through our committed longer term spend, backed by UK government.

What we buy and spend

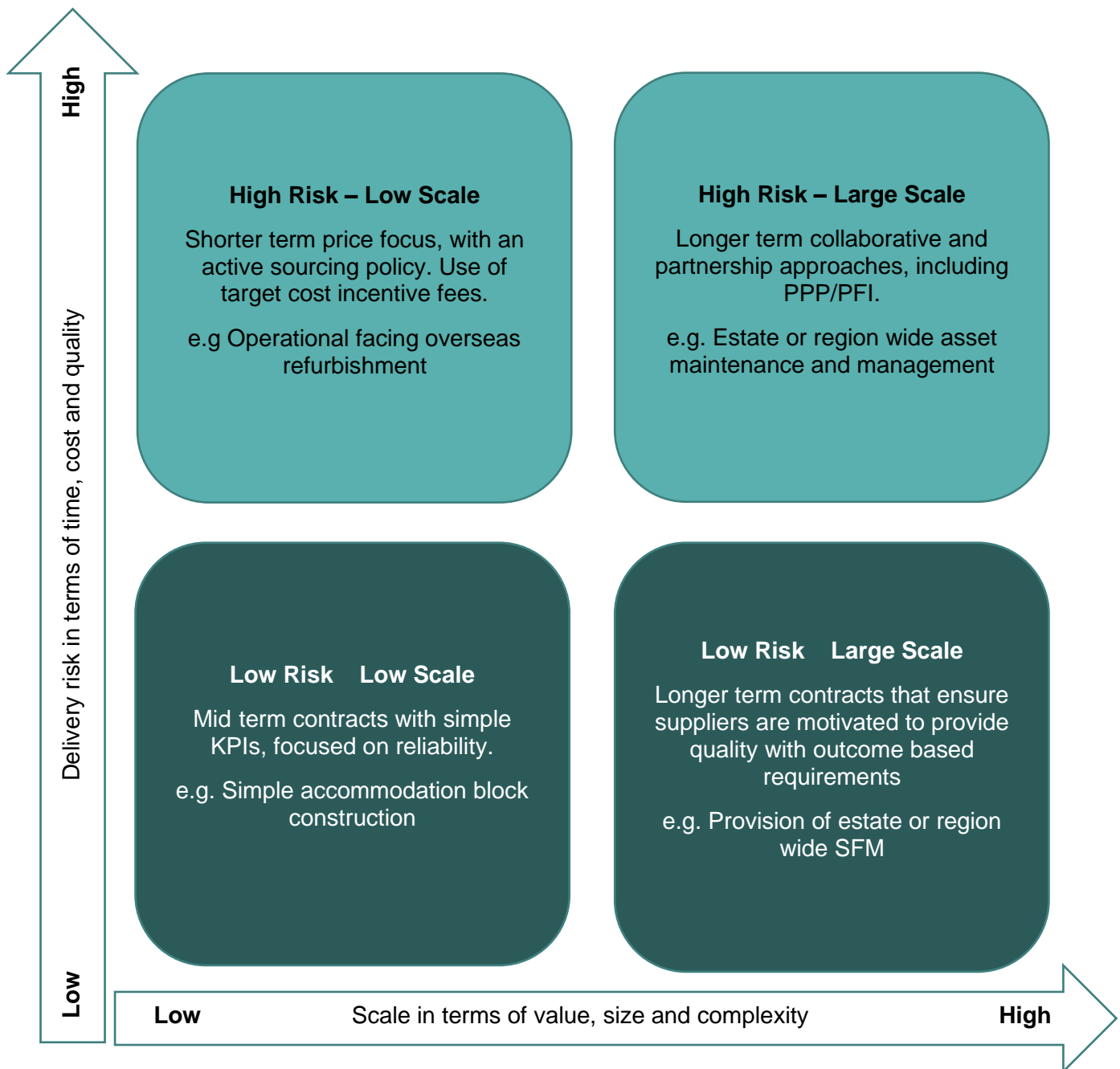
DIO procures the following services on behalf of its FLC and TLB customers, enabling UK armed forces to safely live, work, train and deploy. This is a strategic guide, and more detailed information about future contracts and frameworks is included in DIO's Procurement Pipeline:



DIO spends £3.3bn per annum buying infrastructure services in the UK and Overseas on behalf of its customers.

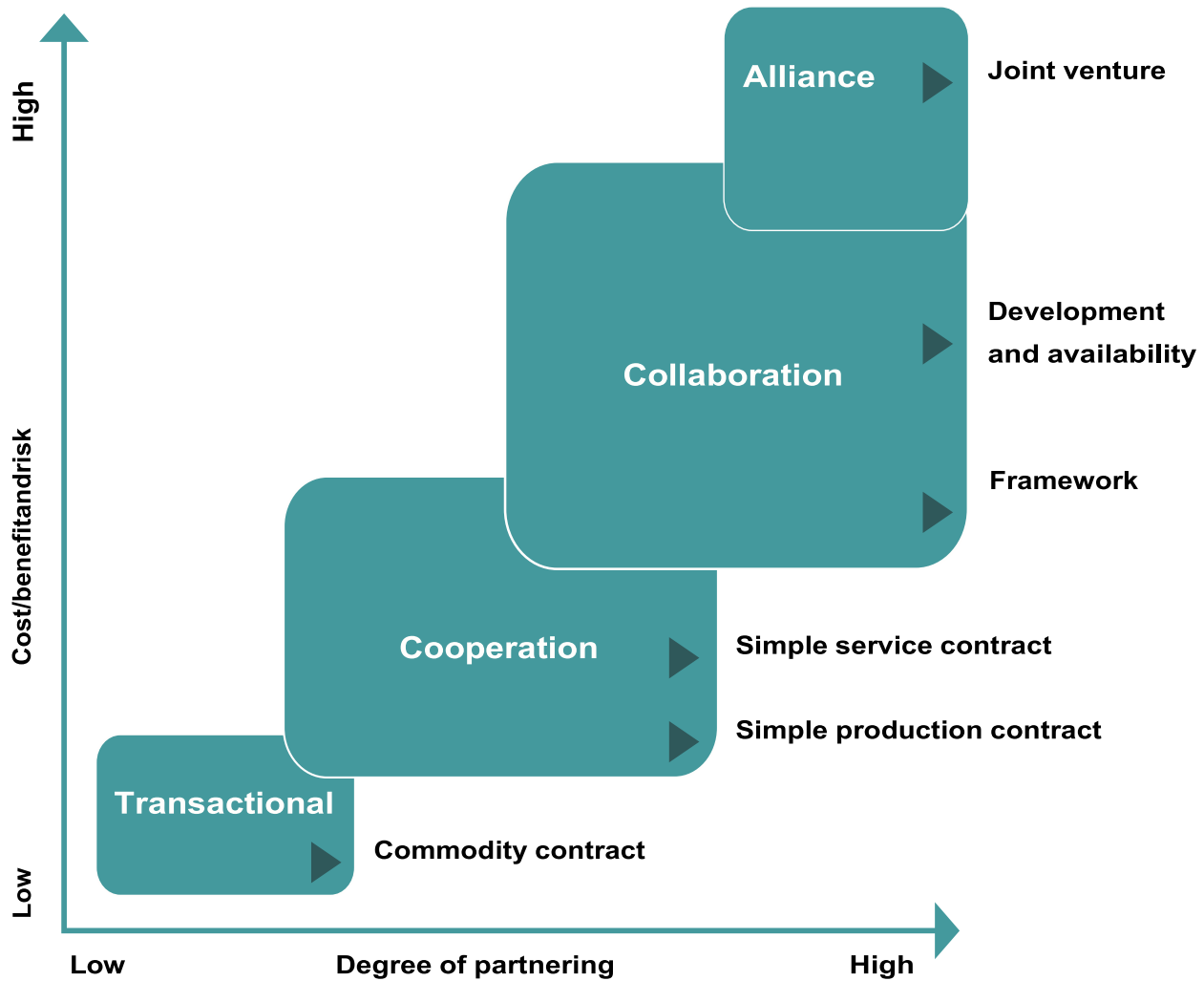
How we buy

Category Management is a key transformation programme within MOD. It is being run through the Acquisitions and Approvals Transformation Programme and will ensure that the business is strategic in its buying process and focuses on delivery as well as value for money. DIO Commercial are responsible for the Construction, Hard FM and Soft FM Category Strategies and associated delivery plans, and the principles and benefits will be embedded within the business through this change programme. Given the breadth of requirements across the defence estate, we recognise that procurement approaches will vary. We conduct value and risk analysis to understand the nature of the services we are going to buy, and how we should procure and manage them to deliver value to our customers and be easier to work with for our suppliers, and this will be done within the context of Category Management, balancing programme needs with strategic intent.



How we manage

Once a buying method has been determined using the approach outlined above, an appropriate management strategy naturally flows from this. The diagram below is adapted from the Institute of Collaborative Working and is indicative of the methodology we apply, as we seek longer term relationships in a regional delivery model with suppliers who excel in delivery.



Alliance:

Linking of business aims with high levels of trust and interdependence.

Cooperative:

Relationship close enough to ensure supplier is competent to manage further tasks.

Collaborative:

Long term close collaboration, sharing information and development plans.

Transactional:

Distant relationship with no need for frequent conversation.

Drivers for Change

We have improved our services as we have moved from being a 'landlord' to a strategic adviser and commissioning agent for our TLB and FLC customers. We have modernised commercial practices to become more responsive, develop our suppliers and shape the infrastructure market to ensure long-term delivery.

DIO's approach to procurement supports and is aligned to the intent of the [Defence and Security Industrial Strategy \(DSIS\)](#) and this is reflected within this document where we set out our strategic approach to engaging, developing, and maintaining our relationships with our supply base and our recognition of SMEs. We are committed to procurement reform and modernising our approaches, recognising this is critical to our future success. Our commercial strategies appropriately reflect the value of the Defence Estate detailed in the State of the Estate Report 2021 and we embrace a more flexible approach to procurement to meet the needs of our customers.

Funding and investment prioritisation for the estate and its assets transferred to TLBs in April 2018 and the diagram on page 18 illustrates the business model that supports this; and has been operating successfully since that transfer took place.

We have developed a mindset of using commercial expertise to develop pragmatic, affordable solutions with our suppliers, rather than using policy as a barrier to customer delivery

We recognised that for DIO, in our role as strategic adviser and commissioning agent, to continue to deliver value to our customers in FLCs and TLBs we needed to improve the way we

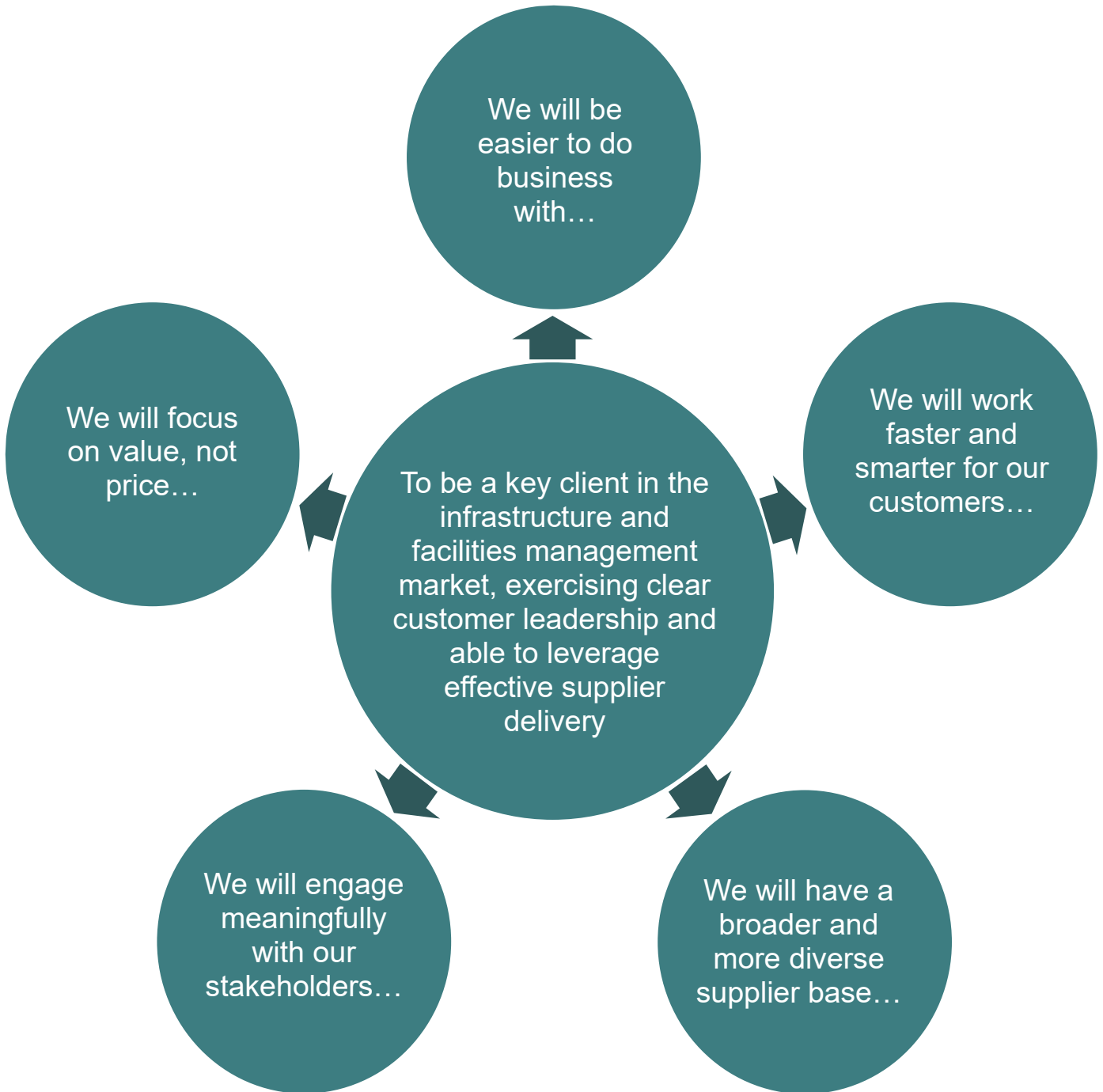
deliver our services and the way we do business with the suppliers.

In particular, we have used our guiding principles to:

- Increase the speed of procurement whilst ensuring good governance is maintained.
- Be transparent in demonstrating progress and addressing issues that cause delays.
- Provide more accurate pre-construction estimates to inform investment decision making through Cost and Price Analysis Capability (CPAC), page 17
- Be more long term in our understanding and management of commercial and delivery risk.
- Develop a clear long-term pipeline of procurement activity communicating our customers' intent to the market.
- Embed an appropriate supply chain development and relationship management process.
- Work with other government departments (OGDs) to procure common goods and services and drive better value for money.
- Exploit electronic procurement systems to make the end-to-end process as easy and inexpensive as possible for potential suppliers.
- Introduce standardised commissioning approaches and frameworks for similar and repeatable construction projects; exploiting standard procurement approaches and commercial off the shelf (COTS) to deliver the majority of MOD infrastructure portfolio needs.
- Adopt a commissioning and delivery model to capitalise on both regional and national suppliers, including small and medium-sized enterprises (SMEs) where appropriate.

Our Guiding Principles

Our guiding principles support the delivery of our vision for the DIO Commercial Strategy, and outline how we are working better serve our customers and work with our suppliers.



We will be easier to do business with

We aim to work in a transparent and consistent manner, where our actions are driven by an empathy to the needs, expectations and priorities of our customers and suppliers.

This principle helps foster an environment where we, DIO, are the adviser and commissioner of choice for our customers, and client of choice for our suppliers. It also ensures that we are positioned to access the best information and resources from a wide range of proactive contributors.

How it benefits our customers

Our customers know how to access our services and be able to do so in a quick and efficient manner. They understand how their money is being spent and the value being delivered in return. The service we provide balances flexibility, customised to their needs, whilst drawing on the collective buying power of MOD and wider government procurements.

How it benefits our supply partners

Our suppliers and prospective suppliers are able to see us as a genuine and concise channel for communicating our customers' needs. They can have confidence that any requirements we place on them when bidding for work are transparent, appropriate and proportionate. Industry can have confidence that they can work with us in an open and constructive way whether in developing innovation or responding to delivery challenges and disruptions.



How we support this principle

We are consistent, proportionate and transparent so that our expectations of industry in bidding for our business can be easily understood.

Where appropriate we use standard templates and common standards, including industry supported terms and conditions.

We continue to work with our wider defence colleagues embedding electronic means of procuring, managing and paying for the goods, services and works that our customers need.

We co-ordinate our engagement with individual suppliers, trade associations and wider industry so that common messages are provided and we, DIO, speak with one voice.

The benefits this delivers

- Greater choice of suppliers.
- Reduced cost of business (including bidding activity) for us and industry.
- Improved payment performance.
- Improved relationships with industry.

We will work faster and smarter for our customers

We aim to deliver at a quicker pace, reducing the lag between customer request and implementation and become more proactive to customer needs through being experts in infrastructure and translating those needs into contracts that deliver value for money.

This principle encourages us to assess the ways in which we work and understand the information, expertise and value collected as we do so. We hold ourselves to continuous improvement principles and determine our performance and that of our suppliers by transparent objective measures, aligned to customer value.

How it benefits our customers

Our customers see their goals at the heart of both what we do, and in the incentivisation of our suppliers. They understand the ways in which we are working to improve the environments in which they live, work, train and deploy. The direct line of sight between our customers and our performance with our suppliers makes them key stakeholders in how we do business and how we respond to their needs.

How it benefits our supply partners

Our suppliers are empowered to help us meet our customers' needs. They understand that they hold the key to releasing the performance and pace of improvements in the services provided by DIO. As well as technical know-how and compliance, we value those suppliers that demonstrate an ability to collaborate with us and other suppliers, to innovate and meet common customer goals.



How we support this principle

- We proactively help our customers identify and develop their requirements and build their business cases.
- We are developing new cost estimate capabilities to make better use of the price data we hold internally and cost data available from external sources.
- We use our own dedicated and existing government framework contracts as the preferred route to market where appropriate to provide access to the goods, services and works we require.
- We engage with industry at the pre-procurement stage to collaboratively identify mechanisms to share investment, risk and benefits.

The benefits this delivers

- Reduced procurement cycle timescales.
- Improved budget and forecasting accuracy for new projects and contract changes.
- Improved agility and shorter procurement timescales in responding to customer needs.
- Improved performance and customer satisfaction

We will have a broader and more diverse supply base

We aim to ensure that our supply base reflects the diversity we see in our estate, our customers and our regions. In particular, we continually strive to increase the value to taxpayers and industry growth by generating true competition and opportunity that is unhindered by a supplier's size and experience with DIO.

This principle helps us develop as a flexible provider of innovative solutions and savings. Working with our strategic suppliers, we have aimed to increase the number of SMEs and support wider government objectives in sustainability and economic growth.

How it benefits our customers

Our customers' money goes further and delivers more. The increased supply chain diversity provides benefits in responsiveness and innovation through access to a mix of niche, regional and national suppliers. Our efforts help our customers meet their obligations regarding government procurement policy.

How it benefits our supply partners

Our suppliers benefit from clearer and simpler tendering procedures aimed at encouraging participation. Our clear pipeline of planned procurements allows easier resource management. This supports an increase in supplier numbers to create a genuinely competitive supply base where reward is based on the depth of valid and specific expertise and competence.



How we support this principle

We are engaging with SMEs, as well as large organisations, prior to going to market to enable the development of innovative or alternative delivery solutions.

We continually review the qualification criteria that we use to ensure that it does not discriminate against companies based on their size or experience with DIO.

We are actively developing our supply chain to ensure that our tier one suppliers provide SMEs the opportunity to benefit from large scale procurements.

Where appropriate we have adopted government best practice supply chain terms to ensure that second and subsequent tier suppliers benefit from prompt payment.

The benefits of this approach

- Increased diversity in the range of services and advice available for our customers.
- Improved value for money through competition.
- Improved social and economic value through each pound spent by DIO, including use of SMEs.
- Increased supply chain resilience.

Our Approach to Supply Chain Management

We have developed a structured approach to managing our suppliers through a dedicated team who focus on our guiding principles and our Supplier Relationship Management Strategy

We have developed the Supplier Relationship Management (SRM) Strategy and stood up a team dedicated to the above guiding principles. We take a structured approach to managing DIO's suppliers, starting from the perspective of DIO's customers and stakeholder objectives. This is important so that we can focus DIO's strategic efforts on our key suppliers, whose relationships will deliver the greatest impact on our joint success.

In order to structure DIO's approach we segment DIO's supply chain, in line with MOD and Cabinet Office best practice, and describe the strategies, governance and roles required to meet the objectives of the DIO business. The approach supports, and dovetails with, DIO's ISO 44001 Collaborative Business Relationships Certification and the common themes detailed in the ISO 44001 Standard.

We also align with and support wider government initiatives to improve supplier relationships and risk management.

In support of this, the SRM team have delivered the following programmes of work:

- Alignment with MOD central Strategic Supplier Management Team and Cabinet Office SSMP
- Alignment with DIO Overall strategy of "easier to do business with"
- Governance: Supplier Management Board, Disputes board, Supplier Forum, Supplier Resilience
- Supplier Engagement Strategy – including regular quarterly publication of a pipeline to industry
- Risk monitoring and reporting
- Contingency planning and supply chain mapping
- Monitoring supplier performance
- Support and help to bid for ne suppliers and Small to Medium Enterprises

We will engage meaningfully with our stakeholders

We continually aim to develop purposeful models of engagement where our interactions with stakeholders drive value and deliver straightforward solutions to customer challenges.

This principle allows DIO to transparently integrate the opportunities, issues, and risks across the supply chain to position us as a value adding partner. We recognise that we do not have all of the answers and through better stakeholder alignment and engagement we are able to draw upon the wealth of expertise around us.

How it benefits our customers

Our customers' priorities are better understood and accommodated through our engagement model. They work with us during our respective planning activities, which allows us to inform their budgeting, options, and trade-offs through better cost estimation, and proactively put in place arrangements to meet their requirements. Importantly, we are accessible and accountable for discussing, scoping, and improving the services we provide.

How it benefits our supply partners

Our suppliers work with us in the design and planning of programmes and procurements. Our requirements are shaped by the capability and innovation evolving in the market. We do not surprise the market with tender documents that are unplanned. During tendering exercises participants will be regularly informed of progress and upon completion, receive full and constructive feedback.



How we support this principle

We work with FLCs and TLBs to identify future needs, inform investment decisions with credible cost estimation, and share information about how current needs are being delivered.

We share the information about our customers' needs through our forward pipeline of procurement activity.

We seek industry feedback on the planned projects to add value through the design of requirements, contract model and procurement. We work collaboratively with our key suppliers and customers, and take a systematic, transparent approach in determining the type of relationships we have with all our suppliers.

The benefits this approach delivers

- Increased customer confidence in deliverability of plans and programmes.
- Improved performance for customers through value design.
- Improved accuracy and industry preparedness for plans to go to market.
- Improved innovation and performance through constructive supplier relationships and dialogue.

We will focus on value, not price

We aim to ensure that all commercial decisions consider our customers' strategic objectives and whole life costs. For us, value means improving the working, living and training environments for our customers, and maximising the impact of public money.

This principle provides our staff with clarity on value and reinforces our role as a commissioning agent for our customers. It allows us to ensure that the decisions we take today increase the chances of delivering an efficient and effective estate tomorrow.

How it benefits our customers

Our customers' staff and estate benefit from an integrated supply chain working to improve the long-term condition of the estate and better value for money. Our customers are able to access better information and a range of quality standards to decide how and where their money should be spent in order to meet their priorities.

How it benefits our supply partners

Our suppliers are given the opportunity to gain competitive advantage through differentiation in service, innovation and quality. We work collaboratively with our key suppliers to achieve this. An increased use of incentivisation linked to outcomes in contracts provides opportunity for increased business, and we look for suppliers to share in the investments and risks where appropriate.



How we support this principle

We have better designed our key performance indicators and service levels to align with the differentiated value factors identified in customers' and defence-wide objectives. We leverage value for our capital procurement suppliers through increasing the continuity of design companies throughout the build stages.

We use a wide range of commercial models to incentivise our service suppliers to innovate and deliver. We recognise that the realisation of value occurs in delivery and have increased the effort to manage our contracts proportionately and effectively.

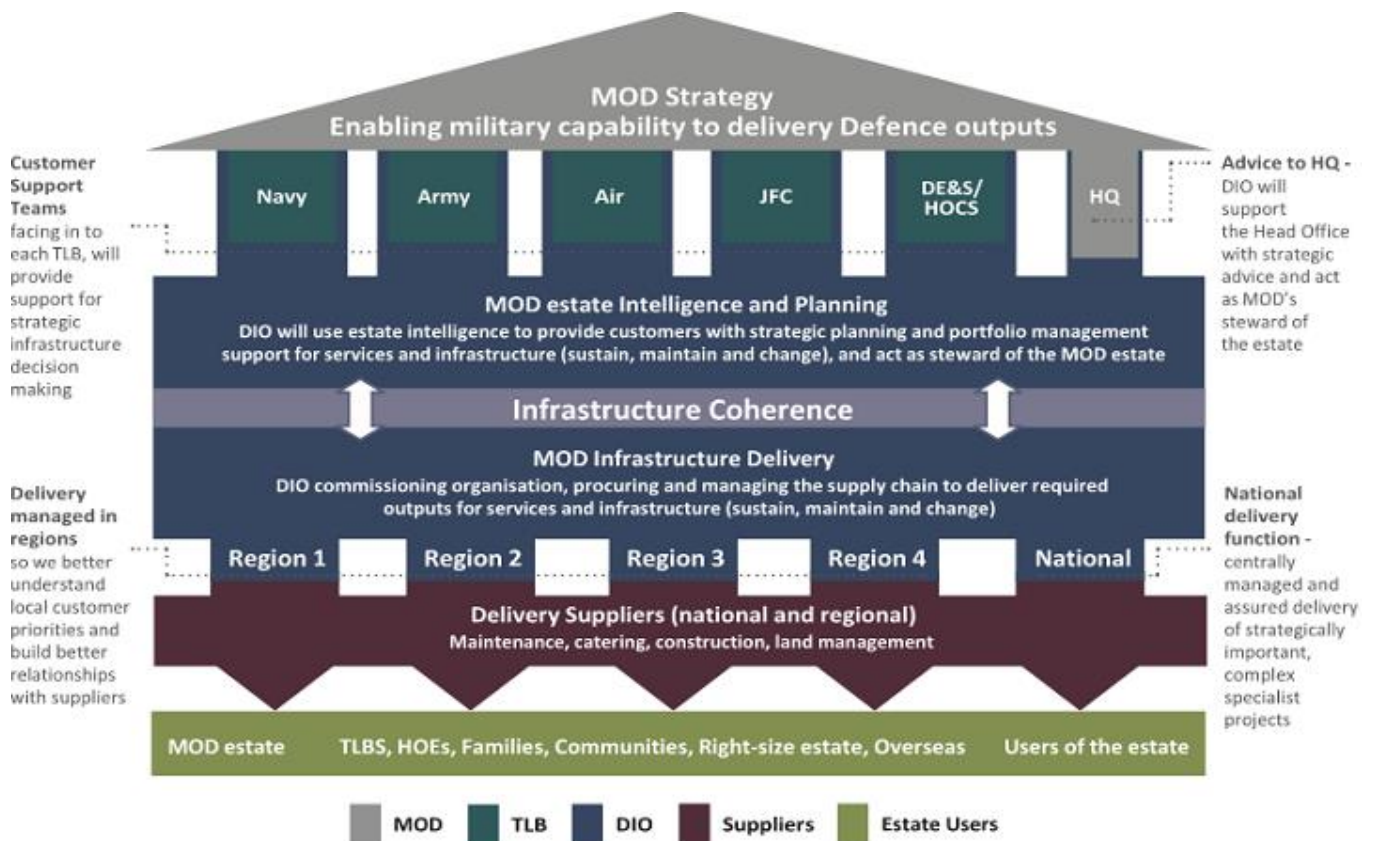
We launched our cost price analytical capability (CPAC) which is a centralised, best in class, cost estimating capability to drive excellent cost and price understanding, enabling better informed pre-market options analysis, industry-aligned cost capture during procurement, and standardised cost capture and reporting throughout the delivery.

The benefits this approach delivers

- Greater customer value linked to outcomes.
- Increased supplier accountability throughout our capital procurements.
- Improved contract management and performance.
- Greater value for money in delivery

MOD infrastructure operating model

Budgetary responsibility for the UK's defence estate, its assets and their upkeep sit within the TLBs and FLCs. The operating model below is fully embedded as business as usual, and it ensures that our suppliers can continue to support the delivery of military.



This operating model is fully embedded, and we can provide accurate information and advice to FLCs and TLBs to support balanced investment decision making.

MOD Estate Intelligence and Planning

Our Customer Support Teams, facing into each TLB, maintain a single view of the whole defence estate in order to advise on future infrastructure strategy and policy. This enables our customers to make balanced investment decisions and plan their infrastructure portfolios. These expert teams include dedicated TLB representatives and colleagues from across our business functions including Delivery, Finance and Commercial.

MOD Estate Infrastructure Delivery

Our customer delivery function is structured regionally to better align with local priorities and strengthen relationships with suppliers. Coordinated through a centrally managed Operations Support Team, these regional teams engage with suppliers at a local level for the day-to-day management of the estate, manage strategic projects nationally to drive learning and efficiencies, and work with industry partners to assure delivery of contracted services.

Our commercial enablers

Our People

Professionalism

We continue to develop a workforce of professionals with commercial acumen and business skills, enabling us to be responsive to the infrastructure needs of our customers. Our alignment with MOD initiatives and the Government Commercial Organisation (GCO) to professionalise the commercial function is embedded and provides colleagues with meaningful careers across government.

Improving commercial behaviours

We have embedded a culture of value for money and commercial awareness across DIO, FLCs and TLBs, and include commercial ways of working in individual development objectives. Our teams on the groundwork with our chosen suppliers with respect and trust to increase value delivered for our customers.

Our systems and processes

Data Management

We have embedded contract management systems into our ways of working, we seek better data from our suppliers, ensuring compliance with approvals policy and providing a clearer insight into delivery quality and asset condition. Better requirements and cost forecasting reduces uncertainty driven pricing in bids and allow us to reduce instances of suppliers struggling to deliver against the submitted price.

Exercising clear customer leadership

We seek to provide a level of service that supports our customers' outcomes. Driving value through benefits monitoring, and reducing contract management costs through better contracts, service level agreements, supplier engagement, and escalation and issue resolution processes.

Our Suppliers

Key client in the market

The value our vision seeks to deliver can only be achieved with our suppliers. We continue to strive to make DIO a more attractive collaborative industry client, and support this by sharing information, defining the right requirements, procuring the right suppliers, and managing them appropriately.

Leveraging effective supplier delivery

Informed and engaged suppliers who understand our business and delivery needs, enable us to deliver cost, performance, technology, and service innovation. We seek longer term relationships with those suppliers who consistently excel in delivery.

Our government colleagues

Consistent approach

As part of the Government commercial function, we leverage the expertise of Crown Commercial Service (CCS), and also the Infrastructure and Projects Authority (IPA) to exploit common processes, tools, and standards. We

recognise that cross government consistency makes us easier to do business with and frees up our time to focus on delivering lower costs and improved service for our customers.

Government buying power

We ensure we inform both MOD and wider government procurement initiatives in infrastructure service delivery, as well as exploring exploitation of existing cross governmental frameworks. Our customers can see that we are proactively leveraging government buying power to reduce costs where common requirements exist.



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