

## **DEFENCE SME FORUM – Note of meeting**

**14 July 2020 via BT Event Conference Call**

**Minister for Defence Procurement hosted a Defence SME Forum on 14 July. The forum was attended by c25 SMEs and defence Trade Association representatives.**

### **1: Introduction and welcome**

The Minister welcomed all participants to the Defence SME Forum, and thanked NDI, ADS and Tech UK for arranging SME representation and helping to shape the agenda. He was pleased to introduce **Martin Traynor**, Crown SME Representative and **Andy Williams**, Deputy Director Small Business and Domestic Policy at the Cabinet Office.

He expressed his gratitude to the SMEs for continuing to deliver essential defence outputs in these difficult and testing circumstances, and appreciated their support to the NHS. He acknowledged that SMEs continue to experience frustrations when doing business with defence, and that he was committed to removing barriers to encourage new and innovative suppliers.

He was pleased to see that SME share of Defence spend had increased to 19.3%.

He explained that the MOD's SME Action Plan would be refreshed in the autumn, reflecting the lessons learned including from the response to COVID.

**Andrew Kinniburgh, DG NDI** thanked the Minister and provided the response on behalf of industry. He welcomed the opportunity to focus on increasing the level of SME business across the defence sector and through the Defence Suppliers Forum (DSF).

NDI were impressed by the MOD's agility to respond to COVID emergency, and would encourage MOD to continue the level of communication and engagement with SMEs which has been appreciated.

There is a desire for more strategic engagement with medium sized businesses, not just SMEs, and it is encouraging to note that the DSF has reached out to these companies.

NDI would like to see acceleration of the prosperity agenda and fast track introduction of a Social Value scoring system that takes account of the contribution of defence businesses to the economy when selecting suppliers.

He expressed concerns that foreign military sales can undermine decades of development of the UK defence supply chain, especially SMEs, and would like to see commitment from overseas primes to significant % of UK content.

The Minister thanked Andrew Kinniburgh, and provided reassurance that all these issues are under active consideration under the Defence and Security Industrial Strategy (DSIS). He encouraged the Trades Associations to continue to contribute their ideas through that forum.

## **2: Government update**

**Martin Traynor** explained his role as Crown SME Representative, to make procurement easier for SMEs and to encourage SMEs to bid, and reiterated the government's commitment to doing more with SMEs.

He was pleased that MOD spend with SMEs has increased, and recognised the complexity of what defence does but also that there are lots of supply chain opportunities. It was good to see MOD's excellent prompt payment performance, through its major suppliers; this is critical for the health of businesses, especially SMEs which depend on cash flow.

## **3: SME Action Plan and COVID support**

**Andrew Forzani**, Chief Commercial Officer and MOD's SME Champion presented. He was also pleased to see a positive trend in SME spend, although this does not mean that we are complacent. He explained that the MOD's strategic suppliers were absolutely key to improving SME engagement, and that there is a renewed focus to working with them to leverage improvements in prompt payment, and to attract and engage with SMEs. The Minister reiterated that we closely monitor prompt payment and discuss improvement with our prime contractors.

He explained that there is a programme of work through DSIS and the Integrated Review (IR) to improve acquisition processes, making our acquisition system more agile and responsive, and better able to accommodate innovative, evolving technology.

In terms of COVID support, we have stepped up our communications to signpost sources of government guidance, and defence specific guidance using a variety of channels. We have given a strong message to prime contractors to continue doing business with their suppliers, and maintain cash flow through the supply chain.

## **4: SME experiences**

Three SMEs shared their experiences and challenges of working in the defence supply chain, including the impact of the COVID emergency and support received. These were: **Peter Bedwin**, Chairman, Oxley Group; **Vicky Pigg**, MD, Analox Ltd; **Scott Patterson**, Defence Director, Petards Joyce-Loebl Ltd.

All reported positive experiences, despite COVID. The SMEs have appreciated being regarded as defence critical suppliers, which has enabled continuity of business from MOD and primes. Lockdown restrictions had been mitigated through working from

home and adopting split shift systems. They have appreciated the overall government package of measures and support from MOD and Local Enterprise Partnerships.

There are positive examples where the response to COVID has accelerated acquisition processes, and SMEs have seen a marked reduction in bureaucracy; it would be prudent to explore how to embed these into business as usual activity.

Some delay to renew contracts was reported, and a general criticism about MOD procurement bureaucracy and slow timescales. The Minister acknowledged that more could be done to learn from the agility shown during COVID, although he explained that given this is public money there will always need to be an element of proportionate bureaucracy.

The SMEs also shared the business opportunities they were seeking over the next few months, and in which markets. In most cases, exports make up a significant proportion of their business.

There were examples where SMEs had contributed to their local COVID response by supplying PPE to NHS and local care workers, for which the Minister expressed his gratitude.

## **5: Questions**

A number of questions had been submitted in advance, and responses will be provided.

One additional question was raised, asking whether MOD would be capturing SME spend this year. The Minister replied that the indirect SME spend survey for FY 19/20 has been postponed by Cabinet Office, so as not to burden suppliers at this challenging time, and a decision will be taken later in the year as to whether this will run.

## **6: Minister's Closing Remarks**

The Minister thanked the SMEs for their constructive and positive feedback, and invited them to write to him with specific issues or practical suggestions for improvement.