

DEFENCE SUPPLIERS FORUM

SME FORUM

Record of Meeting – 7 July 2014

Government

Philip Dunne MP – Minister for Defence Equipment, Support and Technology – Chair
Robin Little – Supplier Relations Team, MOD
Paul Hamilton – Industrial Policy, MOD
Brig Mark van der Lande – Head of FR20, Personnel and Training
Huw Walters – Head of Aerospace Marine and Defence (BIS)
Chris Tresh – Business Finance and Tax Team (BIS)
Edward Bell – Head of Export Control Organisation (BIS)
Tom Burden – PS/Min(DEST) MOD
Alyson Rees – Industrial Policy, MOD [Secretary]

Industry

Paul Everitt – ADS
Clive Davenport - Federation of Small Businesses (FSB)
Mike Maiden – NDI
Gordon Morrison – techUK
James Murphy – techUK
Ed Bates - Society of Maritime Industries

Invited SMEs

Charles Bromage – Radnor Group (ADS)
Andrew Kerr – Englands Specialist Safety Equipment Ltd (FSB)
Piers Olsen – Olsen Engineering UK Ltd (NDI)
Graham Booth – 2iC Limited (techUK)

Guest

Fleur Thomas – Director Engagement, Defence Relationship Management
Irene Graham – Executive Director Business, British Banking Association (BBA)
Will Eaton – Business Finance Policy Advisor, British Banking Association (BBA)

Apologies

Howard Gibbs – Small Business Unit, UKTI DSO

Welcome and Introductions

1. Min(DEST) welcomed attendees to the second DSF SME Forum of 2014. He summarised key developments since the last SME Forum on 5th March 2014, including the Defence Reform Act 2014 receiving Royal Assent in May. He noted that the level of MOD's procurement budget spent directly with SMEs had dropped from about 5.4% in financial year 2012/13 to 4.5% in 2013/14. However, early indications (the statistics are not yet final) were that MOD's indirect spend with SMEs had increased from last year's 9.8% of MOD's procurement budget to 10.6% in 2013/14; the two figures together – direct and indirect SME spend – showed that we remained above the 15% target set for MOD's spend with SMEs; the Minister made reference to the announcement in the Queen's speech to the introduction of legislation to help small businesses secure faster payments

from larger firms. Statistics for the MOD show that in the last 12 months to June a total of only 43 out of circa 4 million payments were paid after 30 days; he announced the MOD's plans to introduce a further set of new standardised contracting templates for low-value work, making it easier for SMEs to contract with the MOD; he also spoke on the SME engagement events that he had undertaken, and those which are planned for the future.

Action: Secretary to inform SME Forum members of the Minister's future SME engagement events as his programme develops, so that Trade Associations have the opportunity for their local SME members to attend.

SMES & RESERVES

2. Brig Mark van der Lande provided an update on Future Reserves 2020 and the important role that Trade Associations can play in supporting and encouraging suppliers of all sizes to proactively support this agenda. He highlighted that employers can reap real benefits from employees who are reservists: Military service gives employers better qualified staff with transferable skills such as leadership, a positive work ethic and personal qualities such as selflessness and loyalty. Many of the skills a Reservist learns are already recognised and accredited by national bodies. Defence is working to gain further accreditation, including for specialist skills.

3. 69 percent of reservists feel their employer supports their reserve service. Nearly 90 percent of reservist employers think reservists are an asset to the workforce. Although 76 percent of employers say reservist employees place additional pressure on businesses, 63 percent agree there are more advantages than disadvantages.

4. 75 percent of reservists are employed in companies with fewer than 1000 staff. So we recognise the important contribution that smaller companies make in supporting our reservists, but also the challenges that it brings to SMEs. The Defence Reform Act included new compensation arrangements for SMEs. Payments of up to £500 per month will be available to SMEs when their reservist employees are mobilised. A key concern for small businesses is replacing specialist people for short periods of time; the MOD recognised that this can have a big impact on their business.

5. The Employer Recognition Scheme is delivering on a commitment in the FR20 White Paper to recognise employers who are supportive of key defence personnel issues. It is a three-tiered scheme with the inaugural Gold awards being announced at 10 Downing Street on 17th July. There will be a web site which will also be launched on the 17th. The scheme will be administered by the Defence Relationship Management team nationally, with engagement at regional level facilitated by Support Command.

6. In a wide-ranging debate on the particular difficulties faced by SMEs in releasing key staff for reserve duties, it was pointed out that a number of military qualifications did not have a civilian read-across. The Forum recognised that there would be benefit in having these skills recognised in a formal qualification.

Action: Personnel and Training to look in to having military qualifications recognised as a qualification/skill.

SMEs OBTAINING BANKING SERVICES

7. At the last SME Forum, Min(DEST) had raised a concern that a number of SMEs operating in the defence sector had had their banking services abruptly withdrawn by their banks. Examples of instances where services had been withdrawn had been provided by Trade Associations, and similar letters had been received directly by the MOD. Lord Livingston (Trade and Investment Minister) had also received similar letters and representations, and has raised defence company concerns with the British Banking Association (BBA).

8. Smaller companies were the most affected by this issue. Paul Everitt, ADS, and Irene Graham, BBA gave an update on developments with this issue; ADS and BBA have begun a dialogue to understand each other's concerns and potential solutions, but more work is required to gain a better understanding of banks' ethical practices and to encourage more transparency of policies. Initial plans are for the ADS and BBA to work towards guidance for the industry on:

- What information will be sought by the banks (and why);
- Each bank's defence policies (including the policies of the smaller "challenger banks" and foreign banks with a presence here); and
- The banks' respective country-risk appetites so that companies can be directed to the most appropriate bank to support a particular transaction.

Action: Min(DEST) requested that the BBA and ADS continue to develop their thoughts and take these ideas forward in a paper to be reported back to Min(DEST) (and Lord Livingston in parallel) by mid-September.

EXPORT LICENSING – THROUGH LIFE SUPPORT

9. Edward Bell provided an update and outlined future developments for export licences and through life activities. The Export Control Organisation (ECO) (BIS) is reviewing its open licence offer to ensure companies can obtain approvals more quickly and that this approval is easy to renew. Their plan is to roll out a new 15 year Open Individual Export Licence by the end of 2014 to support through life activities and reduce the time it takes to obtain a license from 3-6 months to 2 months.

10. The ECO is also keen to raise awareness among SMEs about the open licensing options already available to support through life activities and the training available to help exporters manage export controls.

Action: ECO to provide details of future seminars so that Trade Associations can make their members aware of these.

UPDATE: DEFENCE GROWTH PARTNERSHIP (DGP)

11. Paul Everitt, ADS, and Huw Walters, BIS, gave an update on DGP and its progress. DGP is in the final stages of preparing the launch of the implementation plan and the publication next week of the 'Delivering Growth' document at Farnborough International Air Show.

12. The DGP's focus is on international trade, principally on developing a new business model which sees industry invest more of its own private investment in the development of

defence capability. The pooling of information and data to better understand what future capability requirements are and what international markets are looking for are essential to ensuring businesses are as competitive as they can be. There is a need to pull together finance and ideas to ensure the process can push through innovative products and interesting projects.

13. The main elements of the DGP announcement include:

- A strengthened UKTI DSO by reallocation of existing UKTI DSO resources and additional secondees from industry, which will provide enhanced market intelligence to the UK defence industry.
- Creation of a UK Defence Solutions Centre (UK DSC). Staffed by secondees from industry, and initially funded from existing BIS resources (£6.2m over the period 2014/15-17/18), the UK DSC will identify long-term, accessible, global market opportunities and develop a plan for building the industrial and technological capabilities to capture them. The MOD will not be a member of the UK DSC.
- Establish a new Defence Apprenticeship Trailblazer which will focus on developing Masters equivalent qualifications in advanced systems engineering.
- A start-up phase to the Maritime Mission Systems project, which aims to deliver maritime autonomous system solutions, and create a Maritime Intelligence Systems Centre (MISC) in Portsmouth. This will benefit from LEP funding and secondees from industry and Southampton University.
- Two studies on Future Unmanned Air Systems and Airborne Mission Systems, which will consider future market opportunities and actions needed to address them.

ACTION: DGP to ensure appropriate value chain representation at the SME Forum and to help ensure the early engagement of SMEs.

Any Other Business

14. Clive Davenport, FSB, raised the issue of SC21 as a real problem for the micro end of the market.

ACTION: FSB to follow up with Robin Little, SRT, and develop a short paper to circulate to members by the end of Sept 14, ahead of the next SME Forum.

Date of Next Meeting

15. The next SME Forum is scheduled for 21st October, timing and location to be confirmed.

Secretary's Note: The next DSF Main (chaired by SofS along with Min(DEST)) will be on 16th Oct, and techUK, with one of their SMEs, will represent the SME Forum.

Alyson Rees

DSF SME Forum Secretariat