



Delivering Precision
Intelligence

UK Infrastructure – Opportunities in Defence

Background

UK infrastructure spend spans multiple sectors including Defence, Education, Health, Central and Local Government with many opportunities available for SMEs.

UK Infrastructure pre-pandemic was gearing up for what was heralded as the 'infrastructure revolution' with the March Budget labelled the 'Construction' budget. But, following the delay in publishing the National Infrastructure Strategy and the country going into lockdown, the industry found itself in the midst of an unprecedented crisis.

However, whilst there was notable impact, particularly on construction, it is evident that many of the country's essential infrastructure projects were able to proceed, whilst having to make accommodations for the inevitable social distancing guidelines.

With the UK now focused on recovery, between £29 billion and £37 billion of contracts across economic and social infrastructure will be brought to market in the coming year, providing a sizeable opportunity for businesses of all sizes.

The recently published National Infrastructure and Construction Pipeline for 2020/21 outlines the predicted spend with 340 contracts likely over 260 projects, programmes and other investments responsible for delivery of construction, repair and maintenance, and consultancy services.

But what does this mean for today's SMEs seeking to access supply chain opportunities?

Large-scale projects, such as those on the Ministry of Defence's Major Infrastructure Programme,

are actively opening up their supply chains and many have specific targets in place for supplier engagement.

However, a recent survey by our sister company, [Construction Online](#), also revealed that 60% of participants found it difficult or extremely difficult to find supply chain opportunities. There is a disjoint between organisations that openly want to work with SMEs and SMEs that want to tap into the marketplace.

Given the COVID-19 crisis and, particularly, the impact it has had on SME suppliers, it is crucial that businesses are equipped with the information, support and intelligence required to engage early and win business, all of which are readily available through our Defence Contracts International intelligence platform.

The recent [DPRTE Engage](#) procurement event explored the vast infrastructure opportunities within the defence sector through a unique link-up with the Defence Infrastructure Organisation (DIO) in the event's dedicated Infrastructure and Estates zone.

That is why we have teamed up with our colleagues at [Defence Online](#), official media partner for DPRTE Engage, to consider specific infrastructure opportunities within the defence marketplace.

Defence Online, part of BiP Solutions, provides the latest news, views and research from this important industry. Read on to find out more about infrastructure opportunities in the defence sector.

Spotlight on Defence

In many ways, COVID-19 has seen a shift in the public perception of the functions of the defence industry.

The defence supply chain was heavily involved in the delivery of personal protective equipment (PPE) supply chains, while the Armed Forces formed a COVID Support Force, which played a key role in helping with NHS logistics, manning emergency call centres and setting up mobile testing centres.

True, the COVID-19 pandemic placed new demands on defence but the need to transform, modernise and be agile is a path that was already signposted. The evolving threats posed by climate change, state aggressors, cyber warfare

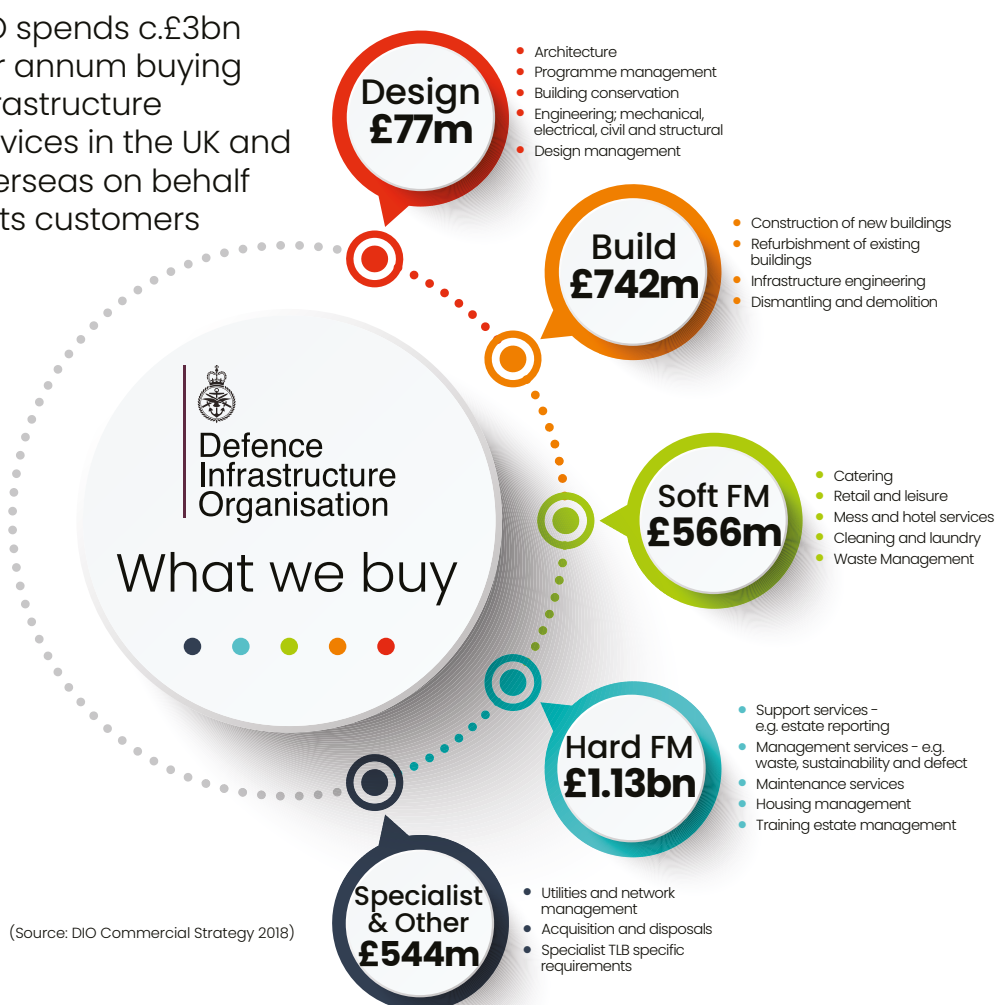
and space mean that defence must also evolve to face these new adversaries.

The Ministry of Defence (MOD) accounts for over 40% of all government spend with industry and over the next ten years is committed to spending over £186 billion on defence equipment and support.

According to the latest Government figures, the MOD spent £38 billion in 2018/2019, accounting for 2.1% of the National GDP. This is due to increase to almost £41.5 billion by 2020/21.

Focusing specifically on infrastructure defence spend, the MOD's expenditure accounted for 11.4% of the £38 billion budget.

DIO spends c.£3bn per annum buying infrastructure services in the UK and overseas on behalf of its customers



The Defence Infrastructure Organisation (DIO) plays a vital role in supporting the UK's Armed Forces by building, maintaining and servicing the infrastructure needed to support defence and is responsible for enabling defence people to live, work, train and deploy at home and overseas.

With an annual spend of around £3 billion on construction and infrastructure services on behalf of its customers, DIO represents a significant opportunity for both current and potential suppliers.

The annual Defence Procurement, Research, Technology & Exportability (DPRTE) event, organised by BiP Solutions, sees the defence and security industry come together to allow SMEs to discover their place in the UK's £20 billion defence marketplace.

This year, the event moved to a virtual platform, becoming DPRTE Engage, which saw DIO host the Infrastructure and Estates Pavilion – a first for the event.

This allowed both buyers and suppliers to connect with key DIO personnel and gain an insight into the new strategy, including the latest initiatives, developments and opportunities within defence infrastructure.

DIO has been undergoing a commercial transformation as it recognises that more needs to be done to enable suppliers of all sizes to benefit from the opportunity it offers. At the heart of this is making it easier for suppliers to work with DIO.

It is envisaged that making it easier for suppliers to work with DIO will result in an increase in the number of suppliers to defence – creating a wider and deeper economic impact both nationally and regionally.

Last year saw DIO release its Procurement Plan – marking the first time the organisation has outlined its priorities to existing and potential suppliers. The Plan explains how suppliers can navigate the procurement and approvals processes, and what DIO will be buying on behalf of its customers in the coming years.

This includes work to construct new buildings, such as housing and accommodation, and the refurbishment of current facilities as well as services such as catering, waste management and cleaning.

Supporting SMEs is integral to the MOD's goal to meet its target that 25% of procurement spend should go directly and indirectly to SMEs by 2022.

Speaking at DPRTE Engage, the Defence Procurement Minister, Jeremy Quin, said that the MOD spend with SMEs has risen to 19.3% in the past year. By making DIO easier to do business with, it is envisaged that this percentage will continue to increase.

Approximately 75% of DIO's Hard Facilities Management spend, which includes support services (estate reporting), management services (waste, sustainability and defect), housing management, and training estate management, already achieves the 25% SME target. It is expected this trend will continue in order to further diversify the supply base and increase resilience.

By listing all the organisation's the major projects and contracts, the DIO Procurement Plan makes it easier for existing and potential suppliers to plan ahead by offering advice on bidding for this work and greater transparency about working with the MOD. These measures will particularly help small businesses, which don't necessarily have the skills and prior experience of working with the MOD in such areas.

Opportunities outlined in the Procurement Plan include the £3.5 billion Defence Estate Optimisation Programme and the £1.6 billion Clyde Infrastructure Programme.

The Major Infrastructure Programme:

Programme	Value
Army Basing Programme 2013 – 2021	£1.8Bn
Clyde Infrastructure Programme: 2017 – 2032	£1.6Bn
Defence Estate Optimisation Programme 2016 – 2035	£3.5Bn
US Visiting Forces Infrastructure Programme 2018 – 2026	£2Bn

DIO's pipeline of work covers a wide range of sectors and there are opportunities for almost all types of businesses in the UK – including SMEs.

Prior to DPRTE Engage, DIO released its new strategy outlining the organisation's long-term vision for the organisation.

This new strategy – the DIO Strategy 2020–2030 – sets out the long-term vision for the organisation. Its aim is to see DIO working with agility and pace to deliver a Defence Estate of the right size, location, and quality that is fit for the future.

The Strategy has six strategic recommendations across the three strategic objectives of 'Outstanding Delivery, Excellent Advice, One Team'.

These strategic recommendations have been developed to grow the organisation beyond the Future DIO's transformation programme, which was launched in 2016 and provided a platform for the organisation to modernise and transform.

The recommendations are:

Implementing an asset management system

Improving delivery for our customers

Becoming expert in sustainability, climate change and environmental issues

Making the business efficient and effective

Driving better business performance through lean processes and a digital approach

Building the right workforce and making DIO a great place to work

It is envisaged the new recommendations will increase DIO's focus on its capability to increase customer value and improve organisational performance.

One of the key themes in defence infrastructure to emerge from DPRTE Engage is the need for defence to transform and modernise and with it, the defence estate.

Speaking at DPRTE Engage, Simon Donnan, Head of Delivery Support for DIO, said:

"The case for change that underlies that strategy will come as no surprise to most people looking at this area.

"It is a response to global developments in which defence is modernising mobilizing and transforming and the defence estate and our infrastructure has to evolve with that situation but must become more resilient against increased uncertainty and evolving threats, which include climate change and also disruption from state aggressors. New threats need new infrastructure solutions."

With this evolution, the opportunities for companies of all sizes to do business with DIO

are clear; the MOD is the third largest landowner in the UK and has a vast estate of buildings and facilities.

DIO is the estate expert for defence, supporting the Armed Forces to enable military capability by planning, building, maintaining, and servicing infrastructure and is responsible for 65,000 family accommodations and 145,000 single living accommodations, with 11.2% of the UK's defence budget spent on the estate.

Suppliers looking to exploit this rich marketplace will need to keep on top of tracking this investment.

What's the story behind the numbers?

Our umbrella organisation, BiP Solutions, owns the most comprehensive database of UK contract opportunities and awards. Our data* indicates that in the year from August 2019 to July 2020, three out of the five highest value contract notices relating to infrastructure spend in defence were published post lockdown.

This is very positive news for suppliers of all sizes as it shows that, despite lockdown, the market was still active.

This is demonstrated by the highest-value contract in this period being published in June 2020 by DIO, for the Overseas Capital Work Framework. This is the proposed commercial vehicle to deliver construction and civil engineering projects and programmes across the Ministry of Defence Overseas Built Estate.

It covers various construction projects including housing, buildings relating to industry, military, transport, leisure, sports, culture, education, health, and emergency services.

The framework will be for an initial seven-year period. The potential value of this contract is £560 million and it will create a range of different types of works throughout the supply chain.

While frameworks make up a relatively small proportion of contract opportunities published, they are very influential. Not only are they often valuable as can be seen from this example, but they offer opportunities to multiple suppliers to win places on the framework, and, with that, potential work for several years. Frameworks are also an ideal way for new suppliers and SMEs to bring themselves to the attention of Prime defence contractors.

Top 5 Construction Notices in the Defence Sector

Rank	Title	Awarding Authority	Value
1	Overseas Capital Framework	Ministry of Defence, DIO, Defence Infrastructure Organisation (DIO)	£560,000,000
2	Overseas Prime Contract - Gibraltar	Ministry of Defence, DIO, Defence Infrastructure Organisation (DIO)	£372,000,000
3	Rented Living Accommodation Project (RLAP)	Ministry of Defence, DIO, Defence Infrastructure Organisation (DIO)	£350,000,000
4	Airfield Operating Surfaces (AOS)	Ministry of Defence, DIO, Defence Infrastructure Organisation (DIO)	£350,000,000
5	Overseas Prime Contract - Cyprus Hard Facility Management	Ministry of Defence, DIO, Defence Infrastructure Organisation (DIO)	£311,830,224

As the table to the right illustrates, the value by band of construction contracts in defence published over the last 12 months shows that a large percentage (43.9%) of contracts had a stated value of £500,000 or less, while 14.3% of contracts were for £100,000 or less – suitable for SMEs – and this doesn't take into account the 21.7% that did not state a value.

Opportunities with a value of £100,000 or less covered a raft of types of work including repair and maintenance, construction, demolition, fencing, and earthmoving.

It is also worth noting that large-value contract notices do not necessarily exclude SMEs. On the contrary, many of these lead to sub-contracting opportunities for SMEs as the MOD looks to expand and diversify its supplier base.

Ultimately, there are vast opportunities available and our market intelligence tools can help you sift these so that you are notified of those potentially relevant to your business, allowing you to focus your efforts on winning business.

Value banding: construction notices in defence

Value Bands	No of Notices
Over £1 billion	0
£500 million – £1 billion	1
£100–£500 million	5
£50–£100 million	1
£25–£50 million	4
£10–£25 million	5
£5–£10 million	9
£1–£5 million	31
£500,000 – £1 million	42
£100,000 – £500,000	84
Under £100,000	41
Value not provided	62

How DCI can help

Defence Contracts International (DCI) strives to help buyers and suppliers in the defence industry to work more effectively together across private and public sector procurement.

By taking a proactive approach to tendering and engaging with defence buyers earlier, businesses can prepare their procurement strategy and their tender response far in advance.

Winning a place on a framework agreement can provide suppliers with a steady stream of work over several years, as well as helping them to build relationships with buyers.

DCI can support your business to find new framework contracts and explore active

agreements to gain key insight to help with business growth and competitor strategies.

Our team is investing heavily to ensure that the latest opportunities are not only delivered straight to your inbox but that you are equipped with the very latest in market intelligence.

This will enable you to maintain and grow your pipeline in a market where opportunities are huge.

There are many benefits to engaging earlier and DCI provides an array of powerful business intelligence tools that can help your business achieve this.

How our features support early engagement:



Market Leads: Get named contacts and contact details for networking across both the private and the public sector. This gets the tender process off to a flying start, as your organisation will have access to the key decision makers in defence tenders and advance notification of upcoming framework renewals and recurring projects.



Commercial Projects: The Commercial Projects module adds on to your DCI subscription tens of thousands of private sector commercial construction and infrastructure tenders all across the United Kingdom, opening up additional markets for any companies involved in the infrastructure supply chain.



Archive Data: Understand previous tender requirements, with five years minimum of historical data included as standard in each DCI package. This allows you to discover whether your competitors have won business with certain buyers before, to uncover new competitors within your field and to identify sub-contracting opportunities.



Spend Analysis: Identify buyer spend patterns, including what they are buying, where, from whom and for how much.

The future may now look different to before COVID-19 but the need for first-rate infrastructure has become even greater. The time is now to get active in this marketplace and stay ahead of your competitors.

Get in touch and discover what makes DCI one of the world's leading contract alert and business intelligence tools.

To find out more about opportunities within the defence sector, book an appointment with one of our consultants [here](#)

If you are a DCI customer seeking to understand some of the additional benefits, then please do contact your account manager.

DCI DEFENCE
CONTRACTS
INTERNATIONAL

*At BiP Solutions we ensure complete market coverage by researching and obtaining data from multiple sources. We quote volumes for contract notices and awards as published across all of our sources. Contract notice values may be undisclosed or estimated by the contracting authority – projections in our analysis are derived from available figures. Our statistics therefore illustrate trends and patterns in overall market activity rather than an exact aggregated value of all notices published.