



House of Commons
Defence Sub-Committee

The Treatment of Contracted Staff for The MoD's Ancillary Services

First Report of Session 2022–23

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 17 May 2022*

The Defence Committee

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Summary

Outsourcing ancillary services has become commonplace in the Ministry of Defence (MoD). If an activity is not a core part of the MoD it is liable to be outsourced. For example, catering, vehicle maintenance and firefighting are liable to be outsourced. However, despite the billions of pounds spent on outsourcing, this is a relatively unscrutinised area.

The MoD's outsourcing practice is not exemplary. Outsourcing appears to be the default position, with little consideration given to providing services in-house. Contractors drop standards and squeeze employees to raise their profit margin, but the MoD is not always willing to step in and enforce the expected standards. It is an absurd state of affairs that the MoD is not allowed to look at a contractor's previous performance when assessing their bid—a state of affairs that needs to be rectified immediately.

Defence Fire and Rescue is an example of an outsourced service that would benefit from review by the MoD. With a potential reduction of manning levels in the future and a high number of voluntary exits, Capita—who runs the contract—is starting to drop its standards.

Further, subcontracted staff feel excluded from the wider defence family, which should not be the case given their integral roles.

1 Our inquiry

1. The National Security Strategy and Strategic Defence and Security Review 2015 pledged to reform the Ministry of Defence (MoD) to make it “leaner and more efficient”. The Review said that the Government would outsource key functions of the MoD to the private sector thereby reducing the number of civilians employed.¹ Successive governments have continued with this policy.

2. We launched our inquiry into the treatment of contracted staff for the Ministry of Defence’s ancillary services on 28 May 2021. These services are critical to the work of the MoD and to UK Defence in general. The term ‘ancillary services’ generally refers to those roles which provide necessary support to the MoD’s primary functions and activities. Throughout our inquiry we sought to understand the broader implications of outsourcing and how those staffing these ancillary services were treated.

3. The terms of reference for this inquiry invited evidence on the following topics:

- How does the Ministry of Defence decide which ancillary services are outsourced and which remain staffed by civilian employees?
- What is the level of outsourcing in services such as Guard Services, Fire and Rescue Services and catering?
- What level of saving does outsourcing provide the Ministry of Defence in the long term?
- How important are the terms and conditions of contracted staff when the Ministry of Defence considers a bid from a company? Does contracting out services result in worse terms and conditions for staff?
- Has there been downward pressure on the terms and conditions of contracted staff in recent years?
- To what extent are contracted staff treated fairly compared with their directly employed counterparts?
- To what extent are contracted staff part of the wider defence family?
- Has the outsourcing of key services damaged the link between the military and the communities that they are part of?

4. We published seven pieces of written evidence and heard oral evidence from 10 witnesses. These included: Professor Roger Seifert, Emeritus Professor of Human Resource Management and Industrial Relations at the University of Wolverhampton; representatives of GMB Union, Unite and PCS; representatives of Capita; and Ministers and officials. We are grateful for their time and efforts in contributing to this inquiry. We are also grateful to Martin Docherty-Hughes MP who chaired the majority of the sessions of the sub-Committee on this inquiry but left the Committee before the inquiry came to a conclusion.

5. During the course of the inquiry we focussed on Defence Fire and Rescue Service (DFRS) as a particular case study of outsourcing and its implications. We therefore examined DFRS more closely in order to draw wider lessons and conclusions.

¹ HM Government, November 2015, National Security Strategy and Strategic Defence and Security Review 2015

2 Ministry of Defence outsourcing practices

6. The National Security Strategy and Strategic Defence and Security Review 2015 pledged to reform the Ministry of Defence (MoD):

We will continue to reform the MOD to make it leaner and more efficient, outsourcing key functions where the private sector can deliver better, and investing in skills for the roles we retain.²

7. Successive Governments have continued this policy with facilities management companies supporting the MoD in areas such as Guard Service, Fire and Rescue Services, vehicle maintenance and more. In their written evidence, the CBI told us that the most recent defence related publications such as the Integrated Review and Defence Command Paper did not indicate any departure from the current approach. The CBI also argued that “the long-term objectives of the UK’s military can only be achieved through effective partnership with industry.”³

8. The Government confirmed that outsourcing was dependent on whether the function was core to UK defence. When asked why the Government outsources, Jeremy Quin, Minister for Defence Procurement told us:

This goes back to the 1990s. I think the original thought process then—and it still holds good today—is that there are areas of expertise that this Committee and the country expects of Defence: our core purpose, the defence of the country, the resilience of the realm, what our service personnel do so brilliantly day in, day out. There are other areas that are simply not specialist for Defence; that are not core to our purpose.⁴

9. In 2019/20 the MoD paid a total of £26.6 billion to UK and foreign owned organisations, an increase of £1.8 billion from 2018/19, with £11.1 billion worth of new contracts being placed in 2019/20 (which includes services and equipment).⁵ In line with other Government outsourcing, the MoD is obliged to follow the Delivery Model Assessment process as mandated in the Sourcing Playbook, published by the Cabinet Office.⁶ The Delivery Model Assessment guidance states:

Central government departments should conduct a proportional delivery model assessment before deciding to outsource, insource or re-procure a service. [...] This drives evidence-based, analytical decisions and can help address the different challenges that come from outsourcing or insourcing a service, or one of its components.⁷

10. The MoD told us that in deciding whether or not to outsource a service, its Project Teams prepare a Combined Operational Effectiveness and Investment Appraisal:

2 HM Government, November 2015, [National Security Strategy and Strategic Defence and Security Review 2015](#), paragraph 4.61

3 CBI ([TCS0002](#))

4 [Q152](#)

5 Ministry of Defence, 17 December 2020, [MoD trade industry and contracts 2020](#)

6 HM Government, May 2021, [The Sourcing Playbook](#)

7 HM Government, May 2021, [The Sourcing Playbook](#)

This compares alternative options with the potential to offer solutions to an 'operational' or 'corporate' capability requirement, including in-house and outsourcing options, following engagement with industry and client. A recommendation is made based on the option offering the best Value for Money (VFM) in the Outline business case that will be approved at the relevant governance forum depending on the level of any investment.⁸

11. However we received evidence from GMB union that the MoD “sees no place for the in-house delivery of ancillary services”:

Across the MoD these services are delivered by private companies with decisions appearing to be taken on the grounds that the public sector cannot deliver, and on the basis of assumed reductions in the cost to the MoD, without rigorous assessment of the outcomes. [...] GMB doubts whether any analysis of the long-term savings of outsourcing have ever been properly assessed.⁹

Despite the MoD's evidence, Caren Evans of Unite told us that engagement with the unions is “a kind of tick-box”:

We generally get quite a long document that generally provides three options. We are asked to feed into that document, which we do, but normally it ends up with outsourcing anyway. We get very default answers to the points we raise. To be honest, I struggle with whether it is meaningful at times. I guess that is my point.¹⁰

All three union witnesses agreed that the MoD's outsourcing practices did not provide value for money to the taxpayer.¹¹

12. *Whilst the MoD can, and should, outsource activities which are not part of its core function, it should also give more consideration than it does at present to the potential to provide these services in-house, if doing so represents better value for money. At present, in-house services are not being properly appraised.*

13. We also heard that enforcement of outsourcing contracts is a major issue throughout Government and especially for the MoD. Professor Seifert, Emeritus Professor of Human Resource Management and Industrial Relations at University of Wolverhampton, told us:

I think the MoD are as competent as anyone in drawing contracts up; they do not seem to be any good at all in following up on whether the sub-contracted companies are delivering the service that they promised within the timescale that they promised.¹²

14. Professor Seifert explained that, performance of an outsourced service typically declines after the first year:

8 Ministry of Defence ([TCS0008](#))

9 GMB ([TCS0004](#))

10 [Q16](#)

11 [Q19](#)

12 [Q2](#)

What we find is that, in the first year or so after a successful bid, companies behave reasonably well and deliver some of the products. But after that, they get sloppy, costs become difficult to control, and they seek to increase their profit margin. The difficulty for the MoD is that it does not know where else to go. Even if someone has performed badly, the technical nature of the contractual relationship means that it is difficult for the Government to pull out, to change it, to improve it or to fine the companies, so they tend to be stuck often with underperforming companies that are also increasingly—this is the point of this afternoon—seeking to claw back some of the costs, in a very tight profit area, through attacks on their workforce. Overall, I would say the MoD has not done very well, although it is difficult to make comparisons with other Departments, but it is not in a good position going forward.¹³

15. When we put the question of enforcement to Ministers and officials we were assured that the Government has appropriate enforcement mechanisms. Andrew Forzani, Director General, Commercial, MoD, explained:

It is fairly common in all of our contracts for the outcomes of the services to be against key performance indicators—particular outcomes of services and milestones—so there will be some clear schedules of what is the output of the service that is in the contract and what we are paying for. There will be mechanisms in there, so regular reporting against those standards; then if standards, outputs or milestones are not met, our first course of action is usually to withhold payment until services are delivered correctly. I have quite a lot of examples of where we are doing that at the moment.¹⁴

Mr Forzani went on to tell us that if services are not rectified then payment is withheld and the MoD liquidate damages (where the party in breach pays the damaged party). In extremis, “The Department has terminated contracts in the last few years for poor performance.”¹⁵

16. The performance of certain sub-contractors is well known both within industry and the defence community. The Army chose Capita to recruit new soldiers over ten years as part of its Recruiting Partnering Project. However, Capita failed to meet its targets for seven of the ten years. The Public Accounts Committee concluded that “Capita’s performance has been abysmal since it started” and provided “an unacceptable level of service delivery”.¹⁶ Capita were also the chosen partner for the Defence Infrastructure Organisation (DIO), which, by the Minister’s own admission, “was a disaster”.¹⁷ Yet, despite previous performance, Capita were granted the Defence Fire and Rescue contract (which is explored in further detail in chapter 3). This raises the question of whether Capita’s previous performance was taken into account when deciding to grant it new contracts.

17. We asked Ministers and officials whether a bidder’s previous performance was accounted for during the tendering process. Andrew Forzani told us that EU regulations meant that a bidder’s previous performance could not be factored in:

13 [Q1](#)

14 [Q174](#)

15 [Q174](#)

16 PAC, [Capita’s Contracts with the Ministry of Defence](#), March 2019

17 [Q187](#)

under the public procurement regulations that we have to follow when we are spending the money, because of the equal treatment of all suppliers across the EU, it is incredibly difficult to disqualify a supplier for poor past performance. [...] When you evaluate a supplier's proposal, you cannot actually score them down for poor performance on another contract. That is just the way the regulations are written.¹⁸

Minister Quin did indicate that since the UK was no longer bound by these rules the Government was looking very closely at how to amend them.¹⁹

18. The Government has already consulted on the topic of public procurement and responded to that consultation. Question 22 of the consultation asked "Do you agree with the proposal to make past performance easier to consider?" The Government's response to this included:

We intend to provide for a discretionary exclusion ground in cases where:

- a previous public contract has been terminated due to breach of contract, damages paid for breach of contract, or * a settlement entered into due to poor performance or breach of contract by the supplier; or
- the supplier has failed to remedy poor performance or breach in accordance with contractual measures put in place by a contracting authority.²⁰

19. It is an absurd state of affairs that a bidder's previous performance cannot be taken into account in deciding the award of new contracts, which the Government has said was due to EU rules. We welcome the Government intention to revisit these rules. Changes to contract and procurement rules to allow a bidder's previous performance to be considered must be brought in before the end of the current Parliament, especially in light of the appointment of a Minister for Brexit opportunities.

18 [Q184](#)

19 [Q186](#)

20 Gov.uk, [Transforming Public Procurement - Government response to consultation](#), 6 December 2021

3 Defence Fire and Rescue

20. The Defence Fire and Rescue Service (DFRS) is the primary firefighting and rescue service protecting British defence estates and property. Along with the Royal Air Force Rescue and Firefighting Service, it forms the Ministry of Defence Fire Services. It was created in 2006, to make a single, integrated, regionally-based fire risk management organisation.²¹

21. In July 2019 it was announced that Capita had won a £525 million 12-year contract to manage some of the DFRS. To deliver the contract Capita must work alongside other firefighters still centrally employed by the MoD. 58.4% of DFRS is outsourced, with 47.2% outsourced to Capita Fire and Rescue and 11.2% to others.²² In April 2020, 512 MoD firefighters transferred to Capita Fire and Rescue (CFR). Capita also took on functional control of 500 Air Command Firefighters and 100 Cypriot civilian firefighters, as well as 12 trainers and two Vehicles and Equipment employees. In December 2020, a further 101 previously outsourced firefighters were also transferred to CFR. CFR now delivers fire and rescue services to 54 military bases across the UK and overseas. Of those, 34 stations are staffed by Capita personnel, and one is crewed jointly by Capita and RAF personnel.²³

22. The award of the contract to Capita was not without controversy. Serco, a competitor, launched a legal challenge against the MoD in July 2018 over the proposed deal, which was eventually settled for a reported £10 million.²⁴ It was also reported that the MoD granted Capita the contract despite its analysis rating Capita “10/10 for risk”.²⁵

23. Our concerns over Capita’s record, set out in chapter 2, were echoed by GMB union who labelled Capita as “the same company which has been criticised for the mess around Army recruitment.”²⁶ Unite also told us that Capita was engaged in risk assessments to establish if manning levels and vehicle recruitments needed to be altered:

At the vast majority of stations so far reductions have obviously been the outcomes and we have lost or are about to lose about 100 members. The likelihood is another 100 - 200 will go over the next 12 - 18 months. With the reduction in staff safety has been affected, as the response capability is diminished.²⁷

24. When we put these concerns to Capita we were told that retention of staff was “good”. Alex Clark, Chief Fire Officer at Capita, said:

we undertake an integrated risk management planning process. What that does is identify the risks on an estate, on a base, and we come up with proposals to that head of establishment for how to improve safety on that base. That includes prevention activity, protection activity and, ultimately, response activity—that is, how we respond effectively in order to manage that risk. It is that process that drives the crewing model and response model that we talk about.²⁸

21 Ministry of Defence, [Defence Fire and Rescue](#)

22 Ministry of Defence ([TCS0008](#))

23 Capita ([TCS0001](#))

24 Forces.net, [Defence Fire and Rescue Privatisation Goes Ahead](#), July 2019

25 Financial Times, [MoD awards Capita new contract despite handing it highest risk rating](#), June 2018

26 GMB ([TCS0004](#))

27 Unite ([TCS0007](#))

28 [Q82](#)

The cutting of manning levels poses a risk to fire safety on the sites in question and the appropriate due diligence must be carried out before any such moves are made. This issue also echoes Professor Seifert's comments (see paragraph 14) about companies maximising their profit margins soon after the contract has commenced. **Given Capita's past performance on other contracts, we are not convinced that Capita's "integrated risk management planning process" will not lead to cutting manning levels under the guise of risk management.**

25. On the specific topic of the number of firefighters Capita told us that the number of firefighters at HM Naval Base at Clyde had been cut.²⁹ As Capita took control of different sites in phases, the total number of firefighters stood at 524.³⁰ However, there have been a significant number of voluntary exits. As of December 2021, 38 people had left under voluntary exit. Indeed, 150 people had applied for voluntary exit.³¹ We find these figures surprising, especially during a pandemic where job security is of paramount importance. Whilst Capita argue that its job retention rate is "good", the number of voluntary exits suggests that there may be more than meets the eye.

26. Capita's delivery of the contract is underpinned by six key performance indicators (KPIs) and 34 performance indicators. The six KPIs are:

- Prevention - The risk of fire incidents occurring across Defence is minimised; and
- Protection - The impact of fire incidents before arrival of the first response is minimised across Defence
- Timely provision of fire and rescue capability to mitigate the impact of Incidents that have occurred
- Availability of appropriate level of fire response
- The deployable elements of the Fire and Rescue capability are made available for deployment and remain fit-for-purpose to provide effective and timely response
- The enduring training requirement for military and MOD civilian personnel is met, with delivery of training courses modernised where appropriate
- The requirement to provide all necessary equipment and resource to Royal Navy Aircraft Handlers and Multi-Activity Contracts is met such that they can provide an effective and timely response Service.³²

Capita also said that it has "without fail, achieved every KPI since the performance management regime came into effect", and that it had reduced the backlog of fire risk assessments from an unspecified number to under 500.³³

27. The KPI of "availability of appropriate level of fire response" is in question given the crew reductions that are on the horizon and the voluntary exits. That said, a contractor's performance should not be judged only against performance indicators.

29 [Q81](#)

30 [Q82](#)

31 [Qq85-86](#)

32 [Capita \(TCS0001\)](#)

33 [Capita \(TCS0001\)](#)

A broader approach must be taken in assessing performance. *The MoD should set out what its metrics are for assessing the KPI of “availability of appropriate level of fire response”.*

28. Evidence the Committee received, including numbers of voluntary exit applications, did not provide us with confidence and Capita's broader track record in performance against MoD contracts does not inspire confidence. *The MoD should review Capita's general performance—not limited to KPIs—and consider what measures, both legal and informal, it could take and potential enforcing action to ensure that DFRS is carried out more satisfactorily. As part of this process, the MoD should ask Capita to share details of any exit interviews and require Capita to survey staff taking voluntary exit for the reasons why they are leaving or have left.*

4 Treatment of staff

29. When the MoD outsources a service instead of carrying it out in-house, the workers carrying out that service are not employed by the MoD. Instead, they are employed by the company that won the contract. In some cases, MoD staff are transferred to the new employer.

30. When employees transfer to a new employer their rights are protected by the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). After a TUPE transfer, employers can only make changes to contracts because of the transfer if:

- To improve employees' terms and conditions, for example you increase their holiday entitlement (annual leave); or
- there is an 'economic, technical or organisational' (ETO) reason involving a change in the workforce, for example your organisation needs restructuring.³⁴

Terms and conditions of employment

31. In general, the terms and conditions of outsourced employees are worse than those of their directly employed counterparts, with reduced wages and benefits. This is largely because the subcontracted company seeks to maximise its profit margin, and one of the ways to do so is reduction of employee wages.³⁵ Professor Seifert told us:

Every time you subcontract, the profit margins are squeezed and so the companies are looking to reduce costs. Often, they cannot reduce the capital costs of equipment, they cannot reduce other costs, so the easiest, softest option is to reduce labour costs, and they do it. It is not a moral or a political commentary, it is just that if you are running a business, you look to cut costs where you can.

They cut the labour costs, they reduce wages and there is a significant amount of bullying, harassment and victimisation that goes on in order to enforce that. In other words, they are not just doing it, saying, "I'm going to make your holidays worse. I'm going to make your sick leave more difficult. I'm going to cut your overtime": if you complain or try to stand up to them, they will bully you, they will harass you and they will victimise you, and there is little recourse.³⁶

32. This view was echoed by the unions. Caren Evans, National Officer at Unite, told us that terms and conditions of subcontracted staff are reduced "more or less straight away" along with reduced entitlements, and that "they [subcontracted staff] end up in a significantly worse place than they were before they transferred."³⁷ Chris Dando, Defence Sector Group President, PCS, also told us that staff felt undervalued when their directly employed counterparts had better terms and conditions of employment:

34 Acas, [Changing an employment contract after a TUPE transfer: employer responsibilities](#), accessed 21 April 2022

35 [Q13](#)

36 [Q13](#)

37 [Q20](#)

The reality is that people feel completely undervalued if there are existing members of staff who have been forced to downgrade and take worse pay and worse terms and conditions. They feel completely undervalued, and usually that is the basis on which they will leave. If there are new members of staff, first they are grateful to have a job, and secondly, when they realise that they could have been paid an awful lot more and treated an awful lot better, that breaks their contract with that company. They feel undervalued and it causes recruitment and retention problems, so yes, it is certainly a big issue.³⁸

33. The Government has made an effort to preserve the terms and conditions of employment of those who are being transferred from the MoD to the subcontractor. Andrew Forzani, Director General for Commercial at the MoD, told us:

If it is a first-generation outsource—as the Minister said earlier, fire and rescue is probably the last big example—living through that procurement, there was a huge focus from our side and time, effort and expertise brought in to focus on TUPE [Transfer of Undertakings (Protection of Employment)] protection; to make sure that those staff who transferred over to Capita, as it transpired, would do so with no detriment to their terms and conditions. Collecting all of that information, being very clear about what the terms and conditions were, and getting assurances that they would not be changed was a big part of the exercise. That was a real focus of the Department, to make sure that those workers were protected.³⁹

34. Whilst it is positive to hear that efforts are being made to preserve terms and conditions, they do not appear to have been entirely successful. Capita told us that their Defence Fire and Rescue terms and conditions were “comparable”, but that there was a difference in the leave entitlement. Where the MoD provided employees with 30 days of leave Capita provided 27 days—more than half a working week’s difference.⁴⁰ Capita did highlight that its financial remuneration increased if employees were promoted and provided the Committee with the pay scales.

35. *The Ministry of Defence should do more to ensure that contracted staff receive comparable employment contracts to staff directly employed by the MoD. The MoD should ensure that this is a standard part of the process when considering bids for contracts.*

Communities and the defence family

36. Military bases have long been an important part of the community they are based in. Not only are they a source of employment in the local community, but they also provided a link between those communities and the wider UK Defence community. When we launched our inquiry, we were concerned about the impact of outsourcing on communities.

38 [Q39](#)
 39 [Q196](#)
 40 [Q119](#)

37. The MoD argued that the outsourcing of some services has strengthened the links between the MoD and communities:

Contracts now include provision for social value, with 10% of the evaluation score being attributed to this area. The provisions include sustainability, community initiatives and apprenticeships. Our contracts also include a requirement for 25% of work share to be delivered by Small to Medium sized enterprises (SME). In many cases these SMEs are local to the sites and deliver a meaningful and long-term link with the community.⁴¹

38. The CBI highlighted that the Cabinet Office's Social Value Model helps to address key social, environmental and economic issues.⁴² Capita also told us that it "continues to support local open days, Family Days which are open only to serving military personnel and their families, and wider events such as Air Shows" and in some cases provides fire response services to the civilian community.⁴³ It is encouraging to hear that outsourcing does not seem to have damaged the relationship between military bases and the community.

39. The same cannot be said for subcontracted staff and the wider defence family. The MoD told us:

Contracted staff are fully included within the wider defence family. At a site level there are some excellent examples of this including integrations of contractors into staff schemes for use of catering, retail and leisure facilities. Our contractors are further integrated within the Defence family through their support of the Armed Forces covenant and by employing veterans and military family members.⁴⁴

Capita also told us that they were signatories to the Armed Forces Covenant and that a number of their staff work alongside their RAF counterparts on blended shifts with full integration.⁴⁵

40. However, other witnesses had a different story about how subcontracted staff feel. GMB told us:

Most [staff] that GMB met do not feel any link with the MoD. While they still manage to retain good working relationships with service personnel, they do not feel part of the defence family. To quote another GMB member:

"In 2020, the base celebrated Armed Forces Day. As a former serviceman working for a private contractor on site, I was annoyed that no one invited us to be involved in the celebrations. We repair the engines and vehicles the military use, but did not get a single invite to the celebrations, nor any recognition of how important I think our role is".⁴⁶

A similar point was made by Kevin Brandstatter of GMB Union:

41 Ministry of Defence ([TCS0008](#))

42 CBI ([TCS0002](#))

43 Capita ([TCS0001](#))

44 Ministry of Defence ([TCS0008](#))

45 Capita ([TCS0001](#))

46 GMB ([TCS0004](#))

If they are treated like second-class citizens, that is better than I see them treated. I must be honest, I don't like the term "ancillary" workers, because these people are vital to the MoD and the armed services. They provide everything that soldiers, sailors and airmen need at work. They feed them, they do their washing, they repair their vehicles—that is everything they do. They should be part of the MoD family, but they certainly do not feel that.

I was down at Brize Norton interviewing some members, and what surprised me was the number of ex-servicemen and women working for a private company. They felt so excluded. When Armed Forces Week came around, none of the people working for a private contractor were asked to get involved in it at all. They were ex-servicepeople. They felt quite angered about the way they were being made third-class citizens. They do not like it at all.⁴⁷

41. We also heard that occasional events that incorporated contractors were not enough. Professor Seifert told us:

The impression I got was that nobody feels included, that there was a general sense among all the workforce I spoke to—quite a few right across the area—that they were depressed and felt disengaged. The odd day here and there, the odd bit of flag-waving or hug—before the pandemic—was not really going to make any difference to them. In fact, to some extent, it made them even more bitter and resentful, because they thought that it was just window-dressing.⁴⁸

42. *Guidance from MoD to the chain of command and base commanders should include the importance of ensuring that contracted staff are actively integrated with directly employed staff wherever reasonably possible.*

43. **The MoD's contracting for ancillary services represents a comparatively small part of the Department's spending compared to equipment projects, but it is worrying to see that rigidities in approach threaten value for money and can adversely affect staff morale.**

47 [Q35](#)

48 [Q15](#)

Conclusions and recommendations

Ministry of Defence outsourcing practices

1. *Whilst the MoD can, and should, outsource activities which are not part of its core function, it should also give more consideration than it does at present to the potential to provide these services in-house, if doing so represents better value for money. At present, in-house services are not being properly appraised.* (Paragraph 12)
2. It is an absurd state of affairs that a bidder's previous performance cannot be taken into account in deciding the award of new contracts, which the Government has said was due to EU rules. We welcome the Government intention to revisit these rules. Changes to contract and procurement rules to allow a bidder's previous performance to be considered must be brought in before the end of the current Parliament, especially in light of the appointment of a Minister for Brexit opportunities. (Paragraph 19)

Defence fire and rescue

3. *Given Capita's past performance on other contracts, we are not convinced that Capita's "integrated risk management planning process" will not lead to cutting manning levels under the guise of risk management.* (Paragraph 24)
4. The KPI of "availability of appropriate level of fire response" is in question given the crew reductions that are on the horizon and the voluntary exits. That said, a contractor's performance should not be judged only against performance indicators. A broader approach must be taken in assessing performance. The MoD should set out what its metrics are for assessing the KPI of "availability of appropriate level of fire response". The MoD should set out what its metrics are for assessing the KPI of "availability of appropriate level of fire response". (Paragraph 27)
5. Evidence the Committee received, including numbers of voluntary exit applications, did not provide us with confidence and Capita's broader track record in performance against MoD contracts does not inspire confidence. The MoD should review Capita's general performance—not limited to KPIs—and consider what measures, both legal and informal, it could take and potential enforcing action to ensure that DFRS is carried out more satisfactorily. As part of this process, the MoD should ask Capita to share details of any exit interviews and require Capita to survey staff taking voluntary exit for the reasons why they are leaving or have left. (Paragraph 28)

Treatment of staff

6. *The Ministry of Defence should do more to ensure that contracted staff receive comparable employment contracts to staff directly employed by the MoD. The MoD should ensure that this is a standard part of the process when considering bids for contracts.* (Paragraph 35)

7. *Guidance from MoD to the chain of command and base commanders should include the importance of ensuring that contracted staff are actively integrated with directly employed staff wherever reasonably possible. (Paragraph 42)*
8. *The MoD's contracting for ancillary services represents a comparatively small part of the Department's spending compared to equipment projects, but it is worrying to see that rigidities in approach threaten value for money and can adversely affect staff morale. (Paragraph 43)*

Formal minutes

Tuesday 17 May 2022

Physical meeting

Members present

John Spellar, in the Chair

Stuart Anderson

Dave Doogan

Richard Drax

Mark Francois

Kevan Jones

Derek Twigg

The treatment of contracted staff for the MoD's ancillary services

Draft Report (*The treatment of contracted staff for the MoD's ancillary services*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 43 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That John Spellar make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Adjournment

Adjourned till Tuesday 24 May 2022 at 2.00pm.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 12 July 2021

Professor Roger Seifert, Emeritus Professor of Human Resource Management and Industrial Relations, University of Wolverhampton [Q1–15](#)

Caren Evans, National Officer, Unite; **Chris Dando**, Defence Sector Group President, Public and Commercial Services Union (PCS); **Kevin Brandstatter**, National Officer, GMB [Q000–999](#)

Tuesday 7 December 2021

Richard Holroyd, Managing Director, Capita Defence Fire and Security; **Alex Clark**, Chief Fire Officer, Capita Fire and Rescue [Q51–141](#)

Wednesday 12 January 2022

Jeremy Quin MP, Minister for Defence Procurement; **Leo Docherty MP**, Minister for Defence People and Veterans; **Andrew Forzani**, DG Commercial, Ministry of Defence; **Alastair Johnstone**, Deputy Chief Fire Officer, Ministry of Defence [Q142–207](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

TCS numbers are generated by the evidence processing system and so may not be complete.

- 1 CBI ([TCS0002](#))
- 2 Capita ([TCS0009](#))
- 3 Capita ([TCS0001](#))
- 4 GMB ([TCS0004](#))
- 5 Ministry of Defence ([TCS0008](#))
- 6 PCS ([TCS0005](#))
- 7 Serco ([TCS0006](#))
- 8 Unite ([TCS0007](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2021–22

Number	Title	Reference
1st	Russia and Ukraine border tensions	HC 167
2nd	Women in the Armed Forces	HC 154
3rd	"We're going to need a bigger Navy"	HC 168
4th	Operation Isotrope: the use of the military to counter migrant crossings	HC 1069
1st Special	Obsolescent and outgunned: the British Army's armoured vehicle capability: Government Response to the Committee's Fifth Report of Session 2019–21	HC 221
2nd Special	Manpower or mindset: Defence's contribution to the UK's pandemic response: Government Response to the Committee's Sixth Report of Session 2019–21	HC 552
3rd Special	Russia and Ukraine border tensions: Government Response to the Committee's First Report	HC 725
4th Special	Protecting those who protect us: Women in the Armed Forces from Recruitment to Civilian Life: Government Response to the Committee's Second Report	HC 904
5th Special	"We're going to need a bigger Navy": Government Response to the Committee's Third Report	HC 1160