

## **Written evidence submitted by GMB Union**

### **Defence Select Committee inquiry into the Treatment of Contracted Staff for the MoD's Ancillary Services**

#### **Introduction**

GMB union welcomes the opportunity to submit evidence to this inquiry, and we also welcome the Defence Committee's interest in this important area of public policy, which we believe is highly important given ongoing plans by the Ministry of Defence to accelerate outsourcing.

GMB is a general trades union with a strong footprint in the defence sector. We represent 600,000 public and private sector workers, including Ministry of Defence (MoD) civilian staff in both industrial and non-industrial occupations, and workers employed by private contractors delivering essential services such as facilities management, transport, vehicle repair, catering, cleaning and security.

GMB has regional organisers (full time officials) and workplace organisers (elected workplace representatives) throughout the MoD and the private companies that manage outsourced contracts, and information provided not only by them but by ordinary GMB members has informed this evidence.

#### **Executive summary**

The MoD is one of the largest government departments. It has a complicated internal structure, with a mix of top-level budget holders in each wing of the armed services, specialist agencies (such as DECA), a trading fund (Defence Equipment and Support/DES), and an organisation responsible for the estate (Defence Infrastructure Organisation/DIO). DES and DIO seem to treat the rest of the Ministry of Defence as customers rather than partners, and it feels as if the customer focussed ideology of the DIO is the source of a many issues around outsourcing.

Within DIO there is a default position that the private sector can always do it better and cheaper with no regard to the consequences for staff in those organisations, not of the damage to the working lives of those transferring to private companies, but possibly more importantly to the relationship between those staff and the wider

MoD family. Commercial considerations appear to be more important than the impact on people and their working lives.

The MoD has been under scrutiny for some time and the Public Accounts Committee released a damning indictment of defence procurement, most of which is the responsibility of DES, but GMB believes a similar level of scrutiny is required of the outsourcing of vital support roles.<sup>1</sup>

GMB does not believe that the MoD has learned the lessons of the collapse of Carillion, which had an impact on a 35-year Public Finance Initiative (PFI) contract in the South of England; nor has it taken any account of criticisms levelled at private companies over continued poor performance of outsourced contracts.<sup>2</sup>

GMB has concerns that a dogma that believes only the private sector can deliver effectual public services has pervaded and led to closer links between the MoD and the private sector. In 2014, DIO entered into a 10-year relationship with Capita, an organisation severely criticised for its failure to deliver effective recruitment processes for the Army. Two years on, and after £90m of public money was wasted the relationship was terminated.<sup>3</sup>

The Integrated Defence Review will see substantial funding delivered to the MoD, but in respect of these important ancillary services, money will be squandered on further outsourcing and a refusal to consider any in-house alternatives.<sup>4</sup>

### **GMB priorities**

GMB wants to see an end to future outsourcing throughout the Ministry of Defence.

GMB wants to see the early termination of existing outsourced contracts and these contracts being taken back in house.

GMB wants those staff on these contracts to be brought into the MoD as directly employed civil servants, rather than being employed in a quasi-public sector Government owned company.

---

<sup>1</sup> Defence Capability and the Equipment Plan 2019-29 (parliament.uk), <https://committees.parliament.uk/publications/1875/documents/18387/default/>

<sup>2</sup> BEIS & DWP Select Committee joint report, Carillion <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/769.pdf>

<sup>3</sup> Public Accounts Committee report, Capita's contracts with the MoD <https://committees.parliament.uk/committee/127/public-accounts-committee/news/98547/army-and-capita-must-share-blame-for-soldier-recruitment-failures/>

<sup>4</sup> MoD, Integrated Review <https://www.gov.uk/government/collections/the-integrated-review-2021>

## Recent developments

The market for outsourcing has undergone some fundamental change involving insolvency (Carillion); creditor takeover (Interserve) and forced sale (Amey). The outsourcing market remains volatile especially owing to the impact of Covid-19.

The collapse of Carillion in 2018 had an impact on Project Allenby-Connaught, a 35-year PFI contract to build 18700 dwellings for soldiers and facilities management covering much of the MoD estate from Salisbury Plain to Aldershot. A similar fate for Interserve was avoided when the company's creditors took control of Interserve and restructured. As a result, Interserve sold its facilities management arm, which was responsible for management of live firing ranges throughout the UK, to Mitie plc. Ferrovial, the owners of Amey, placed the company on the market over 12 months ago. This was partly in response to high profile contract failures, including a contract with Birmingham City Council.

The outsourcing market has been in flux for some time, and this volatility shows no sign of calming down. However, despite all its previous failings it appears that the market is growing, particularly in the Ministry of Defence.

In June 2021, Amey were awarded contracts to manage Regional Accommodation in the Central and Northern Regions for seven years in a deal worth £550m. Similar contracts have been awarded to a joint venture involving SERCO and Engie in the South and South West worth £296m, but with apparent guarantees of additional project work during the seven-year contract worth a further £514m. This joint venture was awarded other contracts as well, and the total value is estimated to be £900 million overall with projects worth around £2.5 billion.

SERCO is benefiting in 2021 and reports it expects its profits this year to increase by £15m to £200m. No doubt the shareholders will see improved dividends and the executives will see increased bonuses.

In June 2021 Pinnacle were awarded a seven-year national accommodation management contract worth £144m.

The MoD has already announced that it will seek a private sector supplier for an FM and related services contract, currently held by Sodexo. Over a five-year period the contract appears to be valued at between £200m-£400m.

In May 2021 Amey announced they would bid for control of the MoD Training estate alongside Babcock International and Elixior. If these contracts are awarded, the annual costs of outsourced contracts will run into billions of pounds of tax payer money.

### **Methodology**

The Select Committee asks a number of pertinent and serious questions set out below:

- 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?

GMB conducted face to face discussions with members and non-members in a number of establishments with links to the MoD, and this was supported by a survey of members which is still ongoing at this time.

GMB regional officers were also consulted about their experience in dealing with MoD outsourcing contracts, not only contracts which currently exist, but also those in the past where we had knowledge and experience.

We answer these questions as far as we can but GMB members in the outsourced companies and in the MoD are likely to continue providing us with information

through our ongoing survey after the closing date for submission so we hope there is a possibility of providing supplementary evidence at a later date.

GMB responses to the Select Committee questions are set out below:

**How does the Ministry of Defence decide which ancillary services are outsourced and which remain staffed by civilian employees?**

GMB union's perspective is 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.

SERCO have contracts to deliver services for the RAF, and at Brize Norton in Oxfordshire are almost in the position of a monopoly supplier. Having been awarded contracts for transport services to add those of facilities management, reception and engineering. The impact will be that after transfer around 200 civilian employees will be MoD civil servants, and around 1400 will be employed by contractors. GMB has been made aware of similar moves elsewhere in the RAF.

In 2006, Project Allenby Connaught saw the MoD award a contract to a joint venture between Carillion and KBR (Aspire Defence Ltd) to build new accommodation for service personnel and manage all aspects of estate management, catering, cleaning, stores, transport, office services and welfare across Salisbury Plain and the Aldershot Garrison.

The project was a PFI initiative with an estimated value in 2006 of £12 billion and was due to run for 35 years.

It was complicated and involved partners delivering catering and cleaning (Sodexo) and Transport (VT Land). VT Land became Babcock Land in 2010, but subsequently Aspire took control of the Transport activities.

**What is the level of outsourcing in services such as Guard Services, Fire and Rescue Services and catering?**

The MoD Guard Service consists of trained guards, with a differently managed guard service in Northern Ireland, and the MoD Police also having some security responsibility. However, Project Allenby Connaught saw Aspire employees taking

over responsibility for security at receptions in Aldershot and on Salisbury Plain and this occurs on other establishments as well. The guards service has not been immune from poor private sector practices. The DIO management of the guard service decide to introduce contracts for new MoD guards based on the standard contract in the private security industry based on 12-hour shifts, of four per week with changing rest days, with security provided on a 24-hour, 7-day week.

12-hour shifts are hated by many security staff in the private sector, especially where guards work alone, with little prospect of taking statutory breaks away from the work station, even to go to the toilet.

GMB and other unions opposed this new contract, but DIO took no notice, and the prevailing logic appeared to be that they wanted working methods in the security sector to apply in the MoD. Private sector guards may work in or outside supermarkets, office buildings and distribution depots, whereas MoD are there to provide security in military establishments, where the possibility of terrorist attacks cannot be ignored.

The Fire and Rescue Services were recently taken over by Capita, the same company which has been criticised for the mess around Army recruitment.

Catering is almost completely outsourced. In the early 2000s, the MoD introduced a system called "pay as you dine" for service personnel. This replaced a system whereby a deduction was made from allowing service personnel to eat "for free" in canteens and mess facilities.

The numbers of service personnel using the facilities was reduced substantially, with canteens and messes now competing with local cafes off-site and other facilities. The level of demand is now much reduced.

A number of contractors deliver catering services, including Sodexo, Aramark, Compass and ISS UK.

### **What level of saving does outsourcing provide the Ministry of Defence in the long term?**

GMB doubts whether any analysis of the long-term savings of outsourcing have ever been properly assessed. The TUPE regulations do provide some protection for

staff transferred to contractors, but these protections have been reduced by successive Governments to allow changes to be made in the interests of the business.

Private contractors have managed to make savings and increase profitability of contracts by replacing departing staff employed on contracts protected by TUPE, with new staff usually employed on the National Minimum Wage (NMW). This provides no benefit to the MoD. In addition, many staff on the NMW may also be claiming in work benefits such as Universal Credit, at additional cost to the tax payer.

Contractual obligations can be ill defined, with some activities not explicitly included. Retrospective contract variations can be a cause of increased costs.

**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?**

The MoD will seek confirmation from the private company that they will abide by the TUPE regulations, but that is as far it goes. Private sector employers are quite happy to do this but have the ability to change working practices and some conditions of employment by the issue of a letter identifying measures the employer will take on or after transfer. Contracting out does lead to worse terms and conditions for staff, and over time the number of staff on protected terms will diminish to the point that a private sector employer can seek to “harmonise” terms in the interests of business efficiency (so called ETO reasons).

The issue of pensions is very important, and a number of long serving staff who face being transferred to a private company in the near future have told GMB they will not do so because of fear for their pensions. They are aware of the impact of Carillion’s collapse on the staff pensions and do not trust their potential employer.

**Has there been downward pressure on the terms and conditions of contracted staff in recent years?**

Yes. Even where no action is taken to reduce terms to the lowest common denominator, there can be two or more tiers in the workforce with different levels of pay and other terms and conditions. This can lead to only the lowest paid being offered the opportunity for overtime as an example.

**To what extent are contracted staff treated fairly compared with their directly employed counterparts?**

Fairness is difficult to quantify, however the terms and conditions of employment of MoD staff and the way in which they are managed is generally much better than those in a private company where the bottom line is profitability.

Our ongoing survey should be able to give greater evidence to support our answer on this subject.

**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?**

There are significant differences in experience with outsourced staff. In catering, former MoD staff were used to a level of job demarcation which led to them have specialisms. For example, front of house in a mess would solely be concerned with taking customer orders, service and generally looking after customers, whereas back of house prepared and cooked food or had responsibility for washing and cleaning of utensils and equipment. Some companies, Aramark as an example, have replaced specialist front of house staff with general catering roles combining front and back of house activities. The abolition of front of house saves money and the role can be replaced by new staff on NMW. A skill is lost, the experience for the customer suffers. Further still GMB has an issue with mixed roles involving cleaning, washing and serving. For many catering staff this has meant that the pride they had in their role, and the care with which they could deliver their role has been much diminished. To quote one GMB member:

*"I used to love the job. I felt like a sister or mum to many of the younger soldiers who I used to chat with, and I had time to do the job properly. Now it feels no different to working in a Tesco canteen. All that matters is getting the job done as quickly as possible".*

With other staff working for private sector companies, it is different. Many are former service personnel who have come to the end of their tie with the military and have opted to stay in the defence environment as a contractor. They do not see wages as a prime motivator, given that many have access to a service pension. They have passion for the jobs that they do and feel reasonably well

treated by their employer. However, most 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".*

### **Conclusion**

GMB believes that the defence ancillary workforce currently employed by private companies should be seen as an integral part of the UK's sovereign capabilities, given that they maintain the facilities that the armed forces use for training and work and live in with their families; clean the places that the armed forces use, feed the armed forces while they work; undertake training for the armed forces, maintain vehicles and provide everything the military needs. Unidentified short-term savings from awards to the lowest private bidders are more than balanced by the enormous profits made by private companies. The inherent unfairness of new staff being recruited on substantially worse terms and conditions of employment must be recognised.

We would very much welcome further engagement on any of the points made above including the opportunity to give oral evidence and provide supplementary evidence from our ongoing survey.

*27 June 2021*