



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Ministry of Defence**

# Investigation into the British Army Recruiting Partnering Project



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# Investigation into the British Army Recruiting Partnering Project

Report by the Comptroller and Auditor General

Ordered by the House of Commons  
to be printed on 12 December 2018

This report has been prepared under Section 6 of the  
National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

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11 December 2018

In 2012, the British Army sought to transform its approach to recruitment by entering into a partnering agreement with Capita. However, they have not recruited the number of regulars and reserves that the Army requires in any year since the contract began. We therefore reviewed the Army's implementation of the Recruiting Partnering Project and its management of the contract with Capita.

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## **Investigations**

We conduct investigations to establish the underlying facts in circumstances where concerns have been raised with us, or in response to intelligence that we have gathered through our wider work.

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# What this investigation is about

**1** To continue to meet its defence objectives, the British Army (the Army) requires the right number and quality of regular and reserve forces. In 2015, the government set the Army a target size of 82,000 regulars and 30,000 reserves by 2020.<sup>1</sup> In July 2018, the Army was 5,600 regular soldiers and officers (7%) below its required strength and will not meet the 2020 target.<sup>2</sup> It also has significant skill shortages in specific trades. The Army must therefore manage the number of serving soldiers and officers it retains, and ensure a constant flow of new recruits to replace those who leave or retire from service. Unless it does so, its ability to meet operational demands and adapt to meet new threats will come under increasing strain.

**2** In 2012, the Army sought to reform its approach to recruitment by entering into a partnering agreement with Capita Business Services Ltd (Capita). It established the Recruiting Partnering Project (the Programme) and committed £1.36 billion over ten years. The Programme's aim is to recruit the quantity and quality of soldiers that the Army requires each year (including regular and reserve officers and soldiers). As part of this, it entered into a 10-year, £495 million contract with Capita to secure its expertise in recruitment and marketing. The Army and Capita have worked together to manage the recruitment process, with around 800 military personnel still involved in 2017-18.

**3** The Army and Capita have not recruited the number of regulars and reserves that the Army requires in any year since the contract began. The Army's recruitment problems and its contract with Capita have been the subject of ongoing Parliamentary and media concern. We therefore conducted an investigation into the Army's management of the Programme. This work follows up on issues identified in the Comptroller and Auditor General's reports on *Ensuring sufficient skilled military personnel* and *Army 2020*.

**4** We conducted our fieldwork between July and September 2018, during which we interviewed senior representatives from the Army and Capita; and reviewed data and documentation relating to the implementation of the Programme and the recruitment process. This report sets out:

- the Army's recruitment aims and an overview of Capita's performance in recruiting regulars and reserves since 2013 (Part One);
- the problems encountered, and how the Army and Capita responded (Part Two); and
- the Army's management of the Programme (Part Three).

<sup>1</sup> This target means the Army should have 82,000 Full Time Trade Trained Strength for regulars and 30,000 Trained Strength for reserves.

<sup>2</sup> Regular soldiers and officers serve full-time for the duration of their enlistment. Reservist soldiers and officers serve part-time and are typically in civilian employment when not fulfilling their Army role.

# Summary

## Key findings

**1 Capita has missed the British Army's (the Army's) annual targets for recruiting new soldiers and officers every year since 2013.** The total shortfall each year has ranged from 21% to 45% of the Army's requirement. The size of the shortfall has increased over the last three years and, in 2017-18, Capita Business Services Ltd (Capita) recruited 6,948 fewer regular and reserve soldiers and officers than the Army needed. The shortfall has been largest for regular soldiers. Since the contract began, Capita has missed the Army's annual target for regular soldiers by an average of 30%, compared with 4% in the two years preceding the contract. Capita has performed better in recruiting regular officers, achieving 95% of the Army's requirement in 2017-18 (661 recruits). Recruitment shortfalls can result in the Army placing greater strain on existing personnel to maintain operations and limit its ability to develop the capabilities it needs in the future (paragraphs 1.9 to 1.10).

**2 The recruiting environment is challenging.** The Army and Capita believe that a range of external factors have affected their ability to recruit. These include: an improving UK economy with historically low levels of unemployment; a shrinking recruitment target population that is less likely to commit to a long-term career in the Armed Forces; and a public perception that the Army is reducing in size and is non-operational, making it less attractive to join (paragraph 1.12).

## The aims of the Recruiting Partnering Project

**3 The Army aimed to recruit the quantity and quality of soldiers it needed each year, while reducing its costs.** Because the Army was missing its annual targets for recruiting regulars and reserves, in 2012 it set up the Recruiting Partnering Project (the Programme) to transform its approach to recruitment. It contracted Capita to bring new expertise in recruiting techniques and marketing, and established a partnering agreement to manage the recruitment process. The Army's aim was to recruit more effectively and reduce costs. It forecast that the Programme would achieve savings of £267 million by 2022, mainly by withdrawing soldiers from the recruitment process and redeploying them to other military tasks (paragraphs 1.2 to 1.5).

**4 Neither the Army nor Capita tested the fundamental changes to the recruitment approach prior to its introduction.** The Army and Capita planned to introduce a centralised, automated approach to engaging with candidates, using a new online recruitment system. In 2012, they established the National Recruiting Centre and reduced the number of local recruitment offices from 131 to 68. The Army and Capita did not test whether this approach was appropriate to a military context before introducing it.<sup>3</sup> They told us that automated recruitment processes were widely used, but neither the Army nor Capita recognised the complexity of introducing this level of change in the military context (paragraphs 1.6 to 1.8).

### **The problems encountered and the response**

The online recruitment system

**5 The online recruitment system was launched 52 months later than originally planned due to delays caused first by the Ministry of Defence (the Department) and then Capita.** The Army initially expected to launch the new online system in July 2013. As we reported in 2014, the Department failed to meet its contractual obligations to provide the IT infrastructure to host Capita's recruitment software. In January 2014, the Army passed responsibility for developing the whole system to Capita.<sup>4</sup> After a series of delays, Capita launched the system in November 2017. The Army spent £113 million developing the new system and running the legacy system longer than expected. This was triple the original budget. Capita funded development of the new system and the costs of running the legacy systems from July 2015 (paragraphs 2.3 to 2.4, 2.7 and 2.9).

**6 Capita under-estimated the complexity of the Armed Forces' requirements.**<sup>5</sup> It did not recognise the level of customisation that was required for the new online system. As a result, it could not use an 'off-the shelf' commercial solution, and took longer than expected to develop a bespoke application.<sup>6</sup> These delays meant Capita could not introduce the automated approach to recruitment as originally envisaged. It developed manual work-arounds to process applications and candidates were unable to manage their applications online (paragraphs 2.5 to 2.6 and 2.8).

3 Our report on NHS England's contract with Capita also noted the high risk posed by contracting out services while simultaneously seeking to transform those services. Comptroller and Auditor General, *NHS England's management of the primary care support services contract with Capita*, Session 2017–2019, HC 632, National Audit Office, May 2018.

4 Our report *Army 2020* covered the early implementation problems. Comptroller and Auditor General, Ministry of Defence, *Army 2020*, Session 2014–15, HC 263, National Audit Office, June 2014.

5 The online recruitment system will also be used by the Royal Navy and Royal Air Force.

6 Our report on Shared Service Centres found that by insisting on overly customised processes, Departments had not acted as intelligent customers. Comptroller and Auditor General, *Efficiency and reform in government corporate functions through shared service centres*, Session 2010–2012, HC 1790, National Audit Office, March 2012.

**7 Capita encountered significant problems when it launched the online recruitment system, which reduced the number of recruits.** Applicants had difficulties using the online system and Capita staff faced problems processing applications. The Army estimates that this resulted in 13,000 fewer applications between November 2017 and March 2018, compared with the same period in the preceding year, and could lead to 1,300 fewer enlistments. The Royal Navy and Royal Air Force were also affected, but to a much lesser extent, losing around 150 and 84 recruits respectively since November 2017. In response, Capita introduced, at its own cost, a seven-month period of enhanced support to fix the problems and the Army provided additional personnel to contact candidates who had registered an interest (paragraphs 2.10 to 2.11).

**8 The Army does not have full ownership of the online system but will have rights to use and modify the system after the Capita contract ends in 2022.** The online system is hosted on Capita's IT infrastructure. The Army will therefore need to negotiate a new support contract with Capita or develop its own IT infrastructure if it wants to host the online system beyond the end of the contract. The Army is now assessing whether it can adapt the online system for its future recruitment needs. It reviewed the Capita contract and established that it has the right to use and modify the system after 2022. The Army is negotiating with Capita to secure full access to the source code and has begun to explore whether it can modify the system. If the Army decides that the system is not suitable for modification, it will need to buy or develop a new recruitment system after the contract with Capita ends (paragraphs 2.12 to 2.13).

The centralised recruitment approach

**9 In November 2016, the Army and Capita revised their approach to engaging with applicants and enhanced the support available at local offices.** On the basis of feedback from recruitment staff, the Army and Capita decided that the centralised, automated approach did not give applicants sufficient support. They recognised that face-to-face contact was crucial in encouraging applicants to join and improved the support available to coach them through the recruitment process. The Army replaced reserve soldiers, who were previously involved in recruiting, with regular soldiers to help 'sell' a career in the Army. Capita committed to hiring 116 professional recruiters. The Army will pay Capita an additional £33 million up to 2022 to establish this approach but estimates that it will reduce its own staff costs by £43 million over this period (paragraphs 2.14 to 2.16).

## The recruitment process

**10 After an initial fall in 2014-15, the Army has not reduced the time it takes to complete the recruitment process.** The Army aimed to recruit soldiers and officers more effectively and reduce the time this takes. In the first six months of 2018-19, half of regular soldier applicants took up to 321 days to complete the recruitment process – from application to the start of basic training. Sixteen per cent of applicants took fewer than 200 days, but 27% took more than 400 days. The Army and Capita believe this is a significant factor in converting applicants into new recruits. In 2017, 11% of applicants went on to join the Army and 47% voluntarily dropped out during the process. The Army and Capita have not, however, made any substantive changes to the recruitment process since Capita's contract started and recruitment times have not reduced since 2014-15 (paragraphs 2.18 to 2.21).

**11 In April 2018, the Army and Capita launched a new project to reduce recruitment times and improve conversion rates.** They are trialling a number of changes to the recruitment process, including the order of the different stages of recruitment, streamlining processes and revising entry standards. The Army and Capita are working to reduce the time it takes to complete the application process for regular soldiers to 109 days – from application to the allocation of a training date. They see this as a step towards achieving the three-month target that the Permanent Secretary advised the Committee of Public Accounts in May 2018. They intend to make further changes if this project is successful and funding is available. While the focus is on increasing the number of recruits, the Army is examining the impact of the proposed changes to entry standards on the quality of recruits (paragraph 2.22).

## How the Army and Capita have managed the Programme

**12 The Army has penalised Capita for missing its recruitment targets, but this has not improved recruitment performance.** The Army could not apply the full performance regime before August 2015, as the delays in implementing the online recruitment system meant it had not fulfilled its contractual obligations. Between August 2015 and September 2018, Capita did not meet its performance targets for the number of recruits in 37 out of 38 months. The Army deducted service credits of £26 million, 6% of Capita's total contract payments (paragraphs 3.2 to 3.4).



**13 In April 2017, the Army agreed to lower Capita's performance targets and reset the service credit deductions.** In September 2016, in response to a request from the Army, Capita proposed a number of amendments to the contract. The Army was already deducting the maximum service credits and considered there was little prospect of Capita's performance improving without agreeing to concessions. The Army sought to secure improved recruiting performance while reinforcing their partnering agreement. It agreed to reduce its targets for the number of recruits, from its assessment of what was required, to a forecast of what Capita was most likely to achieve. In 2017-18, this represented a 20% reduction on the Army's requirement. The Army also changed the basis on which it calculated service credit deductions. As part of this effort to improve recruitment performance, the Army and Capita implemented an improvement plan but, as of September 2018, were still missing the new recruitment targets (paragraphs 3.5 to 3.8).

**14 The Army's management of the Programme has limited its ability to refine the recruitment process.** The Army included 10,000 specifications in the Capita contract and did not take the opportunity to simplify the recruitment process before introducing the new online system. Between 2013 and 2018, it also responded slowly to Capita's proposals to streamline or change the process. Until recently, responsibility for recruitment was dispersed across a number of teams and the Army did not fully understand the process because of poor-quality management information. These factors have meant that progress in simplifying the recruitment process – and reducing recruitment times – has been slow (paragraph 3.9).

**15 In June 2018, the Army and Capita launched the Army Manning Campaign, which is supported by a revised governance structure.** This campaign brings together the eight business areas involved in Army recruitment, training and retention. It is overseen by the Army Manning Campaign Board, which is co-chaired by a Lieutenant General and a Capita senior executive, clarifies accountabilities and provides a clear route for escalating problems. The Board is directing the implementation of the new initiatives to improve recruitment. The campaign is also supported by the online recruitment system, which provides new management information to monitor performance. The Army believes that this campaign represents a transformational change in the way it and Capita are tackling the recruitment and manning challenge (paragraph 3.10).

The current position

**16 The Army and Capita have made significant changes to their overall approach to recruitment, but these have not yet resulted in the Army's requirements for new regular soldiers being met.** The Army and Capita believe that the new online system, recent changes to how they engage with applicants, and their revised programme management will help them to improve performance. They have also invested in marketing, which has been accompanied by increased applications for regular soldiers to 57,400 in 2017-18, a rise of 17% compared to 2015-16. But, given the time it takes to complete the recruitment process, Capita has not yet converted the increase in applications into enlistments. In the first six months of 2018-19, Capita recruited 2,400 regular soldiers, compared with the Army's target of 5,300 (paragraph 2.24).

**17 The Army is forecasting that expenditure will remain within the approved budget, despite the cost of the Capita contract rising by 37% to £677 million.** The cost of the Capita contract has increased from £495 million due mainly to the additional cost of developing the online system and the revised approach to recruitment. Despite this, in October 2018, the Army forecasts that overall spending on the Programme will remain within the original budget approval of £1.36 billion up to 2022. The Army has used the £199 million contingency that was included in its original budget and will need to apply for additional funding if there are any further cost increases (paragraph 3.11).

**18 The Department will not achieve the planned financial savings.** The business case for the Programme forecast £267 million of potential savings by 2022. In October 2018, the Army estimated that it had achieved savings of £25 million in the first six years of the contract and forecast that the Programme would achieve savings of £258 million by 2022. We found, however, that the Army had not adjusted for personnel who continue to be involved in the recruitment process, at an estimated cost of at least £37 million (paragraph 3.12).