



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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Ministry of Defence

# Investigation into the British Army Recruiting Partnering Project

Report by the Comptroller and Auditor General

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to be printed on 12 December 2018

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National Audit Act 1983 for presentation to the House of  
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB  
Comptroller and Auditor General  
National Audit Office

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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# 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).

# Part One

## Background

**1.1** This part sets out why the British Army (the Army) contracted out its recruitment process and provides an overview of performance in recruiting new soldiers and officers since it introduced the Recruiting Partnering Project (the Programme) in 2012.

### **Transforming Army recruitment**

**1.2** Before 2012, the Army's approach to recruitment had changed little since the end of National Service in 1960. It focused on localised recruitment by individual units and was run from Army Career Information Offices and Armed Forces Recruiting Offices across the United Kingdom. These offices were staffed by around 2,000 regular and reservist soldiers. There was little coordination between recruitment areas and limited information about the efficiency of the recruitment process.

**1.3** In 2011, the Ministry of Defence (the Department) approved the Army's business case to modernise its approach to recruitment. The main reasons were:

- the Army had not met its recruitment targets for soldiers or officers in the previous decade, with an average shortfall of 1,500 recruits per year;
- the Army expected it to get harder to recruit as the UK economy improved, and wanted to bring in external recruitment expertise; and
- the recruitment IT systems for the Army, Royal Navy and Royal Air Force were nearing the end of their useful lives and required replacement.

**1.4** In addition, the Army was committed to making savings of £5.3 billion between 2012-13 and 2021-22.<sup>7</sup> Alongside other measures, it sought to make efficiencies in its recruitment process, allowing it to redeploy personnel to front-line operations.

<sup>7</sup> Comptroller and Auditor General, Ministry of Defence, *Army 2020*, Session 2014-15, HC 263, National Audit Office, 10 June 2014.

**1.5** The Army's aim was to transform recruitment and it launched a 10-year, £1.36 billion programme – known as the Recruiting Partnering Project (the Programme). In March 2012, following a competitive process, the Army awarded a £495 million contract to Capita Business Services Ltd (Capita). It believed that contracting-out to a commercial provider would bring new expertise in recruitment and marketing. It anticipated that the Programme would achieve:

- the removal of 350 recruitment-related civil service posts and the release of around 900 military personnel to other Army tasks;
- £267 million in financial savings by 2022, based on this reduction in staff numbers and a more efficient recruitment process;
- a more effective recruitment process, reducing recruitment times and increasing the proportion of applicants who complete training; and
- consolidation of 40 recruitment-related contracts under a single contract with one commercial partner.

**1.6** The Army and Capita created a partnering agreement to manage the approach to recruitment. The Army was still responsible for recruitment policy, including setting eligibility criteria and entry standards. Capita was responsible for leading the recruitment operation, including marketing, processing applications and running candidate assessment centres. The Army was to provide the estate and IT infrastructure to host the online recruitment system. Capita was required to supply and operate a modern, commercial standard IT system.

**1.7** The new approach involved a fundamental shift away from the Army's localised, face-to-face engagement with applicants. The Army and Capita introduced a centralised, automated approach to managing candidates through the process, based on:

- a National Recruiting Centre (in Upavon) to increase efficiency by centralising and automating administrative functions;
- 'candidate support managers' who acted as the point of contact with candidates and manage them through the application process; these managers dealt with an average of 600 applicants (regular soldiers) each and were supported by specialist teams;
- a new online recruitment system to enable applicants to apply online and track their application, and automate communication with applicants; and
- less than half the number of local recruitment offices and five regional assessment centres.

The Army believed its localised recruitment approach was out-dated and inefficient. Capita told us that the new automated recruitment process was in line with the approach taken by large-scale commercial organisations at the time. However, the Army and Capita did not test whether the new approach was appropriate in a military context.

**1.8** Our report *NHS England's management of the primary care support services contract with Capita* noted the risks posed by contracting out services while simultaneously transforming processes.<sup>8</sup> In 2012, the Army recognised that introducing a new IT system on the Department's IT infrastructure was high risk. The Army and Capita have since acknowledged, however, that they did not fully understand the scale and complexity of the changes that the Programme introduced.

## **Performance against recruitment targets since 2012**

**1.9** Each year, the Army sets a requirement for the number of soldiers and officers (regulars and reserves) that it needs to recruit. In total, Capita has missed the targets by between 21% and 45% each year since 2013-14. Capita's performance against the Army's targets has varied:

- **regular soldiers:** the shortfall has increased over the last three years and was 4,300 below target in 2017-18 (42% below) (**Figure 1** overleaf);
- **regular officers:** the Army needs smaller numbers of officers (around 700 a year), and in 2017-18, Capita was 5% below target (**Figure 2** on page 15);<sup>9</sup> and
- **reserve soldiers and officers:** the size of the shortfall has been at its highest level in the last two years and was 2,616 below target in 2017-18 (59% below) (**Figure 3** on page 16).

**1.10** The average recruitment shortfall for regular soldiers was 30% over the first five years of the Capita contract, compared with an average shortfall of 4% in the two years preceding the contract. Recruitment shortfalls, along with retention issues, 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. The shortfalls can also create inefficiencies, such as running training courses at reduced capacity.

**1.11** The Armed Forces have targets to increase the diversity of those joining by 2020. Their targets are to increase female personnel to 15% of total intake and to increase Black, Asian and Minority Ethnic (BAME) personnel to at least 10% of total intake by 2020. These are Departmental targets and not contractual targets for Capita. For the 12 months to 31 March 2018, 10.2% of regulars joining the Army were female and 11.9% were BAME.

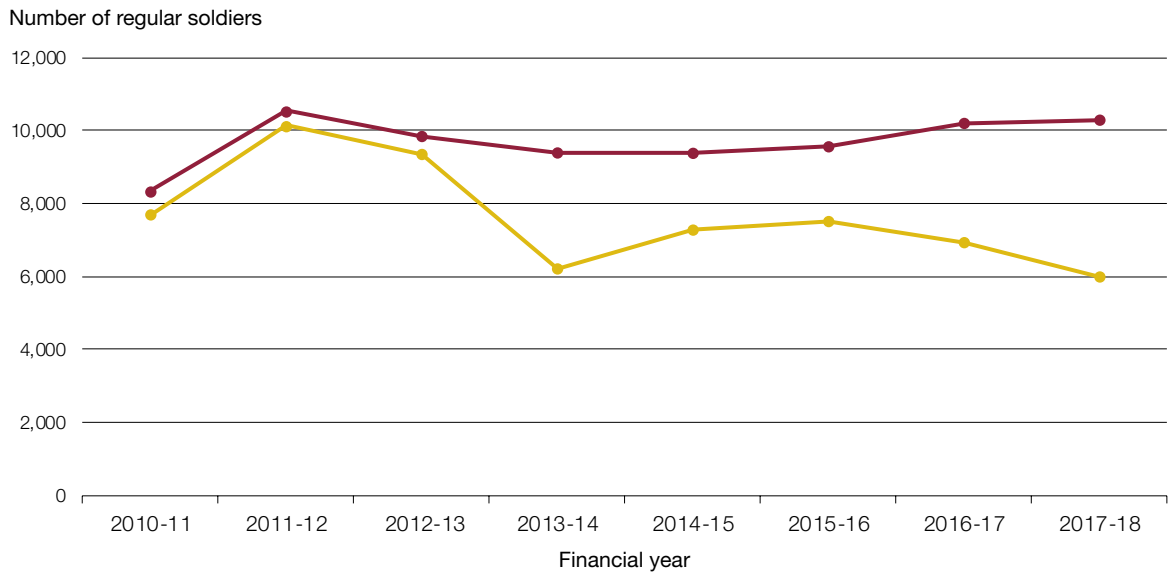
<sup>8</sup> Comptroller and Auditor General, *NHS England's management of the primary care support services contract with Capita*, Session 2017–2019, HC 632, National Audit Office, May 2018.

<sup>9</sup> In 2017-18 Capita met 100% of the Army's requirement for 'direct entrant' officers (602 officers) but only 65% of the requirement for professionally qualified officers (59 of 91 officers).

**Figure 1**

Regular soldiers – performance against Army recruitment targets, 2010-11 to 2017-18

Capita has not met its targets for recruiting regular soldiers in any year



	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
● Requirement	8,347	10,532	9,833	9,382	9,369	9,552	10,203	10,281
● Actual	7,698	10,143	9,358	6,198	7,265	7,491	6,921	5,981

**Notes**

- 1 Excludes Gurkhas, re-joiners, Commonwealth and Full Time Reserve Service.
- 2 Requirement is set by the Army.

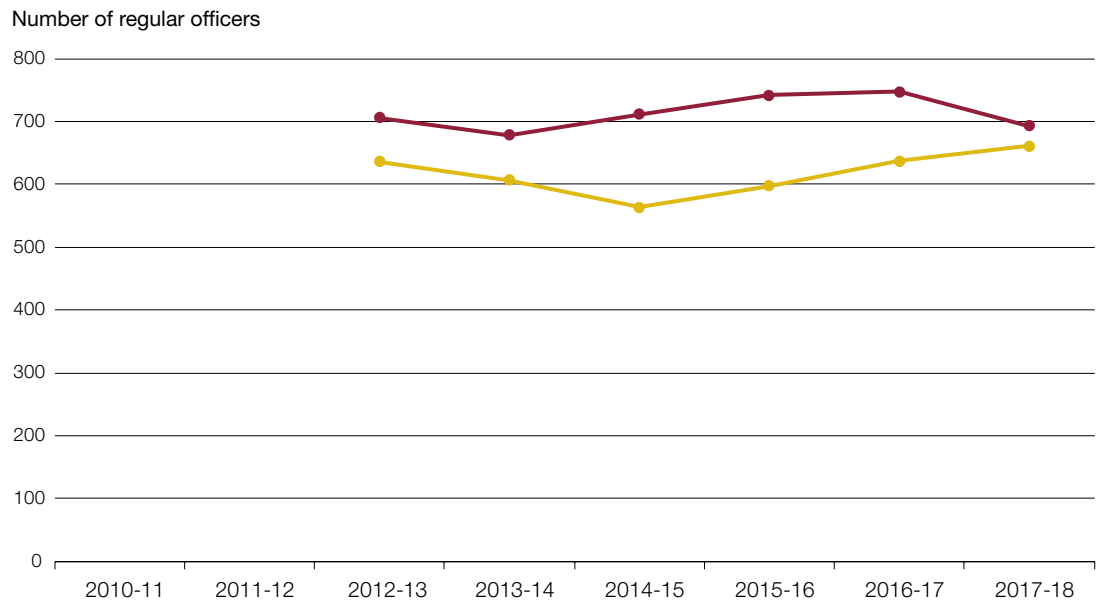
Source: National Audit Office analysis of Departmental data



**Figure 2**

## Regular officers – performance against Army recruitment targets, 2012-13 to 2017-18

Capita has not met its targets for recruiting regular officers in any year



● Requirement

● Actual

**Notes**

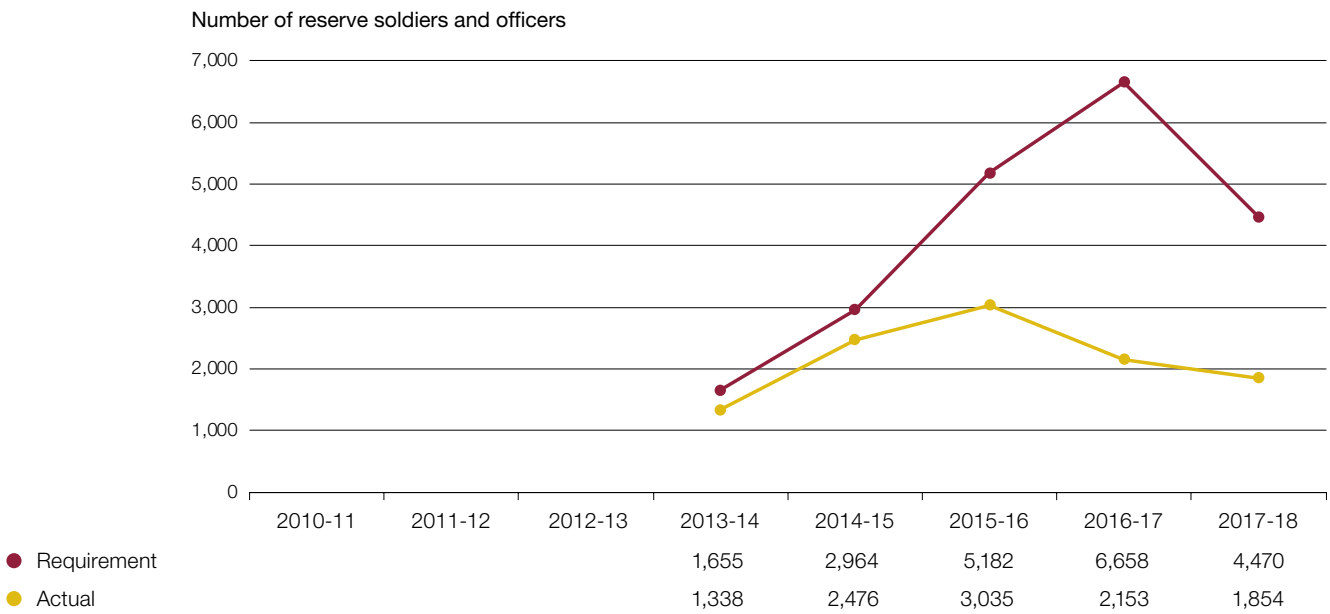
- 1 Excludes Gurkhas, re-joiners, Commonwealth and Full Time Reserve Service.
- 2 Requirement is set by the Army.
- 3 The Army was not able to provide recruitment numbers for regular officers prior to 2012-13.

Source: National Audit Office analysis of Departmental data

**Figure 3**

Reserve soldiers and officers – performance against Army recruitment targets, 2013-14 to 2017-18

Capita has not met its recruiting targets for reserve soldiers and officers in any year



**Notes**

- 1 Excludes Gurkhas, re-joiners and Commonwealth.
- 2 Requirement is set by the Army.
- 3 The Army was not able to provide recruitment numbers for reserves prior to 2013-14.

Source: National Audit Office analysis of Departmental data

**1.12** The Army and Capita have highlighted factors that they consider affect their ability to recruit, including:

- **An improving UK economy**

Data from the Office for National Statistics shows that unemployment was at 4% in August 2018, the lowest since 1975. The Department's analysis shows that applications to join the Armed Forces fall when the economy improves.

- **Target population and societal changes**

The target population is shrinking and young people are less likely to join the Armed Forces. Research also suggests that people who reached young adulthood in the early 21st century may be less likely to commit to long-term careers in the Armed Forces.<sup>10</sup>

- **Public perceptions**

There is a perception that the Army is reducing in size; a non-operational Army is less attractive to join; and the public's understanding of the Army's role has reduced.

<sup>10</sup> PJ Montana and F Petit, 'Motivating Generation X and Y on the Job and Preparing Z', *Global Journal of Business Research*, 2008, Vol 2, Issue 2, pp 134–148. W Strauss and N Howe, *Millennials Rising: The Next Generation*, Vintage, 2008.

# Part Two

## The problems encountered and the response

**2.1** This part outlines the difficulties that the British Army (the Army) and Capita Business Services Ltd (Capita) have encountered implementing the Recruiting Partnering Project (the Programme), and how they have responded.

### **Introduction of the new online recruitment system**

**2.2** The Army's proposed transformation of its recruitment approach was based on introducing a system that would enable candidates to manage their applications online and on automating the process. In accordance with Cabinet Office requirements at the time, the Ministry of Defence (the Department) sought to develop a new online system that would meet the needs of the three Armed Services.<sup>11</sup>

### The Army initially attempted to develop the IT infrastructure

**2.3** The Department approved the Programme on the basis that the Army would use its existing IT infrastructure to host the online system. In 2012, the Department was therefore responsible for developing the IT infrastructure to achieve this. Capita was responsible for developing the new online system. As we reported in 2014, the Department encountered problems with the delivery of the IT infrastructure, and deadlines were repeatedly missed.<sup>12</sup> The main problems were that the Department:

- had to manage a relationship between two providers who had no contractual relationship with each other;
- underestimated the complexity of what it was trying to achieve and, consequently, the resources required to manage the risks; and
- had an Army project management team that was inexperienced and under-resourced.

<sup>11</sup> In 2012 Departmental and wider government policy was to harmonise government information and communication technology (ICT) infrastructure and government efforts to maximise existing contracts.

<sup>12</sup> Comptroller and Auditor General, Ministry of Defence, *Army 2020*, Session 2014-15, HC 263, National Audit Office, 10 June 2014.

**2.4** The Army originally intended to introduce the new online recruitment system by July 2013. In December 2013, it accepted that its approach had not worked and passed responsibility for implementing the whole approach – the hosting infrastructure and the online recruitment system – to Capita. The Department’s Accounting Officer accepted that the failure to manage the dependencies between the Atlas and Capita contracts was ‘unacceptable’.<sup>13</sup>

### Capita took responsibility for developing the online system

**2.5** Capita initially intended to use an ‘off-the-shelf’ commercial system but underestimated the complexity of the Army’s requirements. It found the level of customisation needed to support the three Armed Services’ recruitment processes meant that an off-the-shelf system was not a viable technical solution. In February 2015, it therefore began to develop a new bespoke system.

**2.6** Capita then encountered problems developing the new application and missed launch deadlines in July 2015, April 2016 and April 2017. The main problems involved the scale of the three Armed Services’ processes and requirements, and the number of interfaces with other IT systems. For example, the Armed Forces have over 250 job roles, each with its own eligibility criteria and rules, which means a new Army candidate can have 27 possible pathways through the recruitment process. Capita told us that these requirements made system development more complex than standard online recruitment systems.

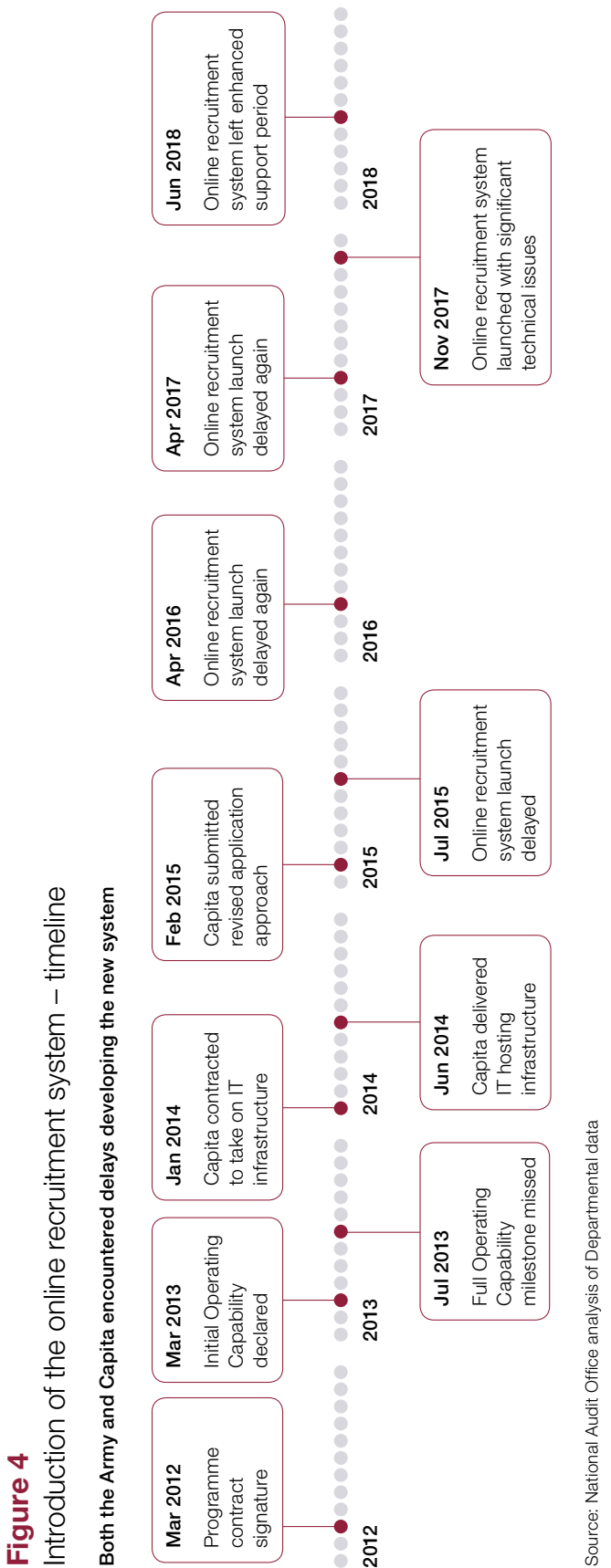
**2.7** Capita launched the new online system in November 2017, which was 24 months later than it had initially planned. The new system was 52 months later than expected in the original contract (**Figure 4** overleaf).

**2.8** The delays in implementing the online recruitment system meant Capita had to develop manual work-arounds to process applications between 2014 and 2017. Applicants were also unable to manage their applications online, undermining the candidate-led approach. This meant that Capita could not introduce the new centralised approach to recruitment as originally envisaged.

**2.9** The Army funded the additional development costs until July 2015, and Capita funded development and legacy system costs from this point.<sup>14</sup> The Army’s expenditure increased from £37 million to £113 million, including additional payments to Capita to host and develop the new online system and the additional cost of running the legacy systems. The Army also incurred £19 million in costs from the wider Atlas contract.

<sup>13</sup> HC Committee of Public Accounts, Oral Evidence, *Army 2020*, Eleventh Report of Session 2014-15, HC 104-i, 16 June 2014, Q117. Atlas was the consortium that delivered the Department’s Defence Information Infrastructure programme.

<sup>14</sup> Capita told us they had invested £54.4 million in system development and legacy systems. We have not validated this figure.



**2.10** In November 2017, Capita encountered significant operational problems when it launched the online recruitment system. Applicants were unable to access the online system or received incorrect error messages, affecting their ability to register and apply. Capita staff also encountered difficulties moving candidates through the recruitment stages. At its own cost, the company began a seven-month period of enhanced support to address the technical problems.<sup>15</sup> The Army also provided extra resources to contact applicants who might have abandoned their application. The online system has been operational since April 2018 and is being used by applicants and recruitment staff.

**2.11** The Army estimated that it received 13,000 fewer applications between 1 November 2017 and 31 March 2018, compared with the same period in the preceding year, and estimated that this could lead to 1,300 fewer enlistments. The Royal Navy and Royal Air Force used the online recruitment system when it was launched and also experienced reduced applications and enlistments. However, the impact was lower as they implemented their own business continuity arrangements.<sup>16</sup>

### Future of the online recruitment system

**2.12** The Army will not have full ownership of the online system after the Capita contract ends in 2022. It initially intended to host the new system on its existing IT infrastructure but passed responsibility for developing this to Capita in 2014. The online system is therefore hosted on Capita's IT infrastructure. The Army will need to negotiate a new support contract with Capita or develop its own IT infrastructure if it wants to host the online system itself beyond the end of the contract.

**2.13** 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 does not, however, have contractual rights to access the software source code (which underpins the application) until 18 months before the contract ends. It is negotiating with Capita to secure full access to the source code and has begun to explore whether it can modify the system in the future. But the complexity of the system will mean it is difficult to test its future adaptability. If the Army decides to continue using the system, it will have to pay Capita for a licence. However, if the application is not suitable for modification, the Army will need to buy or develop a new recruitment system after the contract with Capita ends.

<sup>15</sup> Capita told us that they had invested £5.5 million in this period of enhanced support. We have not validated this figure.

<sup>16</sup> The Royal Air Force assessed that it lost 84 recruits in 2017-18. The Royal Navy estimated that it lost around 150 recruits between 2017-18 and 2018-19.

## The recruitment approach

**2.14** From April 2013, the Army and Capita introduced a centralised approach to recruitment, supporting candidates remotely from the National Recruiting Centre and closing around half the local recruitment offices. By 2014, the Army and Capita had anecdotal feedback that the approach was not working. Capita staff found it difficult to establish relationships with candidates, who were considering whether to join the Army, and to support them through the recruitment process by telephone. The Army and Capita therefore introduced new initiatives to improve their engagement with candidates, such as additional coaching and introducing specialist recruitment teams.

**2.15** In November 2016, the Army and Capita revised their approach to increase the level of face-to-face contact with applicants at local recruitment offices, with the National Recruiting Centre providing the administrative function. They recognised that face-to-face contact was crucial in persuading applicants to join and improved the support available to coach them through the recruitment process. The Army replaced full-time reserve soldiers, who were involved in recruiting, with serving 'role-model' regular soldiers to help 'sell' a career in the Army. Capita hired 116 professional recruiters. In September 2018, Capita reported that over 90% of candidates were positive about the level of communication and support provided under this new approach.

**2.16** The Army and Capita tested this approach and rolled-out the changes by November 2018. The Army will pay Capita an additional £33 million over the remainder of the contract to operate the new approach but estimates that it will reduce its own staff costs by £43 million over this period.

**2.17** The Army has not analysed the impact of closing local recruitment offices on enlistment numbers. In 2016, the Army's consultants indicated that closing offices had not made any significant difference to the number of applications.<sup>17</sup> Our review of Army data shows that the closures have increased car journey times to local recruitment centres (**Figure 5**). In addition, between 2010-11 and 2016-17, the reduction in enlistments in Scotland and the north of England correlated with these closures.<sup>18</sup> The Army and Capita told us they were making greater use of mobile career centres to increase their representation in some towns and make it easier for applicants to get face-to-face contact with recruiters.

<sup>17</sup> Based on an external review completed in 2016 (see paragraph 3.5).

<sup>18</sup> This review did not control for other social and economic factors.



**Figure 5**

## Changes to car journey times following closure of recruitment centres

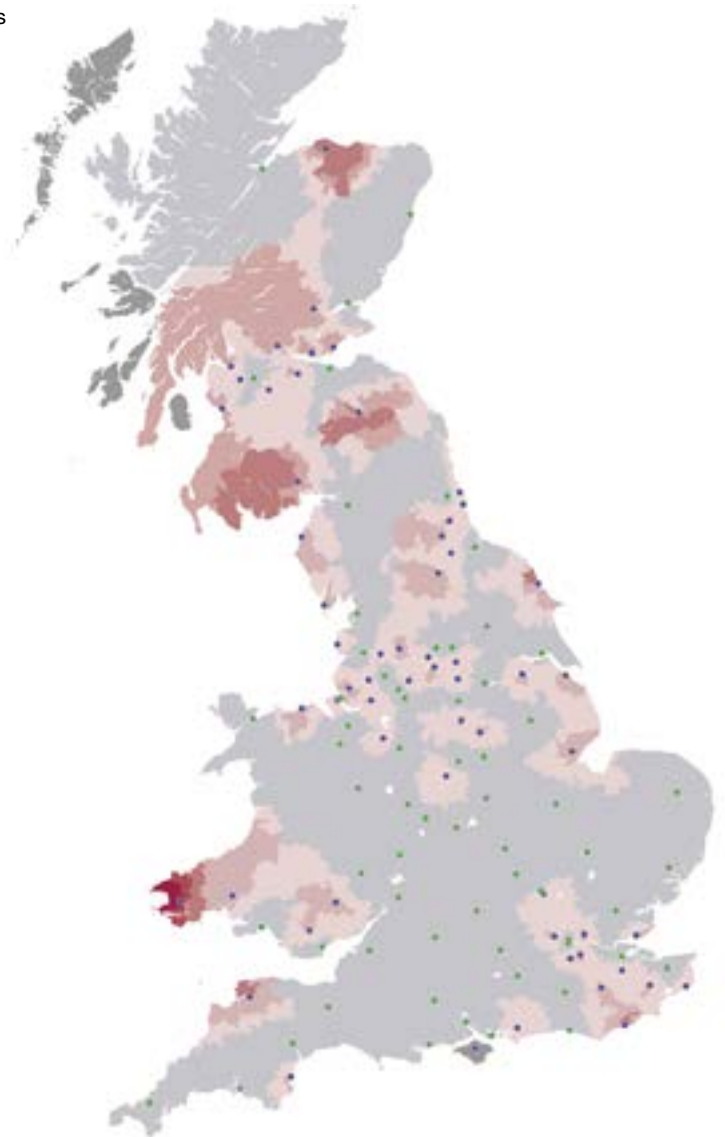
**Local recruitment centre closures have increased candidates' journey times**

## Army recruitment centre status

- Closed
- Open

## Impact on car journey times

- Longer than 120 minutes
- Up to 120 minutes longer
- Up to 90 minutes longer
- Up to 60 minutes longer
- Up to 30 minutes longer
- No change
- No data

**Notes**

- 1 The Army closed 63 of its 131 local recruitment offices.
- 2 The data provided by Department for Transport (DfT) did not include a small number of Lower Super Output Areas, which have been shown as no data.
- 3 DfT's modelling tool for car journey times relies on the journey to be done using only the car with no other form of transport. Therefore, where access to an army recruitment centre would require the use of a ferry the model returns no data.
- 4 There are a small number of lower super output areas where the modelling data from DfT returned no data.
- 5 The map shows the increase in journey times, by car, to the remaining Army recruitment centres from every Lower Super Output Area (LSOA) in England and Wales or Data Zone in Scotland. LSOA's are a set of geographical regions used to report census results and other statistical outputs. Data Zones are a unit of census geography. There are 34,753 LSOAs in England and Wales and 6,976 Data Zones in Scotland.

Source: National Audit Office analysis of Ministry of Defence and Department for Transport data

## **The recruitment process**

**2.18** Applicants have to progress through a number of recruitment stages to join the Army, including medical, psychometric and fitness testing. In the first six months of 2018-19, half of regular soldier applicants took up to 321 days to complete the recruitment process, from submitting their application to starting basic training (**Figure 6**). There is a wide range in recruitment times, with some applicants completing the process a lot more quickly. For example, 16% of applicants took fewer than 200 days but 27% took more than 400 days (**Figure 7** on page 26). Applicants have encountered delays throughout the process, with long waits for medical records to be obtained from their general practitioner and then checked. These recruitment times also include around 100 days between being allocated to initial training and actually starting, although this can vary widely depending on the applicant's circumstances and the availability of training courses.<sup>19</sup>

**2.19** The Army and Capita believe the length of time to complete the application process is a significant factor in converting applications into enlistments. In 2017, they converted 11% of applications into new joiners but the Army's analysis showed that 47% dropped out of the process voluntarily, rather than failing to meet the required standards. The Army and Capita are now using the new online recruitment system to generate better data on conversion rates at each stage of the process to understand when applicants drop out. They also told us that they are seeking to improve conversion rates by tailoring the recruitment process more to individual needs.

**2.20** The Army and Capita reduced recruitment times in 2013-14 – the first year of the contract – but there has been little change since 2014-15. They have not made any substantive changes to the recruitment process, although they have made some changes to reduce delays and improve the throughput of applicants. However, they introduced some changes – such as the use of primary health care records – without trialling them and found that these actually slowed recruitment times.

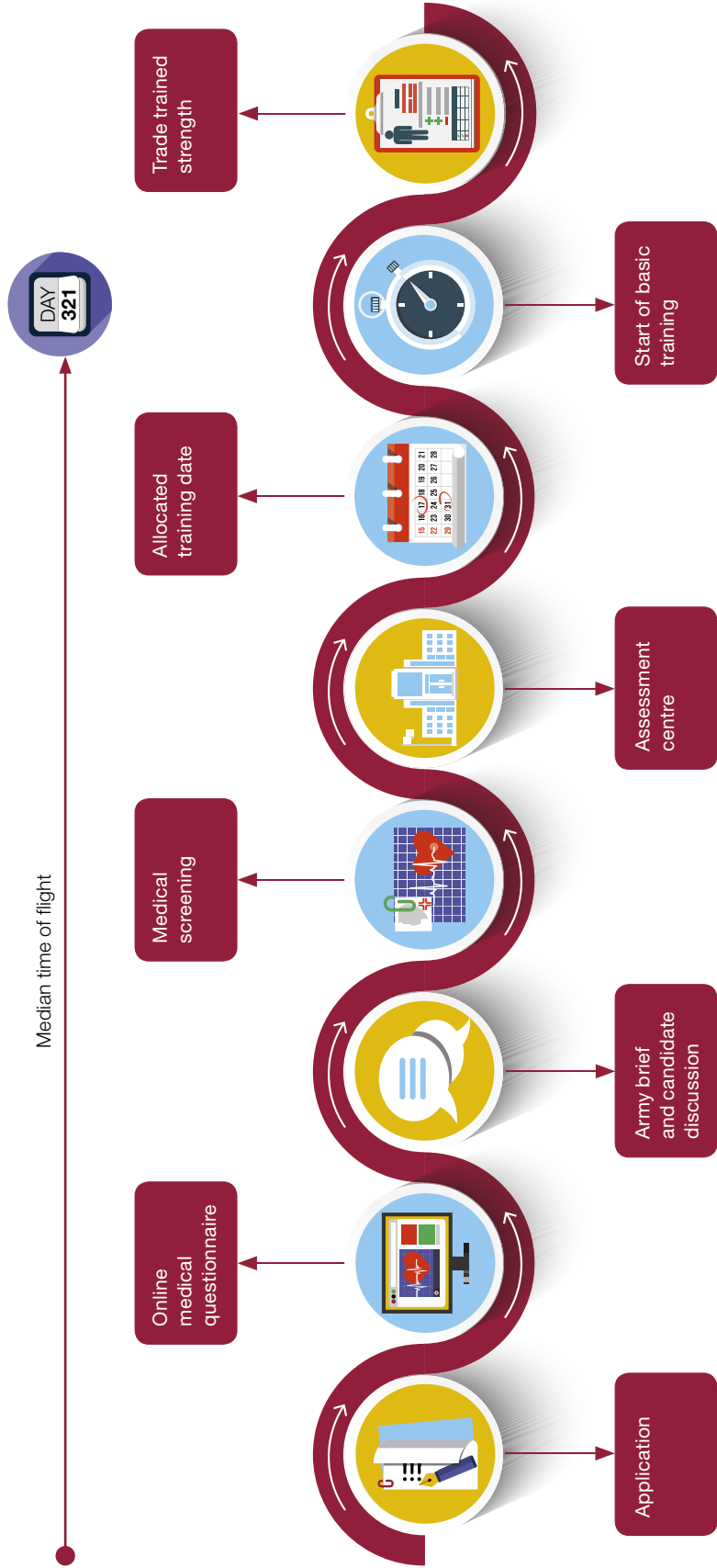
**2.21** The Army recognised that the scale and pace of changes to the recruitment process have been restricted by inadequate arrangements to consider potential changes and has provided additional resources to strengthen its contract management. In June 2018, it also restructured the way it manages the Programme to enable it to make quicker decisions on potential changes to the system or process (paragraph 3.10).

<sup>19</sup> The Army began measuring the delays in starting training in March 2018.

**Figure 6**

The median time taken to complete the recruitment process

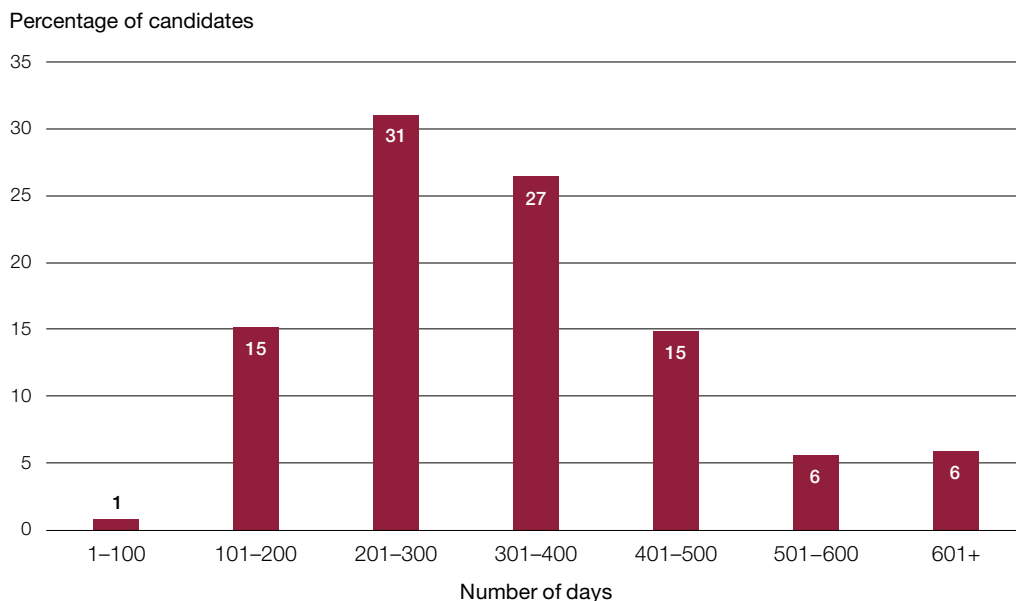
The median time to complete the recruitment process to starting basic training was 321 days in the first six months of 2018-19



**Figure 7**

Distribution of time taken to complete the recruitment process – for regular soldiers who enlisted in 2017-18

16% of candidates completed the recruitment process in fewer than 200 days, and 27% took more than 400 days

**Note**

1 Figures have been rounded.

Source: National Audit Office analysis of Departmental data

**2.22** In 2018, the Army and Capita have introduced a major project to reduce recruitment times and improve the conversion of applicants into new recruits. 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 project aims to reduce recruitment times for regular soldiers to 109 days and reserve soldiers to 98 days – from application to the allocation of a training date. In May 2018, the Permanent Secretary told the Committee of Public Accounts that the Secretary of State for Defence had set a target to reduce recruitment times to three months.<sup>20</sup> The Army and Capita see these recent changes as a step towards achieving this target and told us that they intend to introduce further changes if the first phase of the project is successful and funding is available.

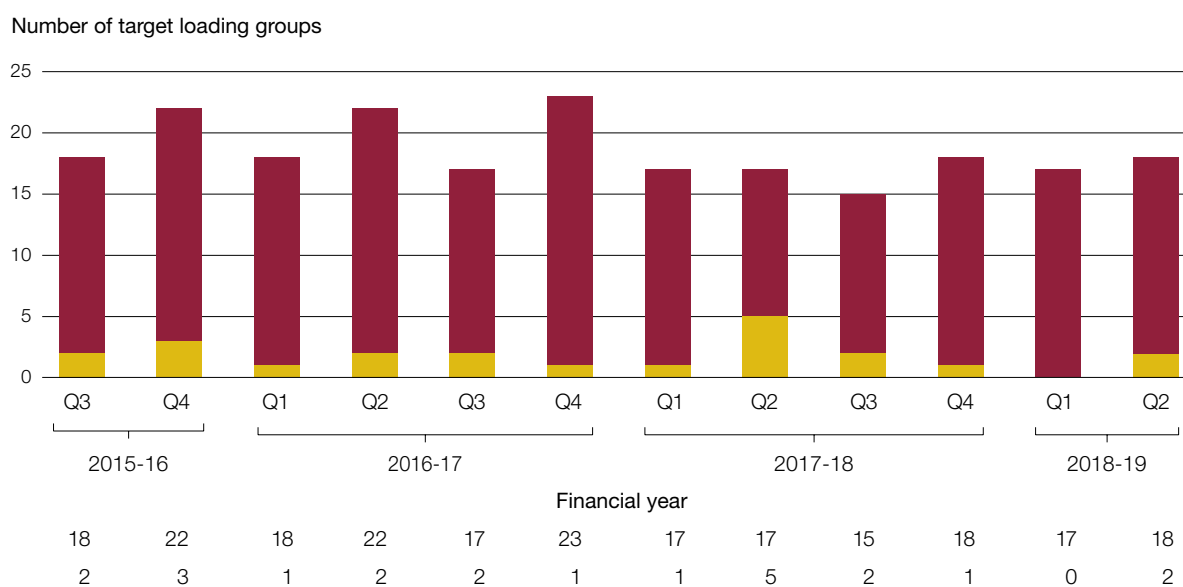
<sup>20</sup> HC Committee of Public Accounts, *Skill shortages in the Armed Forces*, Fifty-ninth Report of Session 2017–2019, HC 1027, September 2018.

**2.23** As well as seeking to hit targets for the number of new recruits, the Army wants to recruit and develop people with particular skills. We noted in our report on *Ensuring sufficient skilled military personnel* that the Army has shortfalls in specialist trades, such as medical and engineering roles.<sup>21</sup> Drawing on this analysis, the Army considers its shape, size and skill requirements and, on this basis, sets targets for Capita to recruit into specific groups. However, Capita did not achieve the Army's requirement in more than five of 17 target groups in any quarter in 2017-18 (**Figure 8**).

## Figure 8

Performance against recruitment targets for specific priority groups

Capita have missed the Army's targets for priority groups by 70% or more every year



### Notes

- 1 The 'target' is set by the Army and represents its assessment of the number of people required in specific priority groups.
- 2 Data have been aggregated into quarters.

Source: National Audit Office analysis of Departmental data

## The current position

**2.24** The Army and Capita believe that recent changes will improve the recruitment of regulars and officers. They have increased the investment in marketing and achieved 57,400 applications for regular soldiers in 2017-18, a rise of 17% compared to 2015-16. Capita also told us that the new recruitment system is allowing candidates to do more online and progress their applications quicker, which is beginning to improve the flow of applicants through the process. 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, it recruited 2,400 regular soldiers, against a target of 5,300 (45% of the Army's requirement) and 450 new officers, which exceeded the Army's requirement. Capita forecasts that it will achieve 58% of the Army's inflow requirement for regulars by the end of 2018-19.

# Part Three

## How the Programme has been managed

**3.1** This part sets out how the British Army (the Army) monitored Capita Business Services Ltd's (Capita's) performance and renegotiated parts of the contract; the revised partnering arrangements; and the current forecast cost and benefits of the Recruiting Partnering Project (the Programme).

### Monitoring Capita's performance

**3.2** The Army established four key indicators to monitor Capita's performance, focusing on the quantity and quality of new recruits, the recruiting experience and availability of IT systems. The Army's payments consist of a standing charge and a 'recruiting charge', which varies depending on Capita's monthly performance against these indicators. The Army can penalise Capita if targets are not met, on an escalating scale if poor performance persists.

**3.3** The Army was initially unable to apply the full performance regime as the delays in developing its part of the online recruitment system meant it had not met its own contractual obligations (paragraph 2.3). As a result, the Army:

- did not apply the performance regime between March 2013 and June 2014;
- introduced a reduced version of the performance regime between June 2014 and July 2015, when it became clear that Capita's proposed solution for the online recruitment system was not suitable;
- monitored Capita's performance against three of four key indicators from August 2015, when Capita advised that the online recruitment system would be delayed further; and
- introduced the full performance regime from July 2018.<sup>22</sup>

**3.4** Capita has missed its recruitment and quality targets in 37 of the 38 months since August 2015 (**Figure 9** on pages 30 and 31). It has performed better against its indicators for customer experience, improving the proportion of candidates satisfied with the service from 41% in 2013 to 90% in 2018. However, the Army has deducted service credits totalling £26 million over the contract period (6% of payments), mainly because Capita did not meet its monthly recruitment targets for new soldiers and officers (**Figure 10** page 32).

<sup>22</sup> The Army did not monitor against KPI 4 – the Availability and Functionality of IT – until July 2018 because introduction of the online recruitment system was delayed.

**Figure 9**

Capita's performance against its contract indicators, August 2015 to September 2018

Capita has not achieved its recruitment targets in 37 of 38 months, but has met targets for candidate experience

	KPI 1 – Quantity			KPI 2 – Quality	KPI 3 – Recruitment Experience	
	Right number of recruits: how many recruits have been enlisted in a given month	Percentage of loading groups: requirements for the number of recruits needed in a range of specialisms or roles	Percentage of target loading groups: requirements for the number of recruits needed in a range of prioritised specialisms or roles	Prediction of stick and fit: the quality of recruits and their likelihood to successfully complete training on the basis of grading at assessment centre	Candidate experience: how potential recruits have experienced the process, using a survey following their exit from the process	Military service personnel: which rates military staffs' experience of working with Capita staff
August 2015	5	5	5	4	1	Target met
September 2015	4	5	5	3	1	2
October 2015	5	5	5	4	1	2
November 2015	5	5	5	4	1	2
December 2015	5	5	No demand	5	1	1
January 2016	4	5	5	3	1	1
February 2016	5	5	5	4	1	1
March 2016	5	5	5	5	1	1
April 2016	5	5	5	5	1	1
May 2016	5	5	5	5	1	1
June 2016	5	5	5	5	1	1
July 2016	5	5	5	5	1	1
August 2016	5	5	5	5	1	1
September 2016	5	5	5	4	1	1
October 2016	5	5	5	5	1	1
November 2016	5	5	5	5	1	1
December 2016	5	5	No demand	5	1	1
January 2017	5	5	5	5	1	1
February 2017	5	5	5	5	1	1
March 2017	5	5	5	5	1	2
April 2017	5	5	5	5	1	1
May 2017	5	5	5	4	1	1
June 2017	5	5	5	4	1	1
July 2017	5	5	5	4	1	1
August 2017	3	5	5	2	1	1
September 2017	1	5	5	2	1	1
October 2017	3	5	5	2	1	1
November 2017	5	5	5	5	1	1
December 2017	Target met	Target met	No demand	Target met	1	1



**Figure 9** *continued*

Capita's performance against its contract indicators, August 2015 to September 2018

	KPI 1 – Quantity			KPI 2 – Quality	KPI 3 – Recruitment Experience	
	Right number of recruits: how many recruits have been enlisted in a given month	Percentage of loading groups: requirements for the number of recruits needed in a range of specialisms or roles	Percentage of target loading groups: requirements for the number of recruits needed in a range of prioritised specialisms or roles	Prediction of stick and fit: the quality of recruits and their likelihood to successfully complete training on the basis of grading at assessment centre	Candidate experience: how potential recruits have experienced the process, using a survey following their exit from the process	Military service personnel: which rates military staffs' experience of working with Capita staff
January 2018	5	5	5	5	1	2
February 2018	5	5	5	5	1	2
March 2018	5	5	5	5	1	2
April 2018	5	5	5	5	1	2
May 2018	5	5	5	5	1	1
June 2018	5	5	5	5	1	1
July 2018	5	5	5	5	1	1
August 2018	5	5	5	5	1	1
September 2018	5	5	5	5	1	1

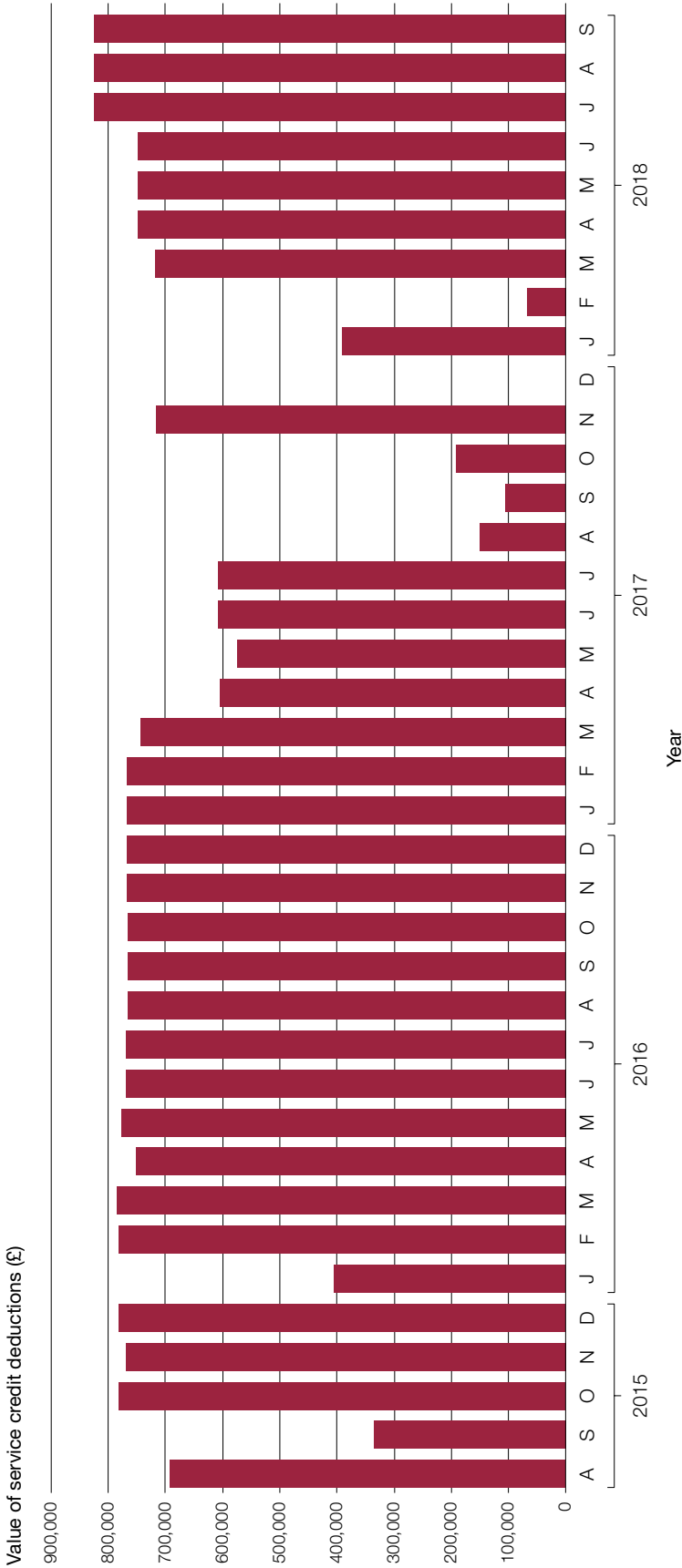
- Target met
- Performance band 1
- Performance band 2
- Performance band 3
- Performance band 4
- Performance band 5

**Notes**

- 1 Performance bands are rated between one and five, with five being the lowest level of performance.
- 2 From April 2017 performance bands were altered and some targets were adjusted. The target for 'Right number of recruits' was reduced from 15,793 to 12,585, a reduction of 20% for 2017-18.
- 3 December is traditionally a low month for recruitment and has a low target for recruitment numbers. In December 2017 the overall target was 58, with 88 recruits (all types) being enlisted that month.

Source: National Audit Office analysis of Departmental data

**Figure 10** Service credit deductions imposed on Capita for under-performance August 2015 to September 2018  
 Between February 2016 and the contract reset in March 2017, the Army imposed the maximum level of service credit deductions available under the contract



Source: National Audit Office analysis of Departmental data

## Re-set of the contract performance regime

**3.5** In July 2015, as part of the ongoing management of the contract, the Army and Capita discussed performance against the recruitment targets and the performance monitoring regime. In September 2016, in response to a request from the Army, Capita proposed a commercial review, including amendments to the performance regime. In November 2016, Capita also submitted a plan to improve performance in recruiting soldiers and officers. The Army commissioned an external consultancy to review these proposals.<sup>23</sup> This concluded that Capita's proposed amendments failed to address the root causes of under-performance; reduced the Army's ability to hold Capita to account; and eroded the value for money of the contract.

**3.6** The Army was concerned, however, that continuing to apply the maximum service credit deductions would not give Capita an incentive to invest in improving its performance. It therefore agreed to amend the performance regime to address shortfalls in recruitment and reinforce its partnering agreement with Capita. The Army engaged across government and took into account Capita's financial position on the contract, its assessment of the recruiting environment and Capita's proposed improvement plan.

**3.7** In April 2017, the Army agreed to lower Capita's performance targets and reset the contract's service credit deductions.<sup>24</sup> The Army changed Capita's performance targets from its assessment of the required number of soldiers to a forecast of what Capita was 'most likely' to achieve. In 2017-18, this represented a reduction of 20% on the Army's requirement, with reductions of 19% and 17% in the following two years. The Army and Capita agreed to provide an extra £22 million over three years to improve the marketing campaign and to introduce the new approach to recruitment (paragraph 2.14).

**3.8** The benefits that the Army anticipated from introducing the improvement plan and renegotiating the contract have yet to materialise. Capita has not achieved the reduced targets for the number of new recruits since the contract was reset. We estimate that, if the Army had not agreed to the changes to the performance regime, Capita would have incurred an additional £3.5 million of service credit deductions.

## Changes to Programme management

**3.9** Until recently, the Army and Capita's management of the Programme has been restricted by the Army's governance arrangements. The Army Recruitment and Initial Training Command is responsible for recruitment but also requires input from across the Army and other parts of the Department. Capita has experienced delays in gaining approval for proposed changes to the process. For example, it took the Army nine months to agree the new approach to recruitment (paragraph 2.15). Capita has highlighted the difficulties of amending a prescriptive contract which, for example, contained 10,000 specifications on how it had to operate. The Army and Capita have also lacked reliable and real-time management information on the efficiency of the recruitment process.

<sup>23</sup> The Army paid £0.5 million for the review.

<sup>24</sup> A service credit deduction is a mechanism for reducing payments if supplier performance fails to meet expected standards.

**3.10** In June 2018, the Army and Capita launched the Army Manning Campaign, underpinned by a new governance structure. The 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, and clarifies accountabilities and provides a clear escalation route. 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 current position**

### Programme costs and benefits

**3.11** In 2012, the Department approved the Programme budget of £1.36 billion over the period 2012 to 2022, which included its £495 million contract with Capita. In October 2018, the Department forecast that total spending on the Programme will remain within the approved budgetary limit. This is despite the cost of the Capita contract rising to £677 million, an increase of 37% (**Figure 11**), mainly due to developing the new IT system and introducing the new approach to recruitment, and is because the Army's original budget included a £199 million contingency that has been spent.

**3.12** In 2012, the Army forecast that the Programme would achieve financial savings of £267 million by 2022, mostly by reducing the number of its personnel involved in the recruitment process. In October 2018, the Army was forecasting that the Programme would achieve savings of £258 million. It claimed the Programme saved £25 million in its first six years and will achieve further savings of £235 million in the remaining four years. We found, however, that forecast savings will not be fully achieved because:

- the Army has employed additional personnel to improve awareness of recruitment campaigns. The Army has not yet adjusted its forecast to reflect additional costs of at least £37 million over the remainder of the contract;
- the Department is assessing whether the Army's inclusion of savings arising from changes to pensions policy should be included in its forecast. This may lead to a reduction of £39 million; and
- the achievement of future savings will be dependent on delivering the Programme within the approved budgetary limit. Any further cost increases will reduce financial savings.

**Figure 11**

## Forecast costs of the Recruiting Partnering Project – 2012 versus 2018

The Army forecasts the Programme will remain within its budget

	Forecast 2012 (£m)	Forecast 2018 (£m)
<b>Payments to Capita</b>	<b>495</b>	<b>677</b>
<b>Ministry of Defence costs</b>	<b>865</b>	<b>618</b>
Manpower	410	438
Candidate costs	34	57
IT	60	19
Estate	37	15
External assistance	2	10
Other	123	79
Contingency	199	0
<b>Total</b>	<b>1,361</b>	<b>1,295</b>

**Notes**

- 1 Numbers may not sum due to rounding.
- 2 Forecast 2012 numbers at the time the contract was let.

Source: National Audit Office analysis of Departmental data

## **The future**

**3.13** In March 2018 the Army began to assess its options on how it will undertake recruitment after 2022. It identified the critical lessons from the Recruiting Partnering Project, including the need for:

- a more coherent, resourced and supported governance regime;
- any future contract having a coherent mechanism for holding the partner to account;
- greater and more sustained expertise on contract management;
- performance indicators in place to ensure all parties can be held to account for underperformance, or rewarded for over-performance;
- the future programme having the right quality and quantity of expert staff, with continuity given significant weight; and
- a fully qualified expert team, with knowledge of IT hosting, solutions and intellectual property ownership to ensure due diligence, compliance and the likelihood of success for any future IT model.

# Appendix One

## Our investigative approach

### Scope

1 We conducted an investigation into the management and performance of the British Army's Recruiting Partnering Project (the Programme) that:

- describes the Army's rationale for transforming its recruitment process and what it was trying to achieve by engaging with a commercial partner;
- explains the problems that have arisen with the Programme; and
- explains how the Army has managed the Programme, and how it is trying to improve the recruitment of regulars and reserves.

2 Our investigation does not cover the performance of the Royal Navy or Royal Air Force in recruiting regulars and reserves, as each of the Armed Services is responsible for its own recruitment. We focused on the Army's implementation of the Programme but, in doing so, we highlighted some of the consequences for the other Armed Services. Our review covers the Army and Capita's approach from initial application to the enlistment of new recruits. We do not review how the Army sets its annual recruitment targets – which are influenced by a range of factors such as the number of people leaving the Army and skill shortages – or policy considerations, such as terms and conditions in the Armed Forces, which can affect retention or the ability to recruit. We do draw attention to the interfaces with other areas, such as training, but have not looked in depth at how the Army manages these processes.

### Methods

3 In examining these issues, we drew on a variety of evidence sources including:

- interviews with staff from Army Recruitment and Initial Training Command, Home Command, the Army Future Recruitment Programme, and Defence Statistics (Army);
- interviews with Recruiting Group and Capita Business Services Ltd;
- analysis of recruitment and key performance data;
- a review of the Programme contract and amendments; and
- review of documentation including business cases, programme reviews, board papers and information from performance monitoring.

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