Dear Julian,

Thank you for your letter of 8 May to the Rt Hon Gavin Williamson CBE MP in which the Committee requested further details regarding progress with the Defence Fire and Rescue Project and asked a series of questions about the Project. I have been asked to reply by the Defence Secretary, as the responsible Minister.

We have today notified Parliament through a Written Ministerial Statement that the Ministry of Defence (MOD) has received approval from Her Majesty’s Treasury (HMT) to recognise a new Contingent Liability which will come into force following the award of the Defence Fire and Rescue Project contract. I enclose a copy of the Statement and Departmental Minute. Following the 14-sitting day Parliamentary notification period for a Contingent Liability and the concurrent 10 day standstill period following the Contract Award Decision Notice, it is our intention to award the contract to the winning bidder, Capita, before the Summer recess. A further Written Ministerial Statement will follow at the point of contract award.

By way of background, the Defence Fire and Rescue Project has its origins as part of the asset management review programme. The project is expected to deliver significantly improved safety for the MOD and its firefighters. This includes the introduction of modern firefighting vehicles and equipment which will provide increased safety for our firefighters due to the reduced requirement for them to deploy into hazardous areas, especially around aircraft fires, improved fire risk management and increased investment in training infrastructure. The project will also offer savings that can be reinvested in Defence. It has been important that we spent time to get this right from a safety, financial and technical point of view.

The Rt Hon Dr Julian Lewis MP
Chairman, Defence Committee
House of Commons
London
SW1A 0AA

Enclosure(s)
Commercial sensitivities mean I am unable to give details of the contract itself but I can clarify that the whole life figure of £400 million quoted in your letter is the threshold value for a MOD Category A project. I do not recognise the figure of £30 million that you quote for costs incurred so far; the Project Team’s recorded costs are substantially less.

The bids for this project have been subjected to rigorous scrutiny by the Ministry of Defence, Cabinet Office and HM Treasury. All are satisfied that the proposed contract will deliver. I do note your concerns around the project, but see no reason why it should be paused for reconsideration. A number of interested Members of Parliament have already received in-confidence briefings on the project, from its Senior Responsible Owner, including the Shadow Defence Spokesperson.

Answers to the Committee’s questions are attached to this letter and if, as Chair of the HCDC, you wish to also be briefed by the SRO, I am very happy for that to be arranged.

Yours sincerely,

[Signature]

THE RT HON THE EARL HOWE PC
1. When do you expect the award the contract?

Following the 14-sitting day Parliamentary notification period for a Contingent Liability and the concurrent 10-day standstill period following the Contract Award Decision Notice, it is our intention to award the contract before the Summer recess.

2. What savings are expected from the project.

The project will deliver significant financial savings although we cannot disclose the figures until after a contract has been awarded as these remain commercially sensitive.

3. What steps you have taken to ensure that the bidders have the capacity to deliver the Project, given failures in the past.

Our priority is to ensure that Defence’s Fire Risk Management capability continues to meet Defence’s needs. To ensure this, the project requirements were drafted from an output based perspective. Bidders’ proposals to meet the requirements were then tested through extensive dialogue on how they intended to deliver the required outputs.

All bids have been evaluated against pre-determined criteria including value for money, deliverability and associated risks by stakeholders from across Defence, including the Defence Fire and Rescue Service, Royal Air Force, Royal Navy and the Defence Fire Safety Regulator, as well as commercial and financial experts. The recommendations from the project team have been subject to a rigorous scrutiny, assurance and approvals process undertaken by Ministry of Defence, Cabinet Office and HM Treasury staff.

4. What assessments have you made of efficiencies made by the Defence Fire and Rescue Service and the Defence Fire Risk Management Organisation (DFRMO) over the last 5 years and how have you taken them into account in the project.

Efficiencies made by DFRMO have been fully considered and included in the baseline for the Defence Fire and Rescue Project, updated as required.

5. What consultation you have conducted with the head of establishments and commanding officers who will be affected by the project and the consequent changes to the DFRS.

Prior to the launch of the competition the overall Defence requirement for fire risk management was endorsed by all relevant stakeholders, including representatives of the Heads of Establishment and Duty Holders, as being an appropriate representation of their unit’s requirements. These requirements were set out in the contract tender documentation. Representatives of the Heads of Establishment and Duty Holders were also involved in bid evaluation. Any proposal to change the approach to fire risk management at a site following contract award will be conducted through an Integrated Fire Risk Management Plan in collaboration with the Head of Establishment who will remain responsible for agreeing to any changes prior to their introduction.
6. What account you have taken of the effect on the DFRS of the closures of Home Office Fire Service stations.

Proposed changes to Local Authority Fire and Rescue Services are notified to the local DFRMO Area Management teams and then on to the Defence Chief Fire and Rescue Advisor. The impact of any such changes are considered when determining the level of response to be provided by Defence firefighters.

7. Whether new fire appliances, free use and maintenance of fire stations and other buildings, exemption from VAT, and functional control of RAF firefighters have been offered to bidders.

The Ministry of Defence is not offering new fire appliances to the winning bidder. Bidders were required to provide proposals to respond to an output based specification for alternative ways of delivering fire risk management. Vehicles and equipment are key enablers to the delivery of a fire service with the bids being reflective of any enablers that are required.

Fire stations are all on the Defence Estate and will be licenced to the bidder at no costs for the sole purpose of delivering the contract. There will be no change to the cost of the infrastructure to the Ministry of Defence.

The appropriate VAT rates will be applied to the contract. VAT policy and exemptions are a matter for HMRC.

Functional control of RAF firefighters has been offered to bidders, within clearly defined parameters. This is to ensure the most efficient use of full-time professional firefighters, whether they are military or civilian, to Defence and the contractor.

8. If these have been offered to bidders, whether they have been included in any comparison assessments to the current in-house scheme.

A Value for Money Benchmark was developed alongside inviting bids from Industry. The Value for Money Benchmark team were asked to respond to the same output based specification as the bidders.

9. Whether RAF and RN firefighters, DFRS personnel employed at US bases, Defence Fire Regulatory Service workers and DFRMO HQ for governance and contract management have been excluded from the contract.

As set out in the answer to Question 7, RAF firefighters are considered within scope of the contract and they will come under the bidder's functional control for day to day tasking on fire services. The other groups of personnel are not in contract scope, as:

- RN firefighters are primarily aircraft handlers with secondary duties associated with fire risk management;
- MOD civilian firefighters working on US Visiting Forces bases are excluded from the contract scope;
• The Defence Fire Safety Regulator sits within the Defence Safety Authority and is not part of DFRMO, and

• HQ DFRMO will remain as Defence's intelligent customer after contract award, with the Chief Fire and Rescue Advisor responsible to the Secretary of State for Defence for the provision of a suitable fire service that meets the requirements of statutory legislation. Responsibility will extend to the provision of appropriate fire advice to Defence, management of the DFRP and other extant contracts that contain fire responsibilities and for service provision to US Visiting Forces bases.

10. **What estimate you have made of likely changes to the number of employees of DFRS as a result of the award of the contract.**

The introduction of new firefighting vehicles and fire risk management technology will result in an overall reduction in civilian and military firefighters. The precise number will be determined by the future requirements of the contract with the successful bidder.

11. **What effect the contract will have on the provision for pensions of Locally Employed Civilians at the Sovereign Bases in Cyprus.**

Locally employed civilians in Cyprus are either enrolled in the British Forces Cyprus Firefighter Pension Scheme or a Provident Fund pension scheme. This workforce will not be transferring to the selected bidder and there will be no change to their pension provision.
MINISTRY OF DEFENCE

Contingent Liability

Minister of State in the House of Lords (The Rt Hon Earl Howe PC):

I am today laying a Departmental Minute to advise that the Ministry of Defence (MOD) has received approval from Her Majesty’s Treasury (HMT) to recognise a new Contingent Liability which will come into force following the award of the Defence Fire and Rescue Project contract.

The Defence Fire and Rescue Project contract will provide significantly improved safety for the MOD and its firefighters through investment in modern firefighting vehicles and improved fire risk management systems. It will also deliver significant financial savings which can be reinvested in Defence. The selected bidder for this contract is Capita Business Services.

The contract duration is 12 years. The Contingent Liability will commence on contract award and reach a maximum value of £37 million in Financial Year 2020-21 and will reduce thereafter as the contract progresses until it ceases in Financial Year 2025-26. It reflects a commercial arrangement that represents optimum value for money to the Department.

It is usual to allow a period of 14 Sitting Days prior to accepting a Contingent Liability, to provide Members of Parliament an opportunity to raise any objections.

18 June 2018
DEPARTMENTAL MINUTE DATED 18 JUNE 2018 CONCERNING A CONTINGENT LIABILITY CONCERNING THE DEFENCE FIRE AND RESCUE CONTRACT

It is normal practice, when a Government Department proposes to undertake an actual or Contingent Liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a Departmental Minute to Parliament giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.

The purpose of this Minute is to notify Parliament of a reportable Contingent Liability that the Ministry of Defence (MOD) intends to incur as a result of the placement of a contract with Capita Business Services for the Defence Fire and Rescue Project. The Contingent Liability will come into force following contract award.

The total value of Defence fire and rescue operations is around £1.3 billion. It is intended to place a 12-year contract for around 40% of the overall operating costs. The contract will deliver fire and rescue services to Defence which will improve fire-fighter safety, provide optimum value for money and contribute towards wider Departmental objectives.

The selected bidder Capita intends to secure working capital through a third-party funder to deliver their transitional activity, which provides better value for money than through alternative means.

If the contract was to be terminated during the first seven years, an obligation exists, under certain termination conditions to repay any monies that have yet to be recovered through the service fee. It is this obligation that forms the basis for the Contingent Liability. Termination of the contract is solely within the control of the MOD and is only permissible for the MOD's convenience or on contractor default. Termination for convenience is judged to be highly unlikely and appropriate contract management plans are in place to ensure that any performance issues are quickly addressed. This is supported by a robust governance arrangement including the retention of in-house fire and rescue expertise.
The Contingent Liability will reach a maximum value of £37 million in Financial Year 2020/2021 which represents a very small element of the Headquarters Army budget. The value of the Contingent Liability reduces thereafter as the contract progresses with Departmental exposure ceasing in 2025/26.

If the liability is called, provision for any payment will be sought through the normal Supply procedure. The Contingent Liability has been approved by Her Majesty’s Treasury and MOD will note it in the Accounts.

If, during the period of fourteen parliamentary sitting days beginning on the date on which this Minute was laid, a Member signifies an objection by giving notice of a Parliamentary Question or a Motion relating to the Minute, or by otherwise raising the matter in the House, final approval will be withheld pending an examination of the objection.