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R E P O R T

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# The National Audit Office and Defence Value for Money

## Identifying Financial Savings

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Prepared for the National Audit Office

The research described in this report was prepared for the National Audit Office.

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## Summary

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### **What was RAND Europe asked to do?**

The National Audit Office (NAO) Defence Value for Money (VFM) team has written over 35 reports in the last five years relating to the Ministry of Defence (the Department). These reports seek to provide implementable advice and to promulgate good practice.

The purpose of the RAND Europe study was to identify which of these reports are likely to have led to financial savings within the Department and, where practicable, to quantify and validate those savings that have been realised by the Department as a result of NAO recommendations.

### **How did RAND Europe approach the study?**

**Stage 1** comprised an initial sift of all VFM reports published by the Defence VFM team in the period 2002 to 2007. Through a desk review of all reports we identified a long-list of NAO reports for investigation.

**Stage 2** involved a detailed review of the NAO reports on our long-list. We consulted other relevant documents and conducted interviews with NAO personnel. The output of Stage 2 was a shortlist of seven VFM reports for final investigation.

**Stage 3** comprised identification, quantification and validation of savings achieved by the Department due to NAO recommendations in selected VFM reports. Here we conducted a series of semi-structured interviews with relevant personnel from within the Department and forensic review of documentation and financial information from the Department.

### **What were the key findings of the study?**

As a result of our study, we have identified £116.8 million of financial savings that have been achieved by the Department in relation to an NAO study on optimising stock holdings. We have agreed with the Department that it is appropriate to attribute 25 per cent of these savings, £29.8 million, to the NAO Defence VFM team due to the recommendations made in the relevant NAO study. In addition, we have highlighted savings in excess of £100 million that have been achieved by the Department which are related to an NAO study on routine procurement.

The study also identified four other VFM reports that merit further investigation.