



National Audit Office

Ministry of Defence

Managing change in the Defence workforce

Methodology

FEBRUARY 2012

Methodology

Study Scope

1 This report examines how effectively the Ministry of Defence (the Department) is managing change in its workforce, and in particular how it is managing headcount reduction. It builds on earlier National Audit Office work that reported on how government departments are reducing their costs. Our examination is based on the premise that securing value for money from cost reductions such as headcount reduction involves more than just implementing planned cuts, and that expenditure cuts should generate long term efficiency savings. Uniform top slicing of budgets or indiscriminate cost-cutting can leave an organisation unprepared for future challenges and at risk of building up higher costs in future. We assessed the information underlying the headcount reduction plans using a cost reduction framework of good practice, we have also used our detailed knowledge of the Department from our previous work, including audit of the financial accounts.

Framework

2 Drawing on our previous financial and value for money work, we prepared a short guide for departments in 2010 on the key principles of structured cost reduction. Using this guide, and publications from many other organisations in both the private and public sector, we produced a framework for good practice in delivering cost reduction initiatives (for further detail of this see the Methodology sections of our *Reducing costs in the Department for Work and Pensions* and *Reducing costs in HM Revenue & Customs* reports, available on our website). We applied this good practice to headcount reduction in the Ministry of Defence.

Methodology

3 We collected evidence between June and October 2011. The key methodologies used were:

- Semi structured interviews
- Document review
- Financial/quantitative analysis
- Case study.

Semi structured interviews

4 We conducted semi-structured interviews with a range of staff at the Department, and stakeholders outside the Department. We explored:

- Workforce change in the wider context of the Department.
- The Department's approach to planning for and managing workforce change.
- Current progress of workforce change (headcount reduction) initiatives.
- The future shape of the Department and the impact of the workforce change on this.
- Financial savings associated with workforce change.

Document review

5 We reviewed board minutes and papers from: the Defence Board (the senior non-ministerial decision taking body in the Department) and the Defence Operating Board (Transformation).

6 We also reviewed the following documents, both from the centre of the Department and from the individual Armed Forces:

- Documents detailing skills knowledge
- Business case documents
- Risk registers
- Management performance indicators
- Issues logs
- Communications plans and communication with staff.

7 We reviewed the Department's plans to test if they were based on a robust assessment of costs, benefits and risks and whether they incorporated learning from previous initiatives. We reviewed the capabilities, systems and processes underlying the plans using our framework of good practice, and we assessed how the Department's workforce plans were integrated into the Departments plans for wider change.

Financial/quantitative analysis

8 We reviewed the Department's resource accounts, budget documents and other planning documents to understand:

- Expenditure on staff costs.
- Expected savings from headcount reduction.
- Costs and projected future costs (assumptions underpinning the projected costs and savings) of redundancy programmes and early release schemes.
- The relationship between timings of staff releases and financial savings, in particular the impact of delays.

9 We also used staff surveys (both those undertaken by the Department and the Civil Service People Survey, undertaken by HM Government) to understand the impact the Department's transformation was having on staff satisfaction.

Case study

10 We selected submariners to explore in more depth the issues arising from our interviews and document review relating to workforce planning.

11 We conducted semi-structured face-to-face interviews, and email correspondence with key staff in workforce planning. We also reviewed relevant planning documents. The case study allowed us to:

- Consider the background to the problems with recruiting submariners, such as shortage of interested applicants, demanding work, difficult conditions, etc.
- The need to reduce costs, and in particular the impact of the Strategic Defence and Security Review on manning.
- How the Department is mitigating the risks posed by shortages.