



PERFORMANCE IMPROVEMENT IN THE PUBLIC SECTOR



EY with Ministry of Defence

The Ministry of Defence (MoD)'s poor management of inventory has been an unresolved issue for governments, civil servants and consultants for over two decades. At its height in 2012, the MoD held £39.4b of inventory.

Since the mid-nineties, the UK's involvement in military campaigns including Afghanistan, Libya and Iraq had built a culture of excessive purchasing to support the military effort. For any MoD employee, the risk of not providing the right equipment to our front line troops was unthinkable.

This mindset created inefficiencies and wastage across the department, drawing public criticism for its poor stock management. In 2012, in front of the Public Accounts Committee, the MoD announced that with EY's support, it would introduce a new Inventory Management Transformation (IMT) programme. EY knew its approach to this long-running problem needed to be innovative. Working in partnership with MoD senior leadership, EY took a very bold approach, treating certain parts of the MoD as if they were distressed businesses in need of rapid turnaround (effectively in receivership) – something never done before in the MoD. The EY team focused on the worst performing parts of the department in terms of overspend. They monitored, analysed and directly intervened with over 1,300 inventory managers to prevent them from buying more stock than needed. This interventionist approach included negotiations with suppliers to return excess stock, improving and digitising the MoD's inventory management systems and liaising with the Treasury to simplify accounting principles.

EY's unorthodox approach has transformed the department's inventory management performance. Ongoing expenditure on inventory has been cut by £1.1b in 24 months, a direct saving for the tax payer and overall stock holding has been reduced by an unprecedented £6b, all whilst critically ensuring the lives of our front line troops have not been put at risk. The programme has received praise from the Treasury, Public Accounts Committee, National Audit Office and the Secretary of State for Defence, and was presented as an exemplar programme at the Cabinet Office's prestigious *Successful Programmes in Government* conference in 2014.