

## Structural changes in the Defence Forces' catering service and medical service

The objective of the audit was to examine whether the Defence Forces have achieved the operational and financial objectives that were set for changes in the way catering service and medical service are arranged. The audit indicated that on the whole these objectives have been achieved well. From the viewpoint of objective setting and monitoring, however, the development of the necessary accounting systems has proceeded slowly in the Defence Forces during the past ten years. The audit also evaluated preparations to shift catering service to a new state-owned company.

### *The Defence Forces Service Centre for Catering*

In November 2002 the Defence Forces launched an extensive project aimed at developing catering service. This included a partnership trial in the Hamina-Kotka area and the development of the Defence Forces' own activities, which led to the establishment of the Defence Forces Service Centre for Catering on 1 January 2006.

The National Audit Office does not consider it appropriate that a study was not conducted regarding the cost savings resulting from the service centre model, even though cost savings were one justification for this model. The failure to conduct a study was apparently due partly to shortcomings in the Defence Forces' accounting system. Despite this and the drop in the number of mess halls, the National Audit Office estimates that the change has resulted in cost savings overall.

The National Audit Office compared different catering centres' pay and food costs per performance in 2006-2008. Excluding real estate these accounted for 91.6 per cent of costs. Catering centres cannot influence their facility costs.

Food costs' share of total costs rose by 3 percentage points to 47 per cent. At catering centres food costs per performance rose by 5.2

per cent, while the rise in the food wholesale price index was about 17.4 per cent during the same period. Although there were differences in food costs per performance between large and small catering centres (4 size categories), these differences declined in a statistically significant way during the period. The National Audit Office considers these facts an indication of successful purchasing activities. Pay costs per performance varied more than food costs among catering centres. A statistically significant decline in differences in pay costs was not observed among catering centres but was observed on the whole.

Wages and salaries accounted for 47% of catering centres' costs in 2006 and 43% in 2008. Pay costs fell by nearly 10% from 2006 to 2008. The closure of the Hyrylä and Mikkeli catering centres accounted for about 60% of this. The fall in pay costs was due to a reduction in person-years. During the same period the index of wage and salary earnings in the central government sector rose by about 11%. The change in economy and productivity was therefore positive. The audit drew attention to the high level of absences due to illness at catering centres, however. These averaged 27 days per person-year.

Uneaten meals are a problem for the Defence Forces. According to a study that was conducted by the Service Centre for Catering in 2007, on average 6.8% of prepared meals go uneaten. Differences between units were very large, ranging from 1.9% to 31.7%.

### *Partnership trial in the Hamina-Kotka area*

The audit included a rough comparison of the costs of purchasing catering service from the Service Centre for Catering and from an outside supplier. The National Audit Office found that the costs for the Defence Forces are about the same, keeping in mind the difference between the Hamina-Kotka area and other garrisons.

One objective of the partnership trial in the Hamina-Kotka area is for the Defence Forces to have something to which its other catering operations can be compared. The National Audit Office considers that this is not possible at present, owing to the seasonal nature of activities at the Reserve Officer School and the predominant role of fortresses in the Hamina-Kotka area. In the opinion of the Na-

tional Audit Office the partnership trial has nevertheless drawn attention to the flexibility and efficient use of resources offered by a private supplier and in this respect it can be considered a success.

### *Establishment of a state-owned company*

On 28 June 2010 the Ministry of Defence decided to continue developing catering service in the Defence Forces with the aim of establishing a fully state-owned company for this purpose no earlier than 1 July 2011. According to the decision's explanatory memorandum, this model will provide the best possibilities to develop catering service in the Defence Forces. The audit found that the memorandum presented quite vague and tenuous objectives as justifications and failed to explain how these objectives can be achieved.

The National Audit Office emphasises that economic matters require calculations together with the reasoning behind them. It notes that the presentation memorandum concerning the establishment of a state-owned company to replace the Defence Forces Service Centre for Catering does not meet these requirements and is so tenuous that it does not provide a proper basis for decision-making.

The audit found that, in studies predating the decision, all the personnel who will be transferred to the fully state-owned company have been counted as a reduction in personnel under the productivity programme.

The National Audit Office considers that any reduction in personnel included in the budget economy that results from shifting functions from a ministry or agency to an outside organisation, for example through incorporation, can be counted as a reduction in personnel under the productivity programme only insofar as personnel is actually reduced in comparison with tasks previously performed by a ministry or agency, such as the Defence Forces Service Centre for Catering, as a result of the shift. The National Audit Office justifies its opinion on two grounds. First of all only this number of people (at most) will be available to other employers, and secondly central government finances are in much weaker shape now than in 2005. Consequently the emphasis in improving productivity should be on saving money.

## *The Defence Forces' medical service*

Structural change in the arranging of medical service included shifting to the purchasing of all specialist hospital services from medical districts and the closure of the Central Military Hospital on 31 December 2005 and then placing garrison health centres under the Centre for Military Medicine as of 1 January 2008. The total costs of medical service were about 46 million euros in 2005. The figure fell to about 39 million euros in 2006 and declined slightly in 2007 and 2008.

Thanks to the rearranging of specialist hospital services, the total costs of the Defence Forces' medical service fell by about 7 million euros (15%) from 2005 to 2007. This is mainly because the number of days in specialist care dropped by 88% and visits to outpatient clinics fell by half. The National Audit Office believes that the reason for these large changes was that the Central Military Hospital maintained unnecessary demand for its services. About two million euros in savings can be attributed to the shifting of specialist care for Defence Forces personnel to hospital districts. Administrative costs associated with medical service have likewise fallen sharply - to about one-fourth of the figure before the structural change. Savings amount to about 2.5 million euros.

One problem in the Defence Forces' medical service is primary health care in garrisons. According to a survey that was conducted by the General Staff in 2006, the cost of primary health care totalled 27.5 million euros, but this could be cut to 13.6 million euros if the cost per person were reduced in all units to the level found in the unit with the lowest costs. According to studies conducted by the Defence Forces, even if the basics are the same, the amount of money that a particular unit spends on primary health care can be as much as three times higher than the figure for another unit.