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CHAIRMAN'S ADDRESS



This summer has seen some interesting politics played out; should Scotland become independent and leave the United Kingdom? On the 18th September 2014 there

was a referendum and 45% of the eligible Scots said 'Yes', while 55% voted 'No'. What was more incredible was the voter turnout which saw 85% of the Scottish nation voting.

Not wanting to drift too far into politics, two things occurred to me regarding this news story. Firstly, the Scottish people were deciding whether to become independent but the costing community seem to be travelling in the opposite direction.

Recently SCAF has signed a MOU with International Cost Estimating and Analysis Association (ICEAA) to work more closely together. We still want to keep our identities as a society and an association, but it would seem that pooling our knowledge and resources we are stronger.

Secondly, the incredible high voter turnout must mean that in Scotland there was a real passion for the subject and topic being debated. It would be great to see more cost forecasters, parametricians, cost analysis and cost engineers engaged in our associations and societies. How do we make our subject and topic being debated sufficiently interesting that 85% of the cost community engage with the workshops, conferences and committees that we run?

This year will be a special year for SCAF as we will have been in existence for 30 years! This is a

remarkable milestone and one of which the SCAF committee is very proud.

We held the 30th Annual Conference on Tuesday 16th September 2014 at the BAWA Centre, Bristol. The theme was "**Benefits of Cost Engineering and Realistic Cost Forecasting**". The conference was well attended with more than 70 representatives from public and private sectors including academia.

The chairman of SCAF gave a welcome address to start the conference. He introduced the keynote speaker Mr Nick Hopkins, Strategy Lead for the Public Sector, KPMG Management Consulting. Nick is currently the support partner for Cost Assurance and Analysis Service (CAAS) in the UK MOD. These

opening comments were followed by presentations from Dr Stuart Wicks, Head of Business Analysis, Rolls-Royce Submarines; Derek Salkeld, DS+A Risk Analytics; Brian Sugden

from the Ministry of Defence, CAAS; Mark Lee, Head of Profession, Programme Assurance, QinetiQ and finally Sanathanan Rajagopal from MOD CAAS.

There was a pause in proceedings just before lunch while the AGM was chaired by Dale Shermon. This reported that the Society has had another good year with workshops, a conference and a new awards evening. Several new venues had been explored and these had been a great success. The Society has elected a strong committee for its 30th year and is still financially sound.

We are always looking for volunteers for the SCAF committee or presentations for future workshops and conferences. You don't need to be Scottish to be passionate about cost analysis and forecasting, so get engaged with the topic and join the debate at SCAF!

Dale Shermon SCAF Chairman



SCAF 30 years

Next SCAF Workshop

“Affordability, Value for Money and Decision Making” – a Joint SCAF/OR Society (DSIG) Workshop

Tuesday 18th November 2014
The BAWA Centre, Filton, Bristol

We are delighted to announce a workshop being held jointly by SCAF and the Operational Research Society Defence Special Interest Group. The overall theme for the workshop is “**Affordability, Value for Money and Decision Making**”. The workshop will be free to attend for all members of SCAF or the OR Society.

We plan to have six speakers, three from each Society, covering two focused themes (one for the morning and one for the afternoon – to be set around the selected papers) with specific periods for open Question and Answer discussions. In addition, there will be a keynote address from **Syd Morley**, Head of Scrutiny and Analysis, Ministry of Defence.

Affordability, and Value for Money are some of the key elements in today’s Decision Making process. Whether we are considering investment in a new capability, transition programme or optimising in-service support services – the issues remain the same.

But do we understand what they mean? How do we do the assessment and evaluation? How do you make an appropriate judgement? What are the key critical components to examine? Our speakers include:

- **Syd Morley**, Head of Scrutiny and Analysis, Ministry of Defence – *Syd will provide the Keynote Address that will set the scene for the day and frame the key issues for today’s decision makers.*
- **Dr Dave Exelby**, Managing Consultant, Decision Analysis Services Ltd – **“Strategic thinking – and the need for decision making tools without stovepipes”**

Strategy is a journey. At the outset, stakeholders need to be able to explore a wide range of potential options. Rightly, these still need to be assessed against benefits, costs and timeliness but precision is usually not the issue at the earliest stage – rather the need to be able to articulate, communicate, compare, debate and evolve these options rapidly. The types of strategy problems could be defence capability development challenges, long term budget forecasting, and equipment pipeline futures. Traditional stove piping of analysis (cost, OA, project management) to support these decisions does not work well at the start of the strategy process. DAS has spent many years supporting senior stakeholders to create novel toolsets that are cross disciplinary in nature – providing “right-sized” models to support the process above. We will show examples that incorporate a wide range of domains including decision sciences, simulation, cost forecasting, economics and systems thinking. These include a study that provided option cost and benefit analyses in near real time at the start of a defence equipment acquisition, alternative futures for national defence, and equipment portfolio management. Finally we will reflect on their success and provide our views on the challenges that remain.

- **Arjun Madahar**, Defence Science and Technology Laboratory – **“The use of cost data in support of whole Force analysis”**

The Ministry of Defence is responsible for planning a future Force Structure that balances UK foreign policy with financial realities. It is a complex issue involving interlinked capabilities, future predictions of the national security situation and UK industrial sustainment concerns. Senior Force and Capability Planners must therefore make decisions on adjusting the balance of funding between capability areas to reflect the requirements of an evolving and dynamic Defence and Security environment. This presentation discusses the uses of a suite of tools that provide differing but complementary insights on the capability, capacity and affordability of proposed Force Structures to meet UK Defence and Security policy and help identify Force Structures that are both affordable and offer value for money.

- **Andy Nicholls**, Principal Consultant, PRICE Systems – **“Factoring in the cost factors that are the least controllable”**

The high level costs normally associated with force mix studies and ‘capability’ modelling at a Strategic and occasionally Tactical level are often reduced to ‘single figures’ per hour or day of operating the individual systems concerned; this usage as a comparator may help in determining a particular option or force mix but for individual project or programme estimation where additional details is required, such high level numbers are inappropriate. If detail multi-year models are used as a basis to construct single figure high level numbers for Strategic modelling in association with Operational models the choice of escalation, currency exchange rates and purchasing power parity (PPP) factors assumes a much greater importance as future escalation and mixed nation supply may provide misleading results if not properly dealt with. This paper reviews how cost estimates for Platforms and/ or Systems that often have to cover many years of acquisition and in service life of may be influenced by choice of escalation, currency exchange rates and PPP factors and illustrates with some examples.

- **Andy Nolan**, Lead Engineer, Rolls-Royce – **“Requirements uncertainty analysis, defining, measuring, mitigating and optimising”**

In the development of complex systems the requirements for the system will almost always remain uncertain late into the development. In gas turbine engine control systems at Rolls-Royce, typically 50% of requirements will change between Critical Design Review and Entry into Service. Ignoring or not planning for requirements uncertainty will cause scrap and rework that will manifest later in the project. This presentation evaluates the impact of not managing these uncertainties and describes how Rolls-Royce uses Requirements Uncertainty Analysis to reduce this impact. The paper summarises the findings from an extensive Six Sigma study into requirements uncertainty and provides an overview of the technique now used to identify and monitor uncertainty through a project life. The return on investment of this technique has been between 100:1 and 500:1.

- **Steve Rowley**, QinetiQ – **“Management information toolset to support evidence-based decisions for Defence Evaluation Capabilities”**

UK defence programmes spends upwards of £1Bn a year on test and evaluation activities and facilities. In a rapidly changing world where defence must remain affordable and flexible it is important that timely and effective decisions are made on having the necessary evaluation capabilities, whether owned or available to defence. The MOD is sponsoring an activity to develop a software toolset that will contain Management Information to inform decisions for future investment and support of defence evaluation capabilities. This presentation describes the challenges associated with the development of a simple but powerful toolset to conduct analysis of the evaluation requirements and capabilities in terms of potential

gaps and future opportunities. The presentation examines how a very large input dataset can be reconciled using COTS software applications and how aspects such as data availability and data maturity can be represented in order to increase confidence to the decision maker.

- **Colin Sandall, QinetiQ – “Economic Value Chains: an innovative approach to analysing the cost impacts of decisions”**

QinetiQ have developed an approach, using influence diagrams, to explicitly represent and quantify the factors that contribute to the economic impact of particular activities. A pilot study for the Centre for Defence Enterprise considered the economic impact of adversaries exploiting certain potential cyber vulnerabilities in a set of defined contexts. The Economic Value Chain (EVC) approach has proved to be a useful way to explore and quantify cost-related issues, and work is currently underway to both develop the methodology and apply it in different areas. This presentation will describe the background to the development of the EVC approach, and will provide an illustrative, unclassified, example of its use. The strengths of the approach will be highlighted, as well as the practical issues involved in its use by analysts and decision-makers. Finally, its place in a portfolio of modelling and analysis approaches will be discussed.

- **Lucia Retter and Dan Jenkins, RAND Europe – “Communicating complex cost estimates to senior policy-makers”**

With limited time and a range of competing priorities to manage, policy-makers need evidence-based cost estimates to support their decisions. Policy-makers care about the big picture and want to understand the linkages between various projects. However, they are often prone to falling into a conspiracy of optimism and can be fixated on single point costs. Oblivious to the different biases and reluctant to account appropriately for risk and uncertainty, there is a risk that policy-makers misinterpret a cost estimate. Misinterpretation through poor presentation or misunderstanding may have significant consequences for projects schedule, or lead to cost growth later in the projects life or may influence decisions in a wider portfolio of projects. RAND Europe has long experience in preparation and presentation of complex cost estimates in naval, combat air and helicopters sectors to senior policy-makers in national Ministries of Defence in Europe and the US. Based on this experience, this presentation will provide a guide for both practitioners and senior decision-makers alike to both present and interpret complex estimates. More specifically, this presentation will outline the rationale for the need of good cost estimates in policy-making; sketch out and compare the different biases in cost estimation and in policy-making and present some good practice guidelines for an effective communication of cost estimates to senior decision-makers.

Registration and Costs

Registration and coffee will be available from 09.15. The Workshop will commence at 10.00. The workshop is FREE to ATTEND for members of SCAF and the OR Society. Non-members are welcome to attend at a cost of £120.00 per delegate. A 10% discount is available for group bookings of more than 4 delegates and a 15% discount is available for group bookings of more than 10 delegates. These costs include all refreshments, a buffet lunch and **FREE** membership to SCAF and attendance to all future SCAF organised events until August 2015.

Further details can be found on the SCAF website (www.scaf.org.uk) or by contacting the Secretary Neil Morrill by email Morrill by email at: ndmorrill@dstl.gov.uk or call 030 6770 3450.

Letter from the Editor

By Arthur Griffiths, SCAF Newsletter Editor



I was reading the latest magazine for the International Cost Estimating & Analysis Association and smiled at the comment made relating to “maintain an archive of past issues on the ICEAA website”. This was a touch of déjà vu. The SCAF archive library on the website goes back to 2002 and I was asked whether we would consider adding older relevant information to support cost researchers and analysts in their work. We had the data in electronic form but had not included in the database at that particular time. I am delighted to say that over the next few months this omission will be resolved and copies of the presentations dating back to 1987 (there are only a few papers available between 1984-87) will be included in the SCAF website. I was also pleased to hear from one of our academic members that the SCAF archive data is well used and referred to regularly by his students (clearly demonstrating the benefits of updating and expanding the content to provide more and better services to our membership and other users).

In September we held our Annual Conference and Annual General Meeting and a report on the proceedings are published later in the Newsletter. It’s been a good year and, although attendances at the workshops were slightly down on last year we saw an increase in new organisations attending.

There has, over the last few months, been a lot of debate regarding the Scottish referendum on independence and some of our members have been busy on assessing the financial impacts this would have on the rest of the country. However, as we take a few deep breaths and look forward to Christmas the pressure immediately comes back on in 2015 with a General Election, a Strategic Defence and Security Review and, no doubt, a HM Treasury led Comprehensive Spending Review – all this to look forward to next Spring. I am sure that our next two workshops (November and February) will be a great benefit to members who will be involved in the related supporting studies.

Where are we competition?



The last Newsletter competition certainly awakened a few responses. I received several correct entries, a few questionable ones and one that couldn’t decide if I was referring to the upturned boat hull in the foreground or the castle in the background and so ended up having an interesting history lesson on both. My thanks to everyone for their responses all

the correct entries were put into a barrel and the winner drawn was **Mick Porter**, BAE Systems who was presented with a nice bottle of wine. Well done Mick who correctly identified the location as Lindisfarne Castle, Holy Island, Northumberland.

This month’s front cover photograph is of a well-known landmark but where are we?

Please forward your answers to editor@scaf.org.uk. All the correct answers will be put in a barrel and the winner will be published in the next newsletter and provided with a small prize.

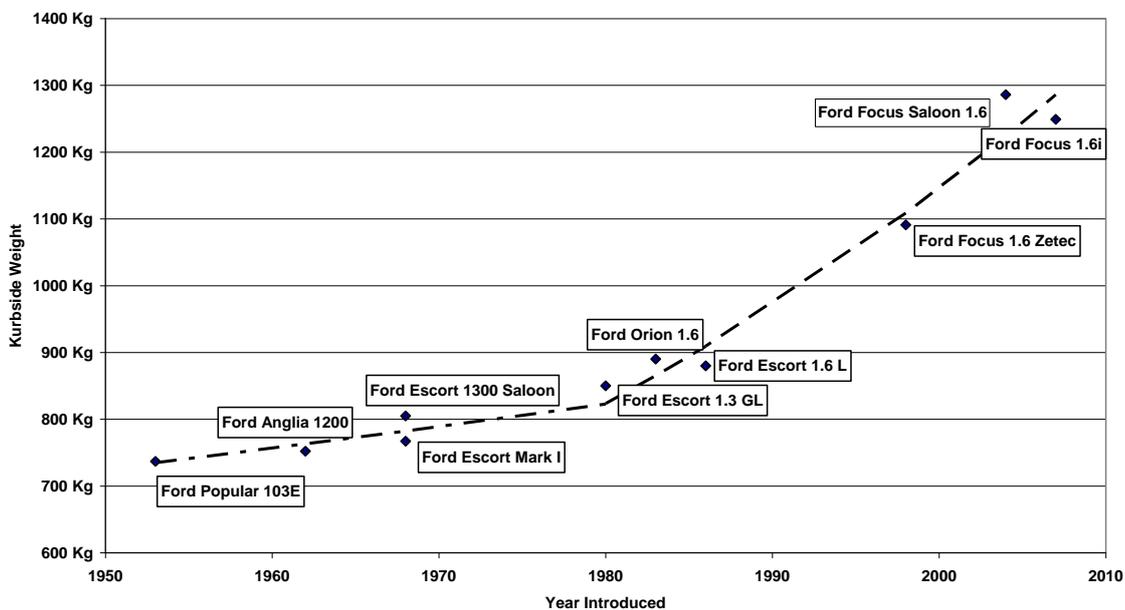
Historical Trend Analysis

Brian Tanner CEng MIMechE FIMarEST

Historical Trend Analysis (HTA) is a forecasting technique that relies primarily on historical time series data to predict the future. The analysis involves searching for a causal estimating relationship that will suitably describe the trend of the data series.

HTA is a parametric analysis and while time is the first independent variable, other independent variables can be introduced to make best use of available data and provide the best possible description of the historical trend. HTA can be applied to any dependent variable but weight/mass and cost are the two that will be concentrated on here. For weight, the first example is Ford family cars that are familiar to all.

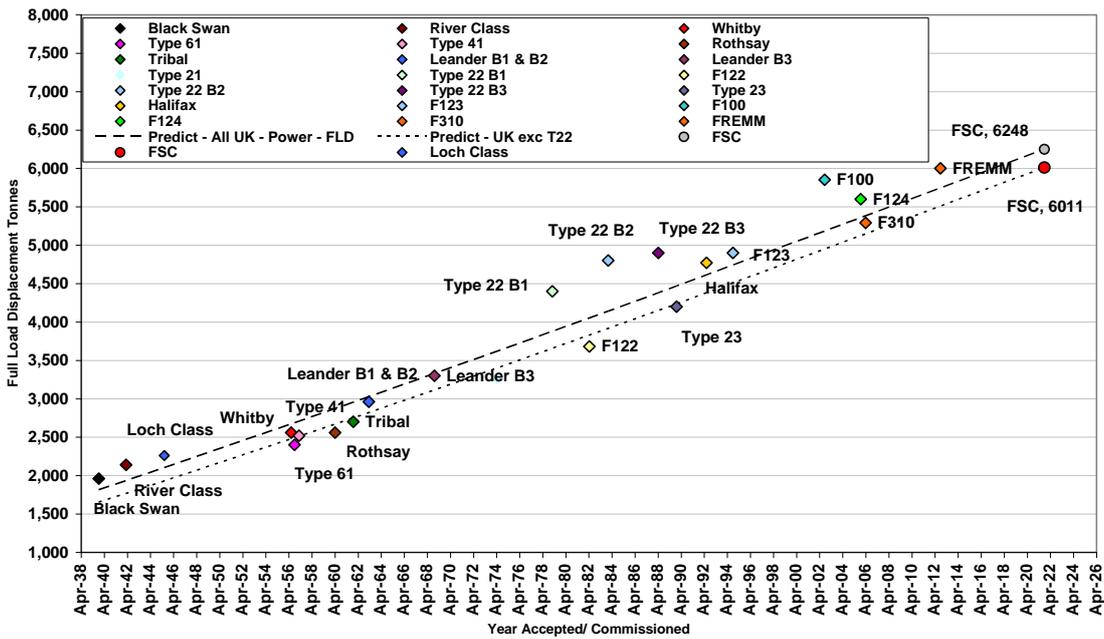
Ford Family Cars



There is an obvious discontinuity in the 1970s. Why? One possibility is that motorways first opened in 1968 and heralded the era of fast long distance travel requiring more capable and more comfortable cars. This means that the analyst must understand underlying influences in the data, and they could be qualitative variables in the analysis.

In the military arena naval frigates, a class of vessel re-introduced in the Second World War, have shown a linear trend in size increasing from 2,500 tonne in ships built after the war and reflecting lessons learnt to around 6,000 tonne seen today.

Frigate Size v ISD

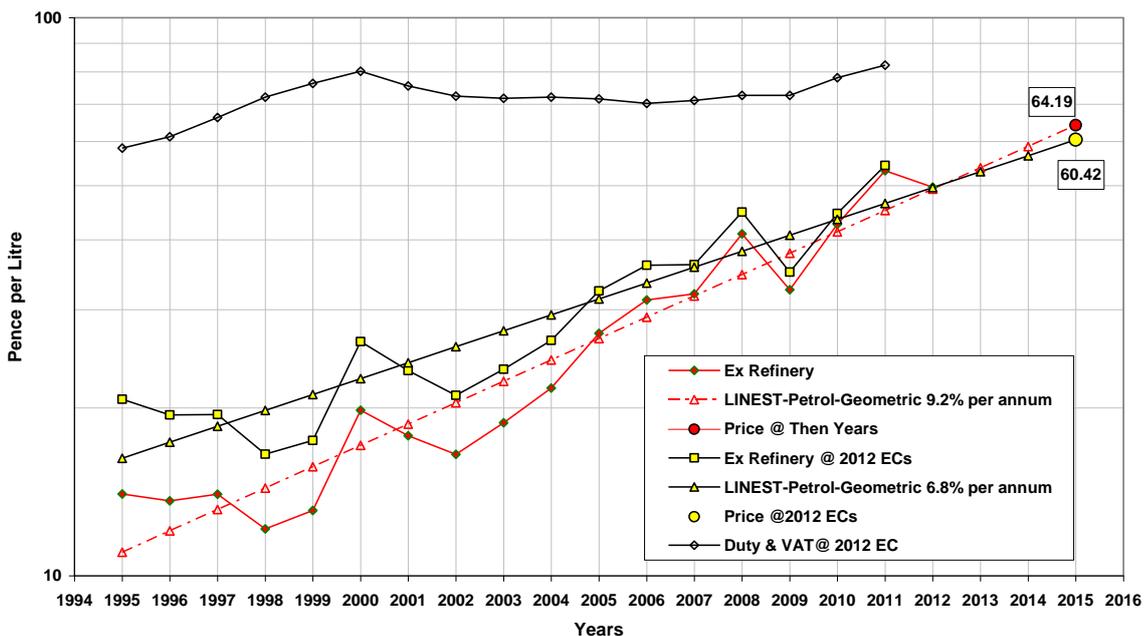


The linear trends suggest that the Global Combat Ship, currently in the preliminary stages of design, will be at least 6,000 tonnes.

HTAs on costs typically have as a first assumption a geometric equation, that is, a sequence that goes from one term to the next by always multiplying (or dividing) by the same value. When conducting a HTA on costs the first step must always be to normalise the data to bring it to one price level and remove the influences of extreme fluctuations in inflation as experienced in the UK in the 1970s.

One example is fuel prices and from the Petroleum Industry Association (PIA) data the trend in petrol prices is shown here:

Petrol Prices



With inflation reasonably constant over the period under review, a ‘Then Years’ and ‘Constant Price Level’ analysis is possible as shown. The difference in the two slopes is of course inflation, its geometric rate being 2¼% per annum. Note how the tax has been reasonably constant in real terms for some ten years.

In the arena of military equipment costs, a life-long proponent of HTAs was Philip Pugh who died in January 2009. He co-authored many articles under the auspices of the Royal United Services Institute and published two books:

- a. **The Cost of Sea Power: The Influence of Money on Naval Affairs from 1815 to the Present Day.** A 1986 study of shipbuilding costs since the end of the Napoleonic wars, argues that the industrial revolution made the problem more acute: the rapid pace of technological change set off a race to build bigger, more powerful, more heavily armed and better-protected battleships. At some point, as unit prices rise, one of two things must happen: countries must either scale back their ambition, or seek game-changing technology, as they did when the battleship gave way to the submarine and aircraft-carrier.
- b. **Source Book of Defence Equipment Costs (2007).** A handbook containing cost trends for the spectrum of military equipment. *Post Note: This book has now been updated and re-published as an 2012 edition.*

Other organisations have published reports on the cost trends of military equipment, notably the RAND organisation with reports:

- a. **Why Has the Cost of Naval Ships Risen (2006): A macroscopic examination of the trends in US naval ship costs over the past several decades.** The report identified two factors and their influence on cost growth:

Economy-driven factors are those largely outside the control of the government. Examples include wage rates and costs of material and equipment. Although the government can exert some influence on these costs, economic policy and worker health and safety protection are rarely targeted to the shipbuilding industry; rather, these factors are more systemic and should affect all shipbuilding programs uniformly.

Customer-driven factors relate to how a ship is built and acquired, as well as the features of that ship. Ship characteristics such as size, speed, power generation, stealth, survivability, habitability, and mission and armament systems are among customer-driven factors influencing ship costs. Increasing legislation from the International Maritime Organisation (IMO) is also a factor.

The results of the examination are summarised in the following table for various ship types. The customer driven factor for aircraft carriers is less than those for other ships, most likely because the basic ship hull has remained unaltered whereas for other vessels size growth has been a factor as previously demonstrated.

Percentage Contributions to Annual Escalation Rate.

Ship Type	Economy-Driven Factors	Customer-Driven Factors	Cost Improvement Correction	Total	Actual
Surface combatants	4.5	4.4	0.0	8.9	9.1
Attack submarines	4.6	4.5	0.6	9.7	9.9
Amphibious ships	4.8	4.2	-0.4	8.6	8.2
Aircraft carriers	5.2	2.0	0.0	7.2	7.1

b. Why Has the Cost of Fixed Wing Aircraft Risen (2008): A macroscopic examination of the trends in US military aircraft costs over the past several decades:

We considered two groups of contributors to cost escalation: economy-driven variables, which include costs for labour, equipment, and material, and customer-driven variables, which include costs for providing performance characteristics that the Services want in their aircraft.

Percentage Contributions to Annual Escalation Rate

Comparison	Economy-Driven Factors	Customer-Driven Factors	Cost Improvement Correction	Predicted	Actual
F-15A (1975) to F-22A (2005)	3.5	6.4	0.1	10.0	9.9
F/A-18A/B (1983) to F/A-18E/F (2003)	3.1	3.1	0.0	6.2	4.7
B-1B (1984) to B-2A (1993)	3.1	3.5	0.0	6.5	10.7
C-130H (1980) to C-17 (2005)	3.2	7.1	-0.2	10.2	12.8
E-3A (1975) to E-8C (2005)	3.4	2.3	-0.3	5.4	6.0
E-2C (1975) to E-2C (2004)	3.4	1.9	0.0	5.3	6.4
T-34C (1978) to T-6A (2001)	3.3	3.1	0.1	6.5	6.7
T-34C (1978) to T-45TS (2000)	3.3	11.9	0.0	15.2	15.9

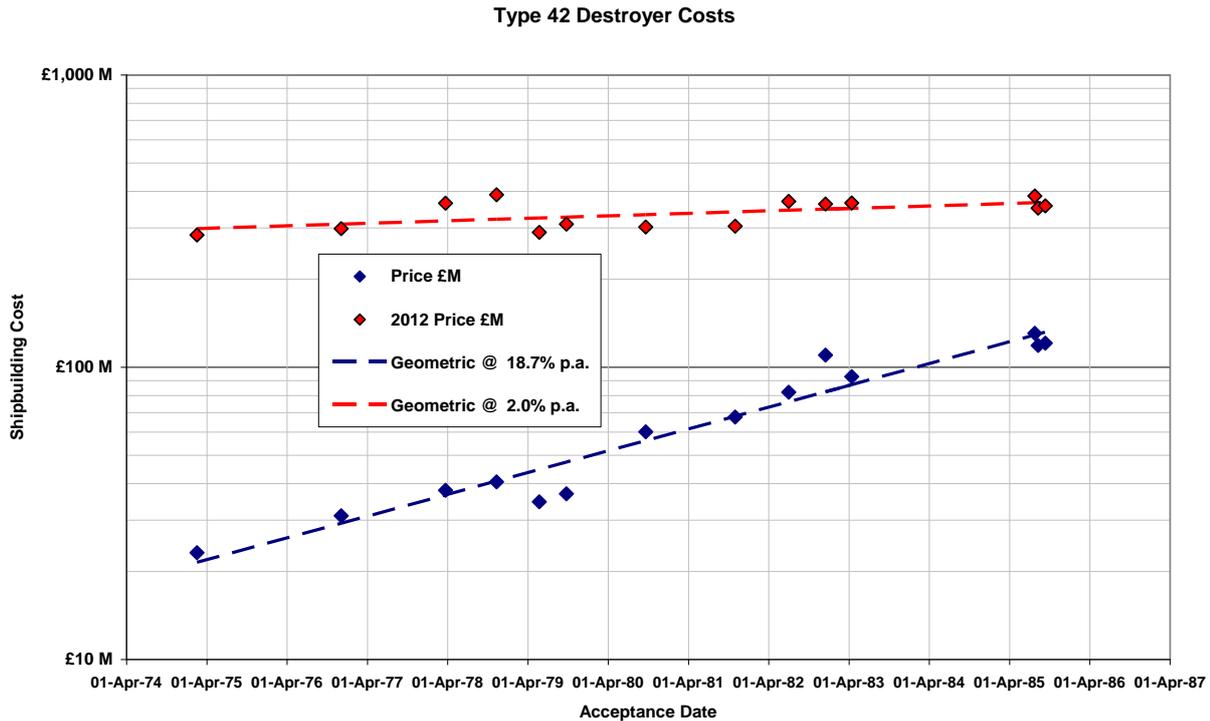
HTA is typically applied across generations of equipment using historical data. Sourcing that data can be difficult if records have not been husbanded for such a purpose. But the technique can also be applied to, for example, the analysis of age on the support costs of equipment. In the naval field a 1963 study based on the several generations of frigates and destroyers then still operational in the US Navy demonstrated that Upkeep¹ costs were related by the parametric equation:

$$\text{Displacement}^{0.42} * \text{Age}^{0.37}$$

Today's navy is more homogenous so displacement influence cannot be assessed, but a recent analysis carried out using public domain data did demonstrate that the Age factor was still applicable.

The need to normalise historical data to remove the influence of excessive variations in inflation has been mentioned before. In the years between 1968 and 1977 the shipbuilding price for a Type 42 destroyer went from £23.2M to £92.8M equivalent to inflation of 16.7% per annum. Taking Type 42 destroyer data in the public domain the analysis produces the following:

¹ Activities previously described as Dockings or Refits are now described as Upkeep Periods.



It is evident that even after normalisation there is significant data scatter - £100M in £300M- probably due to lack of clarity in the published data regarding price levels and shipbuilding events. Two destroyers were towed from Barrow to Newcastle for completion due to other events in the warship building programme.

When conducting a HTA one aim must be to minimize the data scatter by identifying unequal influences. A recent example is the four Fleet Tankers ordered by the Ministry of Defence from Daewoo in South Korea for a published price of £452M. The Fincantieri bid was reportedly some 50% greater². This ratio is similar to that produced from the OECD Purchasing Power Parity tables which reflect the relative exchange rates when adjusted to reflect equal cost for the same basket of goods.

In summary, a Historical Trend Analysis is a methodology that puts a current estimate into a historical context. One cannot hope for exactitude as the factors influencing data scatter and economic conditions will probably be obscured by the passage of time. But it will demonstrate if an estimate is overly optimistic or pessimistic.

² Daily mail 24 Feb 2012: "Sources close to Mr. Luff (Defence Equipment Minister) said the Fincantieri bid was 50 per cent more expensive than Daewoo's at around £675million".

SCAF Annual Conference

September 2014

Conference Overview

The 2014 Conference was the Society's 30th annual conference and brought together professionals from government, industry and academia to the BAWA Centre, Bristol which has become a regular hosting venue for our events.

Another good mix of content and opportunity to network

Good event, thanks. Derek's talk was a surprise, but quite engaging. It was particularly interesting to assume that we were 23 year old undergraduates and being lectured using dice to demonstrate uncertainty and risk.

First time attendee, well presented topics

Another excellent programme

Useful perspectives, well presented and engaging styles

Our keynote speaker, **Nick Hopkins**, Partner and Strategy Lead for the Public Sector, KPMG Management Consulting provided an excellent overview and scene-setter for the day by giving us a finance and commercial view on the benefits of cost engineering and realistic cost forecasting. Nick has been instrumental in developing working practices within the Cost Assurance and Analysis Service (CAAS), Ministry of Defence. His talk on the application, vision and delivery of cost estimates for decision makers was inspirational by addressing "how added value could be provided by the cost forecasting and analysis community". A great strategic view for the audience with a few challenges on how best to distil, articulate and draw out key issues within programme costs.

Dr Stuart Wicks, Head of Business Analysis, Rolls-Royce Submarines spoke on "*The affordability burden of poor value specification*" and discussed how loading specifications up with contingency, allowances, uncertainty, etc. did not add up to obtaining good value for money. His presentation gave real life examples of where a failure in value specification has resulted in significant waste and cost growth and outlined the Lean principles of Value specification that are needed as an essential foundation to the success of any project.

Derek Salkeld, Founder of DS+A Risk Analytics provided us with an engaging presentation utilising just a white board and a pocket full of different sized dice. It was an unique style to demonstrate the theory and practicality on the use of uncertainty and risk analysis in cost estimating. He illustrated the "how and why" admirably and became one of the main talking points over lunch.

Brian Sugden MBE, Cost Engineering Technical Coach, DE&S Cost Assurance and Analysis Service outlined the benefits to the UK Government and Industry from the past formal recognition of the Cost Engineering discipline and application of emerging techniques and the advent of three point estimating. The audience was taken on an excellent history journey through the various guises and name changes of the original Technical Cost Section. This Ministry of Defence Section (now known as CAAS) will be 100 years old in 2015.

Brian used his years of experience and anecdotes to discuss how changes in practice and legislation had developed to the current standpoint on “pricing of single source contracts” and financial budget perceptions.

Mark Lee, Head of Profession, Programme Assurance, QinetiQ presented “*Using a Risk Maturity Model to Audit and Benchmark Project Health*”. The speaker drew on case examples from Defence and Oil & Gas to explain how a Risk Maturity Model was applied to benchmark risk management capability and, by so doing, had been used to drive improvement in project delivery and underpin wider business transformation.

Sanathanan Rajagopal, Senior Cost Analyst, Cost Assurance and Analysis Service, Ministry of Defence presented a paper entitled “*Software Estimation – is the problem solved?*”. This was an intriguing title on a subject that is still somewhat regarded as mythical and too difficult. Having discussed some perceptions, facts and reality Sanathanan concluded the problem may not be in the way that we estimate as we have approved standards, approved developmental cycles and an understanding of how software works. Therefore project issues and project failures are more likely to be due to the uncertainty around project requirements resulting in late delivery and cost overruns.

The management committee of the Society would like to extend their sincere gratitude to all our speakers and everyone involved in the planning of this excellent conference. It was a successful event in every way and we look forward to our next workshop on 18th November 2014.

SCAF Annual General Meeting

16th September 2014

The BAWA Centre, Bristol

The Society’s Annual General Meeting was held immediately after lunch at the Annual Conference. The main events were reports from the Chairman (covering what had been achieved during the Society year, the Society’s Financial position and plans for the future). The Chairman also discussed the results of the election for the 2014/2015 committee.

Executive Reports

The Chairman reported that 2013/2014 had been another successful year for the Society. The Annual Conference in September 2013 was followed by four further events and a summer reception. These were:



September 2013 - “SCAF Annual Conference”, BAWA Centre, Bristol

November 2013 - “SCAF Vendor Day”, BAWA Centre, Bristol. *An opportunity to network with analysts, tool vendors and presentations from professional experts.*



February 2014 - “Affordability, Value for Money and Decision Making”, Royal Institution of Naval Architects, London. *The first event to be held at the new RINA Headquarters near Trafalgar Square.*



April 2014 - "The 2014 SCAF Cost Estimating Challenge", BAWA Centre, Bristol. *An opportunity for teams to participate in this learning experience.*



June 2014 - "Value Engineering and Value Analysis in the context of Austerity", Ribby Hall Village, Preston, Lancashire. *A new venue for SCAF that offered everything required for a successful workshop.*



July 2014 - "Summer Reception and Awards Banquet", the Marriott City Centre Hotel, Bristol. *An opportunity to meet in a relaxed environment and applaud this year's Award winners.*

The Chairman wished to record his thanks to everyone who had supported these events and to the organisers who had made it all possible.

The Treasurer (via the Chairman) reported that the Society had experienced significant disruption to its operations due to imposed de-centralisation within the Lloyds Banking Group and the subsequent account transfer to the Santander Bank. He apologised to members and organisations that had been affected and reported that the situation has now been resolved. Some rationalisation of transactions are now being undertaken and, once ratified, the accounts will be independently reviewed prior to a statement of accounts being made available to members.

Committee Elections

Dale Shermon (Chairman), Dave Hedley (Treasurer), Dr Paul Wood (Member) and Dr Paul Baguley (Member) were all due to step down after completing a two year term of office. The election process started in May 2014 and 4 nominations were received. As the number of nominations equalled the number of places available no election was necessary and all the nominees were duly elected to the 2014/2015 committee.

2014/2015 SCAF Committee

Chairman: Dale Shermon, QinetiQ

Treasurer: Dave Hedley, BMT Reliability Consultants Ltd

Secretary: Neil Morrill, Defence Science and Technology Laboratory

Members: Paul Moseley, Cost Assurance and Analysis Service, Ministry of Defence
 Karen Sparks, Atkins
 Dr Paul Wood, BMT HI-Q Sigma
 Dr Paul Baguley, Cranfield University
 Andy Nicholls, PRICE Systems

Newsletter Editor: Arthur Griffiths

The Chairman thanked the committee for their continued support. He also stated that we would welcome any member who would like to volunteer to join the committee to contact any of the committee members. Contact details are given later in the Newsletter.

CALL FOR PAPERS
SCAF Workshop
Theme: “Cost Analysis and SDSR”
Tuesday 3rd February 2015
Royal Institution of Naval Architects, London

The Comprehensive Spending Review of 2010 was described as the biggest budget cuts since World War 2. The review proposed an £81 Billion cut in public spending in the remaining 4 years of the parliament with an average departmental cut of 19%. The MoD faced expenditure cuts of around 8%.

Given the magnitude of the budget crisis facing the MoD one of the underlying goals of the SDSR was to drive cost down without compromising capability. However, because of persistent failure to accurately predict costs, senior decision-makers in government have taken a more acute look at affordability as part of the MoD’s attempts to streamline procurement and support processes.

The next SDSR will be held in 2015. With unfinished business from its 2010 predecessor the 2015 review is likely to be contentious. As we prepare to support activities that will form part of the review we can only surmise on the potential changes that it will bring.

One thing is for sure and that is **AFFORDABILITY, WHOLE LIFE COSTS and OPTIONS FOR CHANGE** are now firmly in the spotlight. The SCAF Workshop has been set to air concerns and observations that both Practitioners and Academics are currently grappling with. Presentations are invited on the following topics:

Affordability/Budget Analysis
Capability Trade-off
Force Structure Cost Modelling
Lessons Learned from Previous SDRs
Risk Analysis
Option Analysis
Investment Appraisal
Whole Life Costing

This is an excellent opportunity to debate this major decision review and contribute to the advancement of the profession.

Deadline

Please let us know if you plan on submitting a paper and what your planned topic will be no later than Friday 5th December 2014. Forward details to the Secretary by email: ndmorrill@dstl.gov.uk or call 0306 7703450

Events Later in 2014/15

2014

18 November **Joint Workshop Theme: Affordability, Value for Money and Decision Making, The BAWA Centre, Filton, Bristol**

We are delighted to announce our joint meeting with the Operational Research Society, Defence SIG. Several of our members have attended previous ISMOR conferences and there is no doubt that there is a great deal of synergy between the Operational Research and Costing community. We plan to change the format of the day slightly by having three speakers from both organizations covering two principal themes (one for the morning and one for the afternoon) with specific periods for open Question and Answer discussions.

2015

3 February **SCAF Workshop Theme: Cost Analysis and SDSR 2015, The Royal Institution of Naval Architects, London. **Please contact the Secretary if you are interested in presenting a paper at this event****

14 April **The SCAF 2015 Estimating Challenge and Learning Workshop, The BAWA Centre, Filton, Bristol. **Please contact the Secretary if you are interested in providing a Team for this event.****

2 June **SCAF Workshop Theme: To Be Confirmed, Ribby Hall, Preston. **Please contact the Secretary if you are interested in presenting a paper at this event****

7 July **SCAF Summer Reception and Awards Banquet, venue to be confirmed**

15 September **SCAF 2015 Annual Conference and AGM**

For further details on any of the above events please contact the SCAF Secretary, Neil Morrill by telephone on 02392 537 271 or by email: ndmorrill@dstl.gov.uk

Other Related Events

SCAF is not responsible for the content of any external websites published in this Newsletter

04 Nov 2014

Costing Research at Bath – Industry Workshop, Bailbrook House, Bath

The workshops will provide demonstrations/interaction with the research undertaken by the Universities of Bath, Loughborough and the West of England together with their industrial partners. The aim is to provide delegates with an overall insight into the methods adopted using a hands-on approach. The workshop also includes two professional papers presented by Dr Dan Bumblauskas, University of Northern Iowa and Dr Ricardo Valerdi, University of Arizona. Further details and registration can be obtained from Dr Linda Newnes email: L.B.Newnes@bath.ac.uk

18 Nov 2014

Project Controls Expo 2014 – Arsenal (Emirates) Stadium, London, UK

The largest international project control event featuring expert international speakers presenting Master Class sessions, case studies, workshops, technical presentations along with Partner showcase and a project controls job fair. Further details and registration can be obtained from www.projectcontrolsexpo.com

27-28 Jan 2015

11th NATO Life Cycle Management Conference & Exhibition, Golden Tulip Brussels Airport Hotel, Belgium

With 17 briefings and speakers from Austria, Belgium, Denmark, France, Germany, Italy, Luxembourg, The Netherlands, Norway, Sweden, the United Kingdom and the United States of America **the 11th NATO LCM Conference will take place in Brussels on 27 and 28 January 2015** and will address the subject of: **“Smart Logistics – Working Together, Exchanging Information, Building Common Solutions”**.

In continuation of good tradition the conference will be accompanied by a small, dedicated exhibition, which offers industry and organisations the opportunity to showcase products, services and capabilities. Further details and registration can be obtained from Juergen Hensel email: juergen.hensel@mittler-report.de

9-12 Jun 2015

International Cost Estimating and Analysis Association (ICEAA) Professional Development and Training Workshop, San Diego.

This Annual Conference has well-known Keynote Speakers and Innovative Panel Sessions, Integrated Training Tracks, Informative Workshops and Exciting Vendor Exhibits. Separate certification exams are offered at the conference for a separate fee. For further details and registration can be obtained from www.iceaaonline.org

Networking
for the cost
estimating
and analysis
community

SCAF Management Committee Meetings

Date	Venue	Focus
7 th October 2014	QinetiQ, Bristol	2015 events programme
11 th November 2014	BMT, Fareham	2015 workshops content & Challenge
9 th December 2014	QinetiQ, Bristol	Finalise 2015 events programme and interim 2016 programme
6 th January 2015	BMT, Fareham	Finalise challenge
10 th March 2015	QinetiQ, Bristol	Discuss awards nominations
19 th May 2015	BMT, Fareham	Annual Conference, final details for awards dinner and committee nominations
14 th July 2015	QinetiQ, Bristol	Annual Conference final details
6 th October 2015	QinetiQ, Bristol	Programme and November Workshop

The committee would welcome any suggestions on particular topics that can be developed for debating at future workshops or for round table/panel discussion. We would also welcome any comments on changes or otherwise you might like to see to the workshop structure and content.

Please forward your comments to editor@scaf.org.uk where they can be put on the agenda for committee discussion and action.

Please also remember that the committee works for the members and will do their utmost to address any issues raised to the benefit of the Society.

New Corporate Members



Are you a company that sends 5 or more staff to any of our workshops? There are discounts available for block bookings with further flexibility offered for Corporate Membership. Further details can be obtained from the SCAF Treasurer, Dave Hedley email: dave.hedley@bmrcl.com



www.scaf.org.uk



Bridging relationships in cost estimating

For over 20 years the Society has sought to illuminate key issues in the analysis and forecasting of project costs—and to promote best practice within the cost forecasting community.

The Society provides a single point of contact for advice to those wishing to address key issues in the analysis and forecasting of costs and timescales of complex programmes.

Workshops and seminars are held at regular intervals throughout the year. A newsletter is published electronically 3 times a year.

Collaborative links with other societies has always been maintained and a library of relevant papers are available. A single annual payment at the Annual Conference entitles members to attend all the years' programme of SCAF events at no further cost. The Summer Reception is also provided free to SCAF members and their guests.

SCAF is committed to providing Continuing Professional Development (CPD) through the provision of its skills workshops and its support to Professional Development courses.

The Society is a Not-for-Profit organisation and continues to provide members with exceptional value for money.

SCAF 2014/15 Committee Members and Contact Details

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