



MINISTRY OF DEFENCE

SCAF ANNUAL CONFERENCE

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TRANSFORMING AND IMPROVING COST AND TIME ESTIMATING FOR THE NEXT DECADE- THE CHALLENGE FOR INVESTMENT APPRAISAL IN MOD

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MINISTRY OF DEFENCE

DASA-DESA's Role In MoD Investment Appraisal and Evaluation

- **Responsible for MOD policy on Investment Appraisal (IA) and Project Evaluation (PE) and ensuring MOD compliance with HM Treasury's "Green Book" guidance**
- **Provide advice and guidance on IAs and PEs eg JSP507**
- **Scrutinise IAs/COEIAs, BCs for all projects subject to Central Approval (eg Ministers, IAC)**
- **Review sample of TLB IAs/BCs/PEs for Health of Financial Systems Review**

Relevant Issues highlighted by Levine

An inability to take tough, timely decisions in the Defence interest, particularly those necessary to ensure financial control and an affordable Defence programme, reflecting:

- the “conspiracy of optimism”;
- an institutional focus on short-term affordability at the expense of longer-term planning;
- a lack of clarity over who is responsible and accountable for taking decisions;
- that finance, and the need for affordability, are not regarded as sufficiently important throughout the organisation;

Continuing inefficiency in the current model, reflecting

- a culture of re-inventing the wheel and developing bespoke solutions rather than standardising;

Relevant Key Recommendations of Levine-

- **6c- Major investments should continue to be scrutinised by the Investment Approvals Committee (IAC- the previously named IAB), chaired by DG Finance....should delegate some authority for smaller projects to TLB Directors of Resources. The Department will wish to consider, in consultations with the Treasury, how quickly it is prudent to move to this more delegated model.**
- **9d- We welcome the development and increased use of the independent costing capability provided by the Cost Assurance and Analysis Service. The Department should mandate the use of this service more broadly across Defence to support investment decisions and planning.**

Implications for DASA-DESA

- Need to strengthen guidance on adjusting for Optimism Bias in IAs
- Need to continue and enhance arrangements for reviewing TLB IAs and PEs
- Need to develop more prescriptive and standardised IA guidance
- Need to strengthen institutional links between DASA-DESA, D Scrutiny and CAAS organisations

Reform of JSP 507 – Direction of Travel

- Prescription
- Standardisation
- Automation
- Mandation
- Simplification
- What to do not why

JSP 507 – Layered Approach

- **Part 1 – Introduction**
- **Part 2 – Managers' Guide**
- **Part 3 – Practitioners' Guide**
- **Part 4 – More Complex Issues**
- **Part 5 - Appendices**

Main Changes to JSP 507 Version 5.0

1.2 Summary

- reflecting new HMT supplementary guidance on the 5 case model for business cases

2.2 The Elements of Business Cases and Appraisals

- reflecting new HMT supplementary guidance on the 5 case model for business cases

3.2 Cost Effectiveness Analysis

- reflecting shift of focus based on D/Scrutiny input

Main Changes to JSP 507 Version 5.0

3.4 Personnel Costs

- **updating cost estimates in light of new data**
- **revised guidance on disestablishment of posts reflecting feedback from Land Forces**
- **redrafted section on Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) based on DCP input**

Main Changes to JSP 507 Version 5.0

4.2 Non-Market Impacts and Sustainable Development

- **new sustainability section to reflect latest DECC guidance and reflecting feedback from D Sustainable Procurement**

Supporting Documentation

- **New generic spreadsheet model developed in conjunction with Cost Assurance and Analysis Service (CAAS)**
- **Appraisal and Evaluation Mini-Guide updated and reissued as Version 6.0 (April 2011)**

Next Steps

MoD specific Optimism Bias factors-

DASA-DESA Sponsored Dstl research project to establish default IG and MG OB factors

Clearer guidance on the use of MCDA v COEIA

Further development of generic spreadsheet model

Lessons from HFS Review

Former D/Scrutiny undertaking review of current arrangements

DASA downsizing over next 3 years

ANY QUESTIONS?



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