



Cost Assurance and Analysis Service (CAAS)

Capacity and Capability Development Programme

Dr Tim Sheldon – Head of CAAS

18 Sep 12



CAAS – Why are we here?

CAAS Vision:

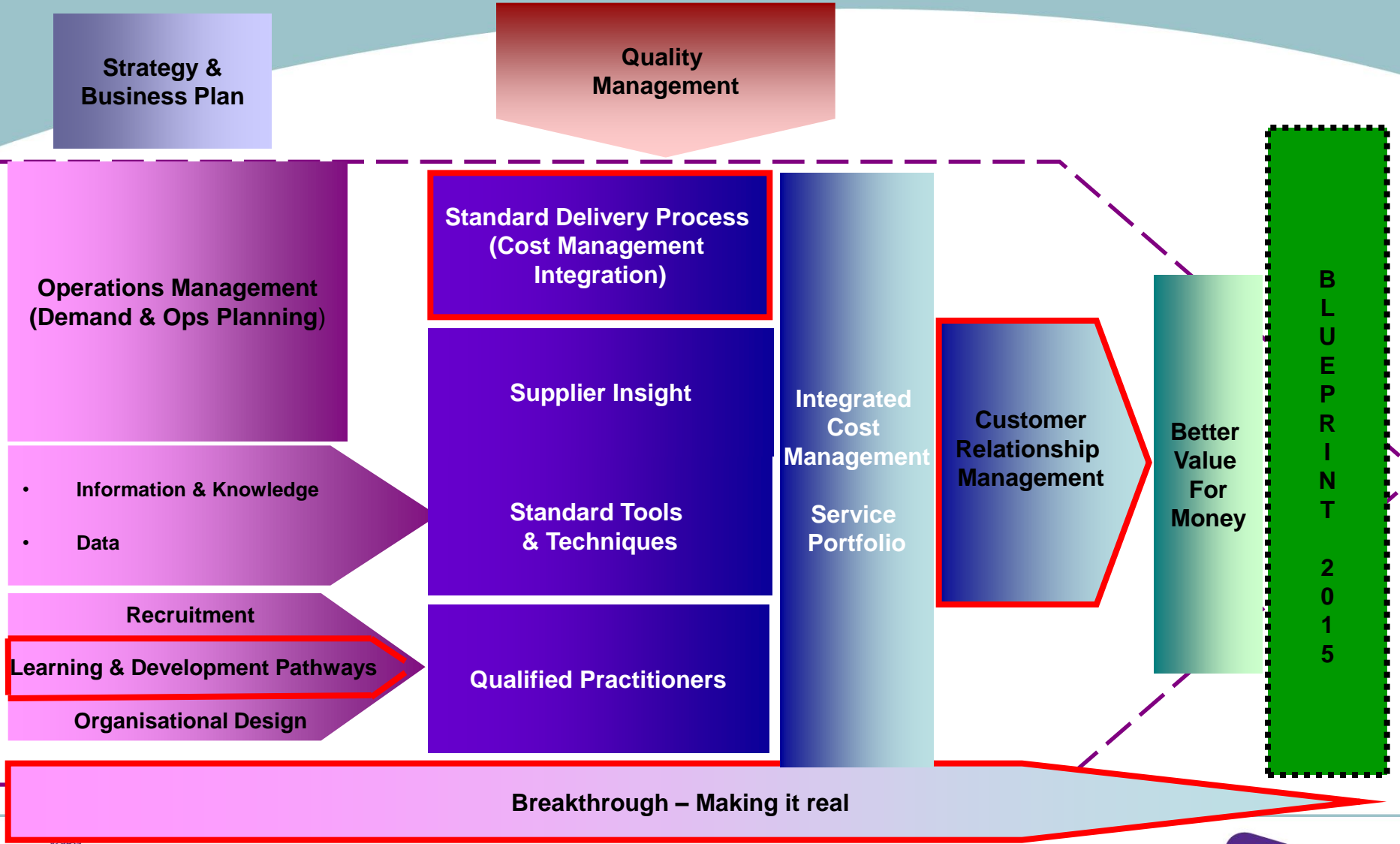
“To be the MoD’s professional provider of choice for independent cost assurance and analysis services”

CAAS Mission:

“To enable the MoD to make better informed Value for Money decisions through life”



CAAS Development Programme – If you recall...

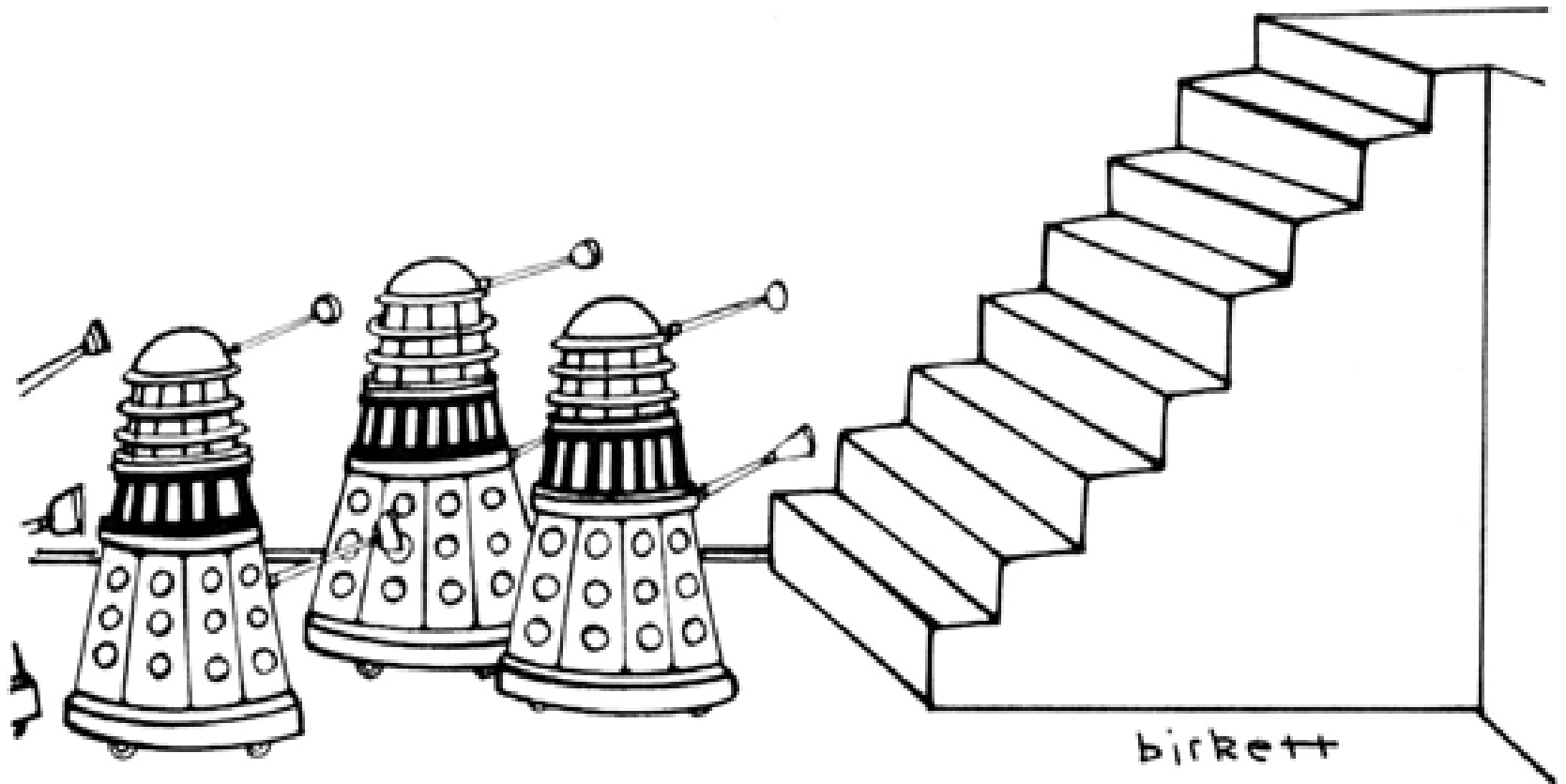


Indicates Priority Strategies

27/09/2012

3





“Well, this certainly buggers our plan to conquer the Universe.”

CAAS Development Programme - Cost Management Integration (CMI)

From....

- **Reactive**
- **Project Based Focus**
- **No Planning Round linkage**
- **No accountability in CAAS**
- **No continuous improvement**
- **Focus on supporting non-competitive contract management**
- **Part of the commercial function**

To....

- **Regular engagement on key project & programmes.**
- **Standardised Approach**
- **Clear Customer Accountability**
- **Year on Year Improvement**
- **Inform MoD budgeting and approvals processes**
- **Part of the finance function**



Planning Round – Independent Cost Estimates (Equipment Procurement Plan - EPP)

Aim: To provide independent cost estimates for the EPP to inform the setting of realistic programme/project budgets and their approvals.

What have we done?

- Planning Round 12 - CAAS completed independent cost analyses for 40 Defence Equipment & Support (DE&S) Category A and B projects. Representing approx 70% of the procurement budget over the Planning Round 12 10 year period.
- CAAS provided view on likely costs sector risks to highlight funding requirements out with those of the existing projects.
- Budget Cycle 13 – Retain cost management grip of EPP and extend to the Equipment Support Plan (ESP).

Impact:

- Revised project/programme costings informed by CAAS analysis.
- Provision of contingency at portfolio level.
- Critical input for DE&S quarterly finance reviews.



A 'Blue Peter' moment.....



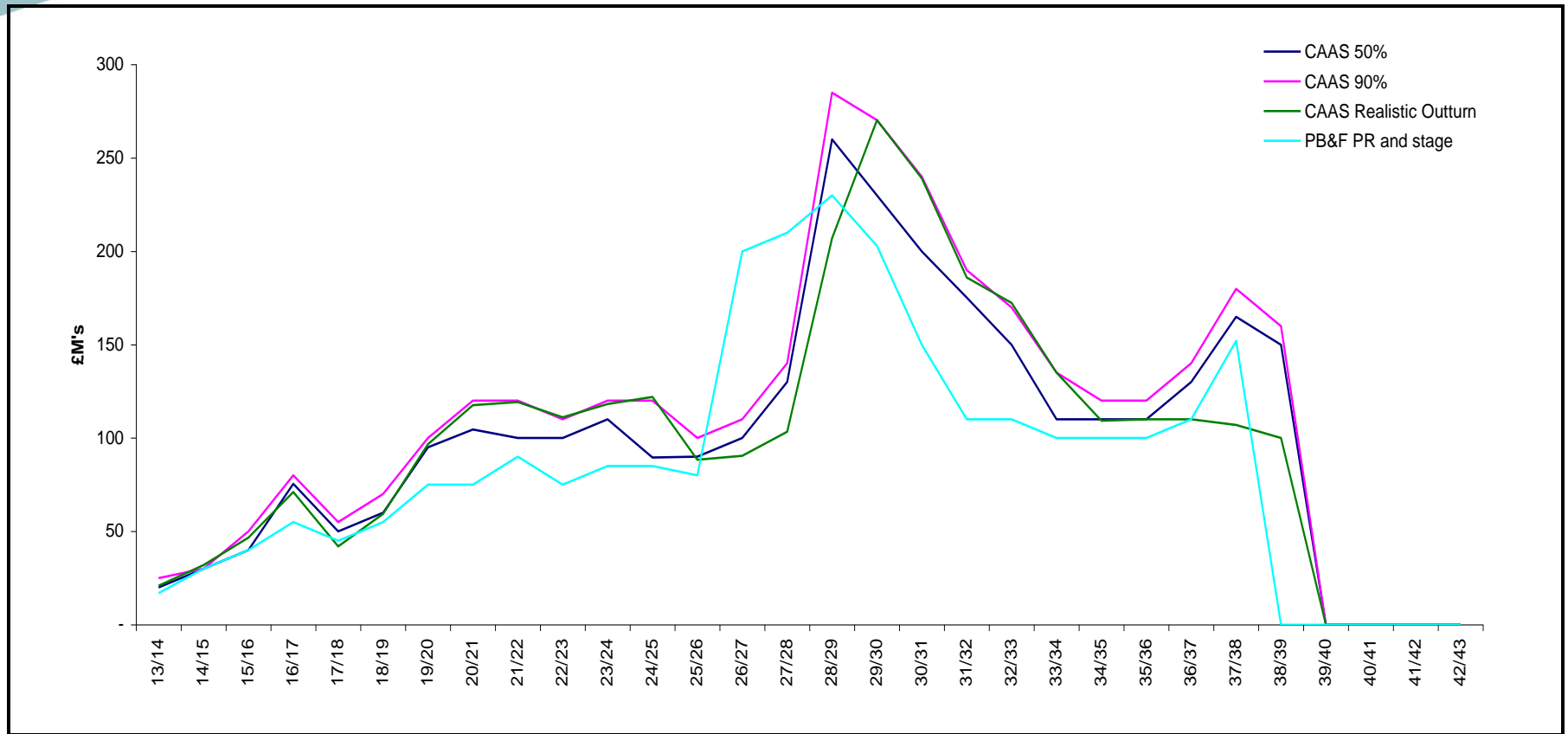
A worked example – Fictitious Programme

P9 / S9	P0000001	Project Description	
Project Name	BLANK	Purchase of 15 Unmanned Air Vehicles. LMG123 is a flexible system that can be used for a wide range of tasks from conducting reconnaissance prior to deployment into an area, and long-term pattern of life studies, to target acquisition and designation.	
Operating Centre	Combat Air		
Category	Cat A		
CADMID Phase	Assessment		
CAAS Project Lead	Joseph Cloggs		

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	10 Year Total	23/24	30 Year Total
	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M	£M
CAAS 50%	20	30	40	75	50	60	95	105	100	100	675	110	2,985
CAAS 90%	25	30	50	80	55	70	100	120	120	110	760	120	3,360
CAAS Realistic Outturn	21	32	47	71	42	59	97	118	119	111	717	118	2,986
PB&F PR and stage	17	30	40	55	45	55	75	75	90	75	557	85	2,582



Graph showing the differences in outturns



Reasons for variations

Reasons for variation to PB&F	
CAAS 50% View	VAT has not been applied to the costs, as the weight of a MALE UAV is highly likely to be below 8 tonnes. Risk has been assessed using the Optimism Bias tool. Risk is calculated based on the FACET outputs and on the projects progress scored on a OB question set.
CAAS 90% View	VAT has not been applied to the costs, as the weight of a MALE UAV is highly likely to be below 8 tonnes. Risk has been assessed using the Optimism Bias tool. Risk is calculated based on the FACET outputs and on the projects progress scored on a OB question set.
CAAS Realistic Outturn View	VAT has not been applied to the costs, as the weight of a MALE UAV is highly likely to be below 8 tonnes. Risk has been assessed using the Optimism Bias tool. Risk is calculated based on the FACET outputs and on the projects progress scored on a OB question set. Increased inflation due to sector cost allocation.

Assumptions	
VAT treatment	Exempt due to weight of air vehicle (8000kgs +)
Inflation assumption	DASA DESA 2.4%.
Foreign currency assumptions	Until a decision has been taken on collaboration, this project is assumed to be UK sterling.
Key assumptions	<ul style="list-style-type: none"> • Scope: 15 MALE UAVs, 1xUK GCS &2x mobile GCS. Airframe is based on BAES Mantis Platform, produced in UK. Procurement strategy is non-competitive, based on UK-FR collaboration. . • . • . • .



But what about Equipment Support.....?



and another thing.....

Planning Round Independent Cost Estimates – Equipment Support

Aim: To produce and maintain independent cost estimates for 50% by value of ESP spend, as soon as practicable.

Scope

- 19 projects covering 21 Basic Level Budgets – projects selected based on scale and strategic importance and ensuring coverage across the Front Line Commands.
- Planned work will enable CAAS staff to develop skills and capabilities in ESP independent cost estimates and learn from experience.

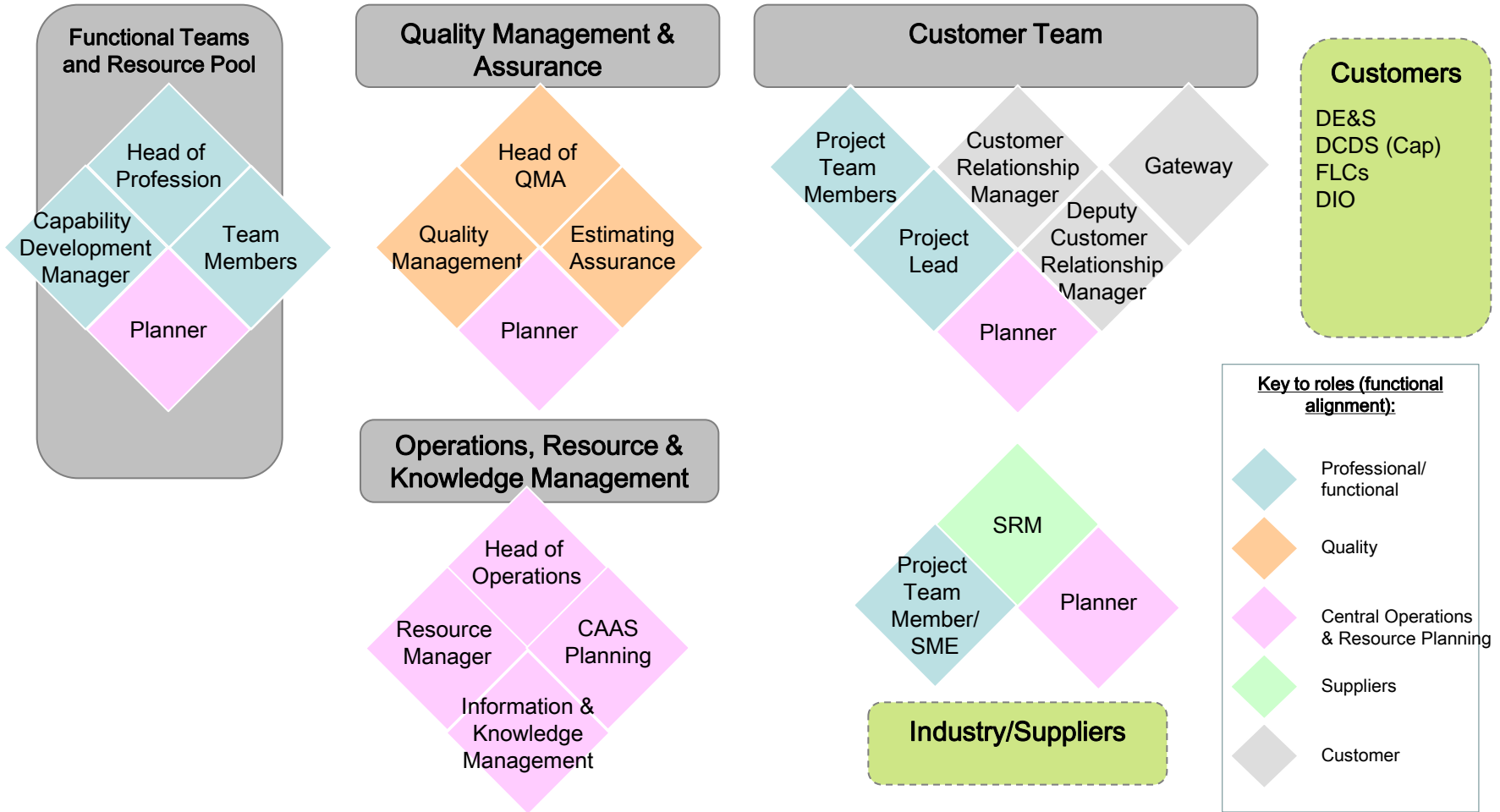
Timescales

- Delivery of initial ESP independent cost estimates to CAAS in December 2012. independent cost estimates enhanced (refinements in scope and methods/techniques) through to March 13 ready for April 2013 Quarterly Reviews.



CAAS Development – Where Are We going? 2015 Blueprint

Leadership



Business Support Function



27/09/2012

13



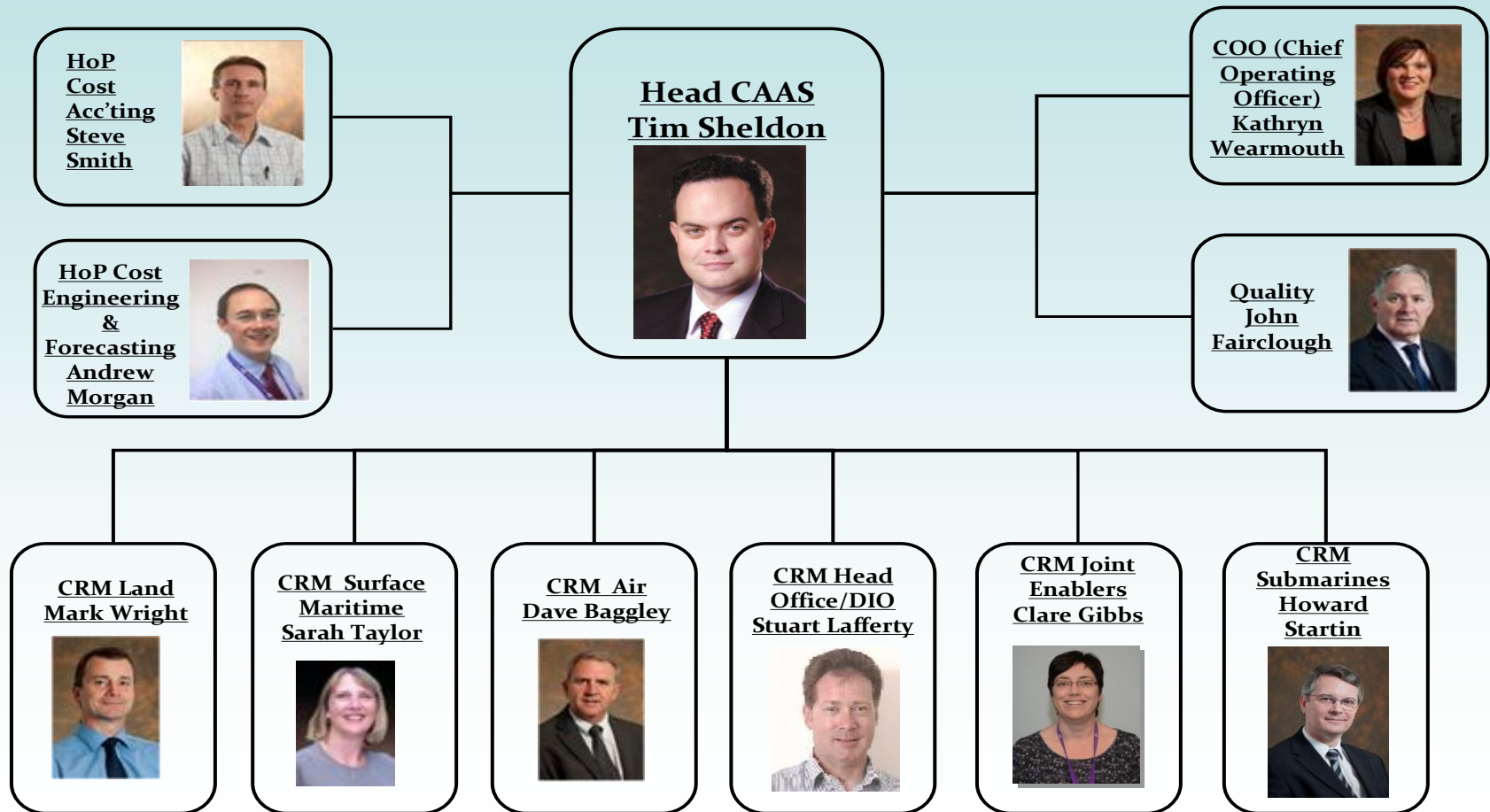
CAAS Development – Customer Focus

We have put the customer first !

- CAAS Customer Relationship Managers (CRMs) have lead responsibility for key customer segments. Lead on the production of customer account plans and senior customer engagement
- CAAS Gateways manage the Day-to-day exchange of information; keeping the Customer informed of all CAAS products and services and understanding the customer demand. They obtain and act on customer feedback to drive CAAS continuous improvement.
- Return to MoD Head Office: CAAS have re-established a team in London to support HoCs (short-term) and DG Finance/DCDS(Cap) re-organisation long term.
- Engaging with the Front Line Commands: FLCs will be key customers moving forwards – they will drive capability management within their delegations and be held to account. Real pull for CAAS support.



CAAS Leadership



CAAS Development - People

CAAS Awareness Practitioner Expert (A-P-E) Framework

- CAAS is deploying an A-P-E framework that links core and functional competence to the ability to consistently deliver products and services to defined output standards.
- Functional framework owned by the relevant Head of profession
- Current investment in CAAS is targeted at the accelerated progression of new staff from Awareness to Practitioner – **over 200 staff have joined CAAS over the past 2 years!**
- Implementation of the A-P-E process has been trialled in two areas and is being implemented across CAAS as an integral part of the staff annual performance
- A-P-E progression to improve direct utilisation across CAAS operations



CAAS Development - People

Professional Accreditation

- CAAS has taken the decision to promote a dual accreditation route for cost forecasters and cost engineers. Functional staff will be supported in achieving accreditation in both their technical and estimating career anchors.
- The estimating accreditation will be implemented to target functional staff who reach a minimum level along the CAAS A-P-E development path. We intend to run a pilot over the next 12 months to understand and test the minimum entry criteria and resource burden to operations. This will allow CAAS to optimise the maximum number of candidates per year and ongoing support needed from experienced functional experts to ensure we achieve a high rate of success.



Saving CAAS Cost Forecasting...



Saving CAAS Cost Forecasting...

Rebuilding the team....

MoD Cost Forecasting Staff Numbers		
2000	2008	2012
55	18	75

- The balance of Cost Forecasting staff are new to the function and in need of up-skilling. Awareness = 53 Practitioner =13 Expert =9
- The 'Apprentice Cost Forecasting Scheme' was put in place to accelerate up-skilling and reduce the burden on line managers and more experienced staff.
- The 'Apprentice Master' team are delivering classroom based (knowledge) materials and support on-the-job (experience) training. Focus on both functional and core skills.



Key Challenges For The Future

- Macro economic environment impact on the MoD
- Impact of Defence Reform
- Impact of Defence Materiel Strategy
- Implementation of the Currie Review – Single Source Pricing





Head of Cost Assurance & Analysis Service

Dr Tim Sheldon

