

The following presentation was given at:

SCAF Workshop “Project Cost Control”

Tuesday 2nd February 2016

The Royal Institution of Naval Architects, London

Released for distribution by the Author

www.scaf.org.uk/library

Cost Assurance and Analysis Service (CAAS)

Customer Relationship Manager – Land

Mark Wright

Society Cost Analysis and Forecasting

February 2016

CAAS – History

- 1999 – Implementation of Smart Acquisition – The Integrated Project Team (IPT) is king. CAAS became a ‘support group’.
- Led to decade of under investment 2000-2010:
 - CAAS Staff reduced from 700 to 300;
 - Minimal product development;
 - Specialist training and development activities wound down.
- CAAS unable to provide cost management support to all key MOD projects, link broken with the MOD capability area. MOD IPTs engaged external support piecemeal to make up shortfall.
- 2009 ‘Review of Acquisition’ highlighted the need for an effective MOD cost management capability.

CAAS 2016: Who we are and what we do

WHO WE ARE

- A professional organisation of Cost Engineers, Cost Forecasters, Cost Accountants, and Portfolio Analysts.
- Align with DE&S Project Controls function.
- Located at seven main sites around UK to cover industry geography.
- Client focussed - organised to face FLCs and the domains.
- Emulates a commercial professional services organisation.

WHAT WE DO

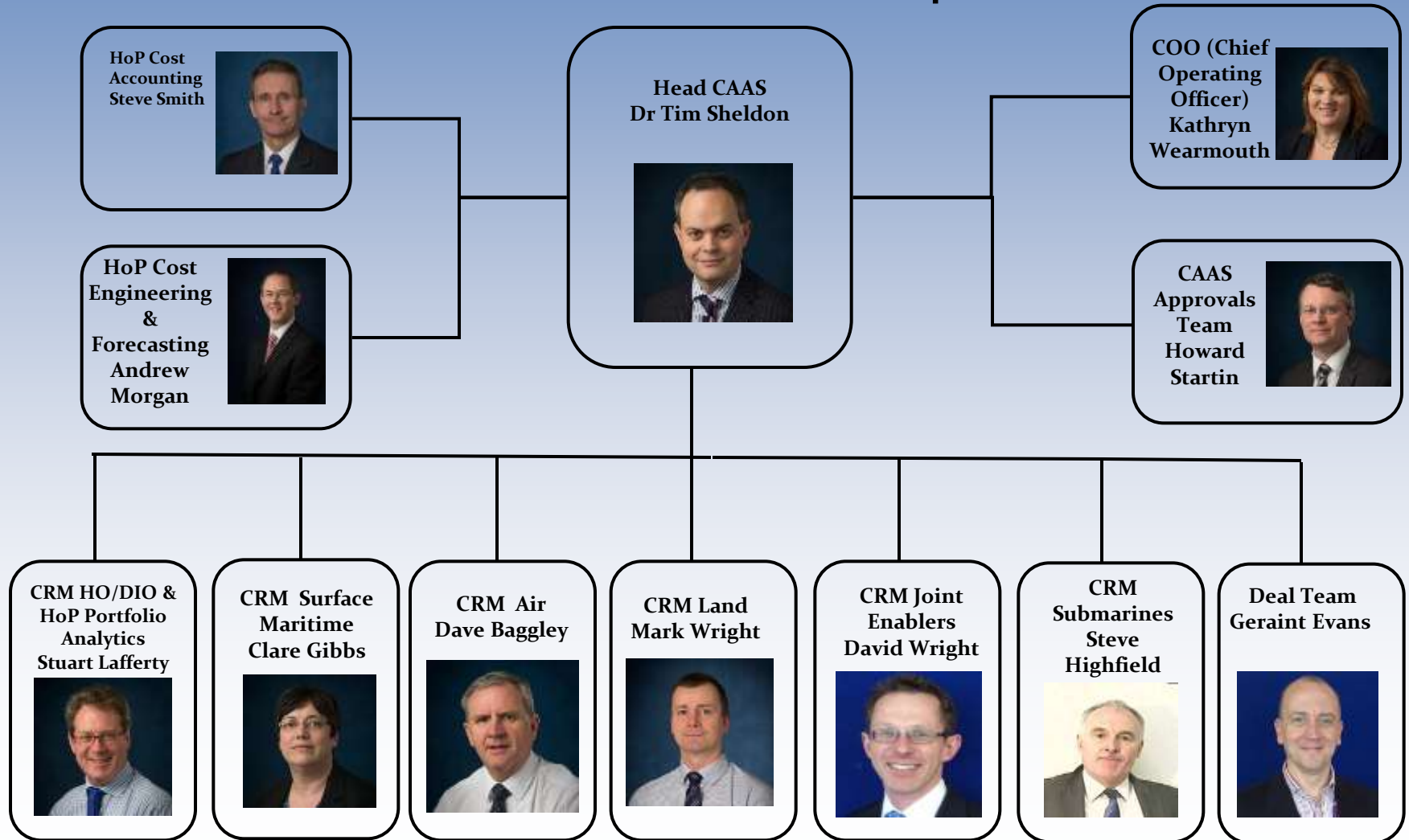
- Independent cost management advice to support;
 - 1) EP budgeting (ABC & QRPC).
 - 2) Investment decision making in the devolved acquisition model.
 - 3) Commercial non competitive cost management for both direct contracts and overheads.

CAAS GOVERNANCE

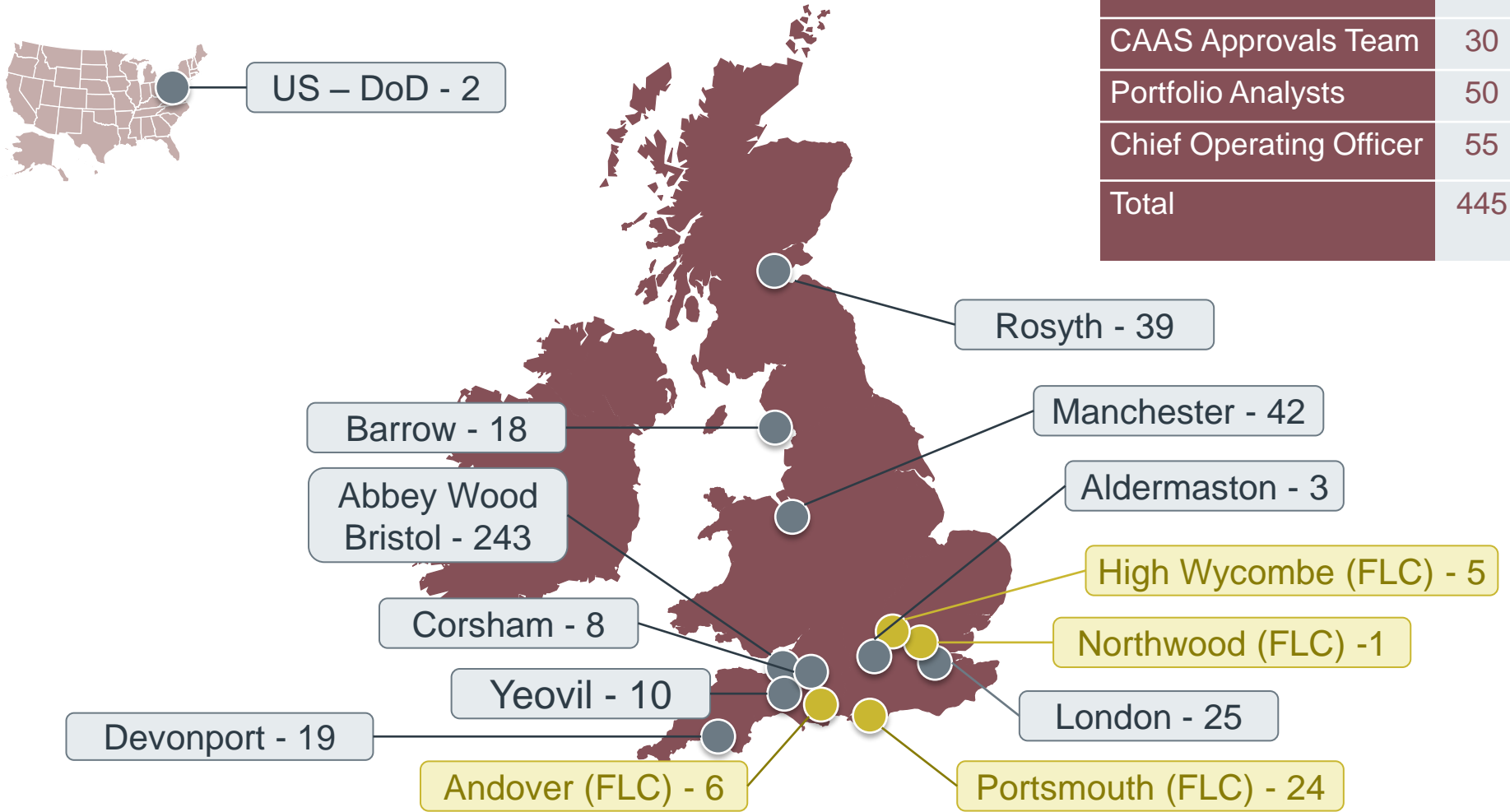
- CAAS Governance Board – Chair – DG Finance, Membership; DE&S DG Res; FLCs D Res; D Scrutiny; D Commercial; Hd CAAS; Aim; To ensure that there is effective governance of CAAS and to ensure it continues to operate as an independent pan MOD capability.
- CAAS Charter and Independence Framework signed by PUS August 2015

CAAS 2015: Who we are and what we do

CAAS Leadership



CAAS: Who we are and where we are



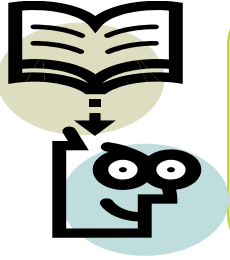
CAAS Services

| | | CAAS Services | | |
|----------------|---------------------------|---|--|---|
| | | Financial Programming & Performance | Investment Decision Support | Contract Management Support |
| CAAS Functions | Engineering & Forecasting | We maintain Independent Cost Estimates through life for Equipment Procurement Plan (EPP) and for Equipment Support Plan (ESP) projects to support project teams and their stakeholders to set realistic and robust budgets and provide a holistic view of equipment costs through life. | We support Customers to make value for money decisions throughout the equipment lifecycle and through the approvals process for new and existing equipment. We also ensure that non-competitive prices provide value for money. | We support customers in understanding the likely cost and variation at contract completion and advise on the legitimacy of contractor claims at contract termination. We support customers to map benefits and plan benefits realisation. We also check that claimed supplier costs are properly incurred, fair and reasonable. |
| | Accountancy | | | |
| | Portfolio Analytics | We provide project Independent Cost Estimates (ICE) into the Quarterly Review of Programme Costs process and aggregate project and programme data, including ICE and historic performance data, to provide a portfolio level view. We also identify and quantify portfolio or sector level risks to inform MOD financial programming. | We enable portfolio definition, through the application of modelling, analysis and supplier insight, to understand the financial impact of a change in the composition of the portfolio or decisions on a strategic investment or divestment. | We support customers in identifying opportunities at a portfolio or sector level for improving contracting efficiency and effectiveness between MOD and suppliers. We provide analysis of key and critical suppliers and financial assurance of the supply chain. |
| | Approvals Team | | We provide independent assurance by assessing evidence in support of Approval submissions. We provide an independent expert opinion regarding the robustness of time and cost estimates and financial elements in order to ensure that information provided in support of key decisions is robust and as accurate as possible. | |

CAAS Operations

CAAS Assurance

CAAS CRM Annual Account Planning



- Gateway Community
- Priority to Operating Centre
- DES Approval Programme
- Command Investment Boards
- Other MOD such as DIO / HO
- Efficiency Programmes

Outputs and Effort Required

- From Project Team, Customers and Approvals define outputs
- Map to CAAS Products and Services
- Standardised Rate Cards for level of effort
- Adjust for complexity
- Check and confirm with customer for priority
- Input to Pipeline Management Tool

Function and Profile

- Through knowledge of products and use of Hd Profession, define function required
- Profile effort around key outputs
- Check and confirm with customers
- Changes to the pipeline framework.

Allocation and Briefing to Stakeholders

- All CRM inputs aggregated at CAAS level
- Direct and Indirect accounted for – includes training and development
- In consideration of priorities and customer demand, initial allocations of CAAS effort are made to CRMs
- Check and confirm with customers
- Briefed to CAAS Governance Board

CAAS – Key Insights (1)

Project 1

- Build Contract revised as a result of SDSR 2010 to £XXBn
- Sep 2011 – CAAS independent cost estimate to complete build £YBn
- Contract renegotiated in 2013 with industry and reset at £YBn in July 2014
- CAAS now actively involved on in-contract management performance

Project 2

- ABC 15 – PT build duration estimated at 114 months
- CAAS build estimate 132 months based on historic outturn
- ABC 16 Q2 - PT have increased build estimate to 121 months and increased their programme build costs by £xxM to completion
- Historically, industry has never delivered output in less than 130 months
- CAAS believe an extra £xBn will be required to complete the programme

CAAS – Key Insights (2)

Project 3

- Programme with key integration date of 2022
- CAAS analysis demonstrated date of 2025
- Use of top down analysis to support integration of 2025
- Briefing to OC/DES key stakeholders
- Project now baselined at 2025

Project 4

- Short notice approval for in service support and not enough time to deliver full output as per BAU
- Senior MOD interest
- Use of historical top down analysis counter industry bid
- Range of historical benchmarks demonstrated industry proposal was in ‘the range’

Cost Avoidance



- Cost avoidance savings occur when CAAS identifies opportunities to reduce costs through;
 - 1) costs disallowed from overhead claims / cost certificates;
 - 2) the reduction of contractor quotes to contract let price and,
 - 3) post costing recoveries where excess profits have been made
- Cost avoidance in FY 2014/15 was £541M

CAAS – Take Away

Complex Overlay

- Professional Service Organisation in the Public Sector
- Demand Operations and Planning
- Regular Planning and Operations Boards
- Sharing resources and mixing skills set

Outputs Fit for Purpose

- Supporting the Decision Makers at the right time
- Doing the right thing versus Due Process
- Evidence Based with integrity and staff stand by outputs
- Project Management discipline applied throughout

Adding Value

- Delivering customer specific solutions built from a set of standard outputs
- Independent Cost Estimate programme part of DES annual review
- Realism to decision making
- CAAS brand is recognised across Defence.
- Getting the estimate right in the first instance