

The following presentation was given at:

SCAF Annual Conference and AGM

“Cost Analysis and Project Controls”

*Thursday 26th September 2019
The QEII Conference Centre
Westminster, London*

Released for distribution by the Author
www.scaf.org.uk/library



Ministry
of Defence

A photograph of four business professionals walking on a paved path outdoors. Two men in light blue shirts and dark ties are on the left, and two women in professional attire are on the right. The background shows a modern building with large windows and greenery.

The Future of Cost Management in Defence

SCAF Conference - September 2019

Kathryn Wearmouth

Hd CAAS

Director General Finance vision for CAAS

DG Finance Vision for Financial Management:

Protecting Value, Driving Value, Adding Value and putting finance at the heart of decision making in Defence

Why?

To support better and timely **decision-making**, **budgeting** and **pricing** around **cost risk** and broader **financial risk**

What response was endorsed?

CAAS should be positioned at the **heart of future cost management capability** across Defence. It should be **Head Office owned** and **mandated**, provide pan-MOD **functional leadership** and **assurance** in cost management, and provide and develop **sustainable** cost management **capability** (across the DOM and all DLODS)

Why?

To increase CAAS **authority** in cost management and its **alignment** to HO Finance and other scrutiny/assurance functions, drive and support cost management **quality**, **standards** and **consistency**, and protect and strengthen **ROI** on cost management spend which will require an **agile delivery model**, a **risk-based** approach to **resource prioritisation**, and the development and maintenance of requisite **cost management resource** to be **flexible** to changing patterns of demand and risk, **prioritise** the deployment of resources and attract, develop and retain requisite **SQEP**

What is Cost Management?

Cost Management is the department's integrated approach to informing, monitoring and controlling cost risk and broader financial risk throughout the Defence acquisition lifecycle.

The scope of Cost Management activity

The scope of Cost Management activity is everything undertaken to manage and inform cost and schedule drivers and risks and, as a result, primarily support better:

- (a) Investment decision-making
- (b) Forward costing
- (c) Contract pricing
- (d) Management of risk, efficiencies and benefits.

To support DG Finance's vision for Finance Functional Leadership to **protect, drive** and **add value**

Sound cost management enables you to make optimal use of your resources (time, personnel, equipment, and materials), make data-driven decisions about projects and their risks, measure budgetary and schedule performance, and provide key metrics to inform decisions.



Director General Finance vision for CAAS

CAAS should be positioned at the **heart of future cost management capability** across Defence.



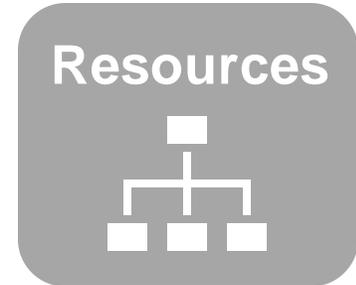
- Pan Defence
- Whole System



- Hd Office Fin
- Scrutiny/Assurance

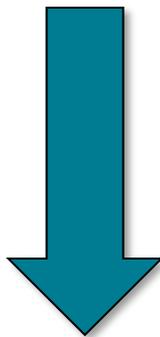


- Consistency
- Comparable



- Agile
- Risk Based
- SQEP

**Functional
Leadership**

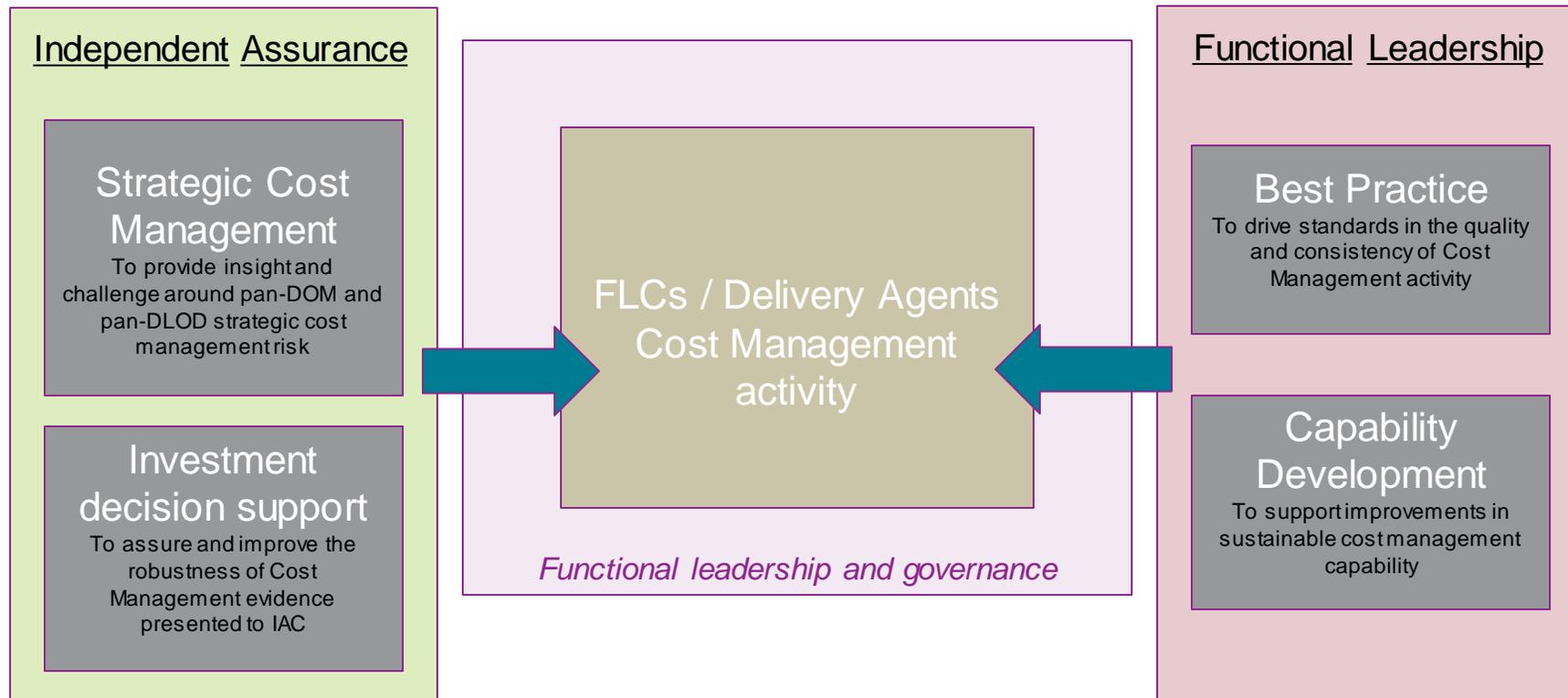


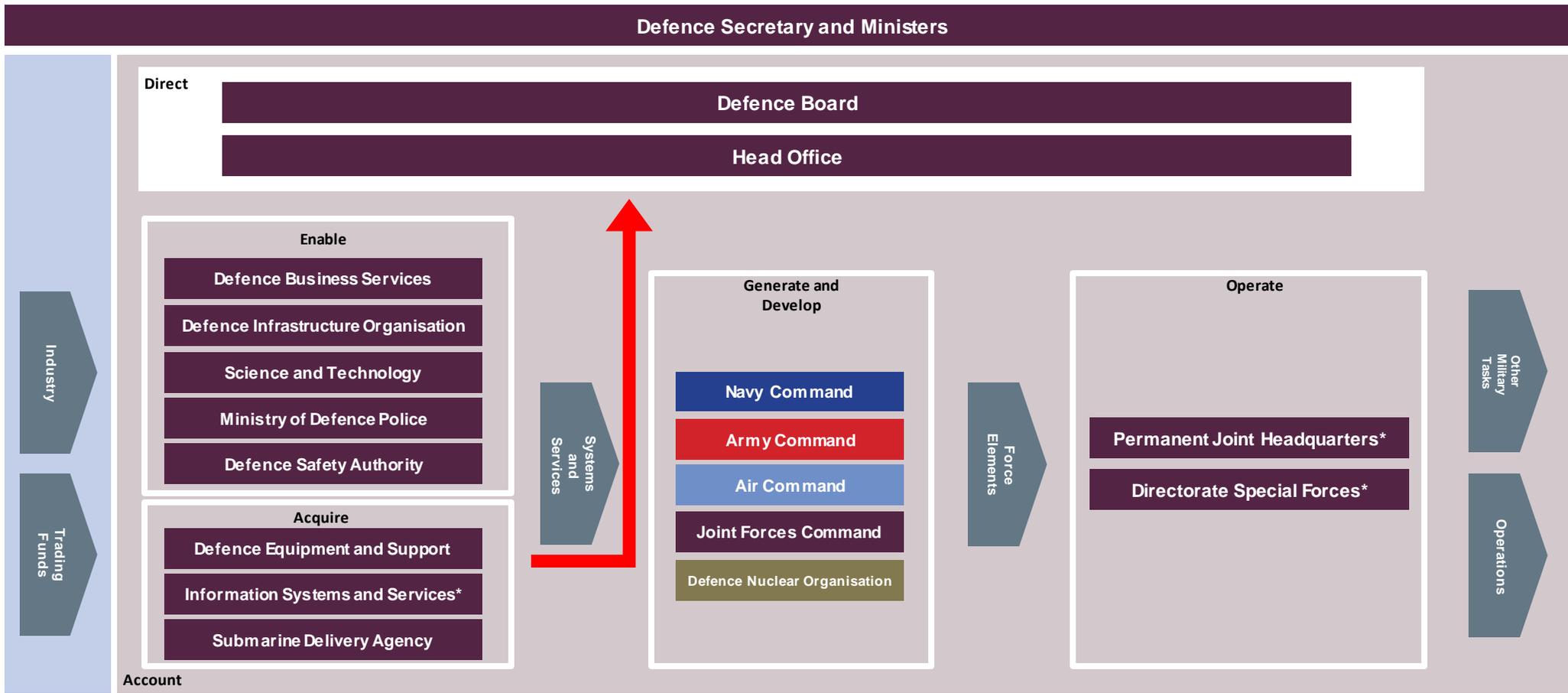
Assurance

What will CAAS provide in Cost Management

CAAS roles in Defence

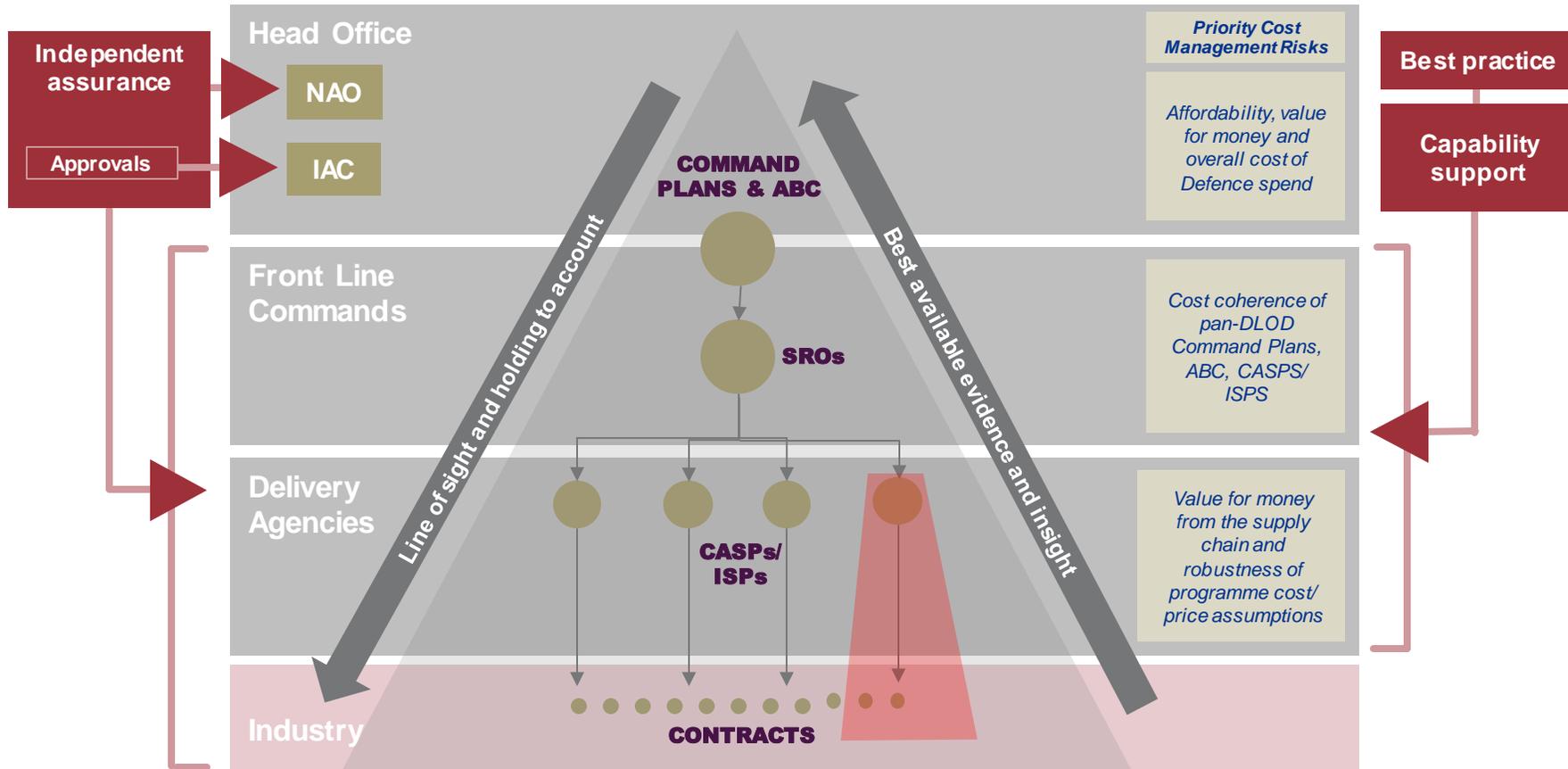
The future role of CAAS is to provide both **independent assurance** and **functional leadership** in Cost Management across the department. This is intended to support an improved understanding, management and decision-making around pan-MOD and pan-DLOD cost drivers and risks and, as a result, support better costing of forward plans, improved pricing of contracts and better business cases submitted to IAC for approval.





* Within Joint Forces Command

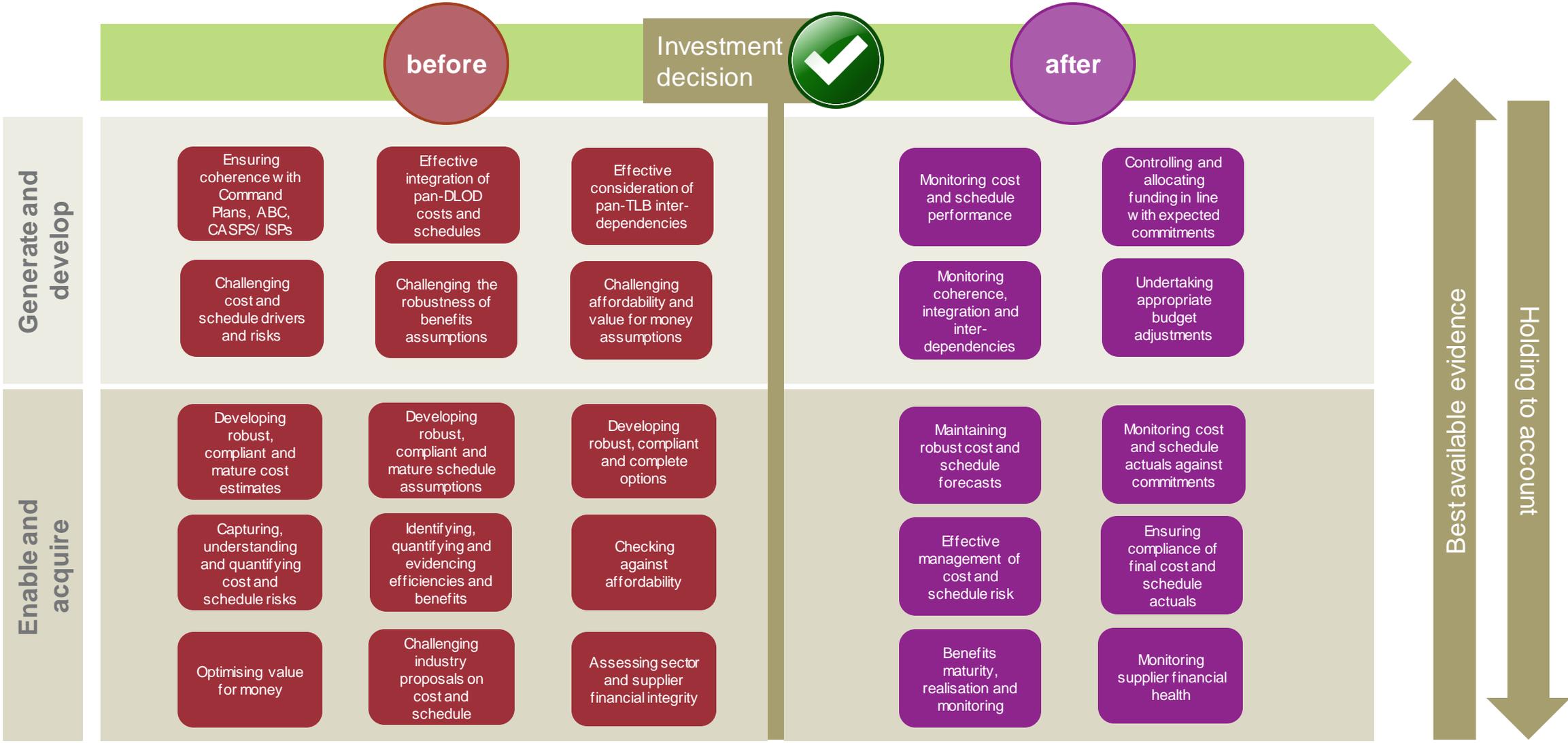
Hierarchy of Cost Management



Our plans for the future are intended to improve understanding, ownership and management of cost drivers and risks and, as a result, support better costing of forward plans, better pricing of contracts and better business cases going for approval.

Cost Management landscape

Key Cost Management activity before and after an investment decision has been made



Questions ?