



How to prioritise spending in the Non Equipment Investment Plan?

ISMOR – September 2010

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The Non-Equipment Investment Plan

- Established in 2005
- “Provides a 10 year planning tool to show the costs and benefits of major infrastructure investment enabling prioritisation across the Department.”
- Governance
 - Owned by RP Centre (Resource & Plans)
 - Managed by the NEIP Advisory Group (1 stars)
 - D RP Centre, D EP, D Info, D Change, Dir PFU & DE D Finance
- Comprises all IAB Category A & B infrastructure, IS enabled business change and all Defence Modernisation Fund (DMF) projects.
- Typical Project Categories
 - Defence Estates
 - PFI and PPP projects
 - Information Systems
- Budget larger than the EP (approx £3Bn a year)
 - Only small proportion uncommitted (5% rising to 30% by 2015)

The Problem

- MOD have a well established process to inform equipment investment decisions
 - Defence Strategic Guidance
 - Capability Audit
 - Balance Of Investment (BOI)
 - Through Life Capability Management & Defence Lines of Development
 - CADMID/CADMIT IG/MG
- NEIP decision making process is not so formally defined or rigorously applied
 - Especially BOI between widely differing project types

Study Aim & Basic Principles

- Study Aim
 - To develop a process or methodology to increase the evidence base of the prioritisation decisions for the projects in the NEIP
- Principles
 - Simplicity
 - Consistency with Treasury and MoD Guidance
 - Acceptable to economists
 - Proven in other domains

How to prioritise spend in the NEIP

- “Prioritise” = Optimisation = ‘Balance’ ?
- “Investment” or “Improvement”? “Plan” or “Programme”?
- Optimisation of NEIP itself?
- Optimisation of NEIP within the Defence Programme?
- Optimisation of the Defence Programme?
- What scope of time?
 - affordability year on year, and commitment that entails
 - however, discounting will make later years look unrealistically cheap
- What Objective Function? (Measure of Goodness)
- Linearity of OF?

Exemplar NEIP Projects 1

- Airfield rationalisation
 - Centralised Air Transport & Air-to-Air Refuelling Assets
 - Develop centre of excellence
 - Strike/Defence Estates project
- Information Infrastructure
 - Computing & digital communication/networking infrastructure
 - Pan MOD/Defence
 - NEC enabler



Exemplar NEIP Projects 2

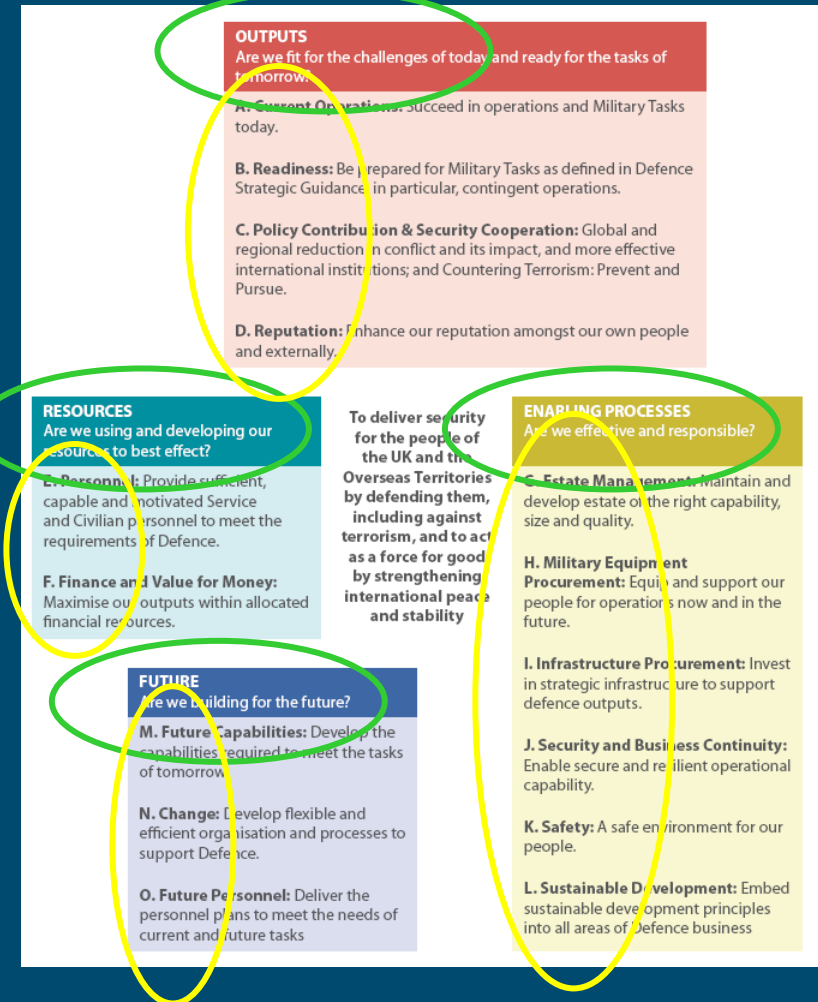
- Housing
 - Accommodation & Services
 - PFI approach

• How to compare effectiveness as well as costs of such disparate projects

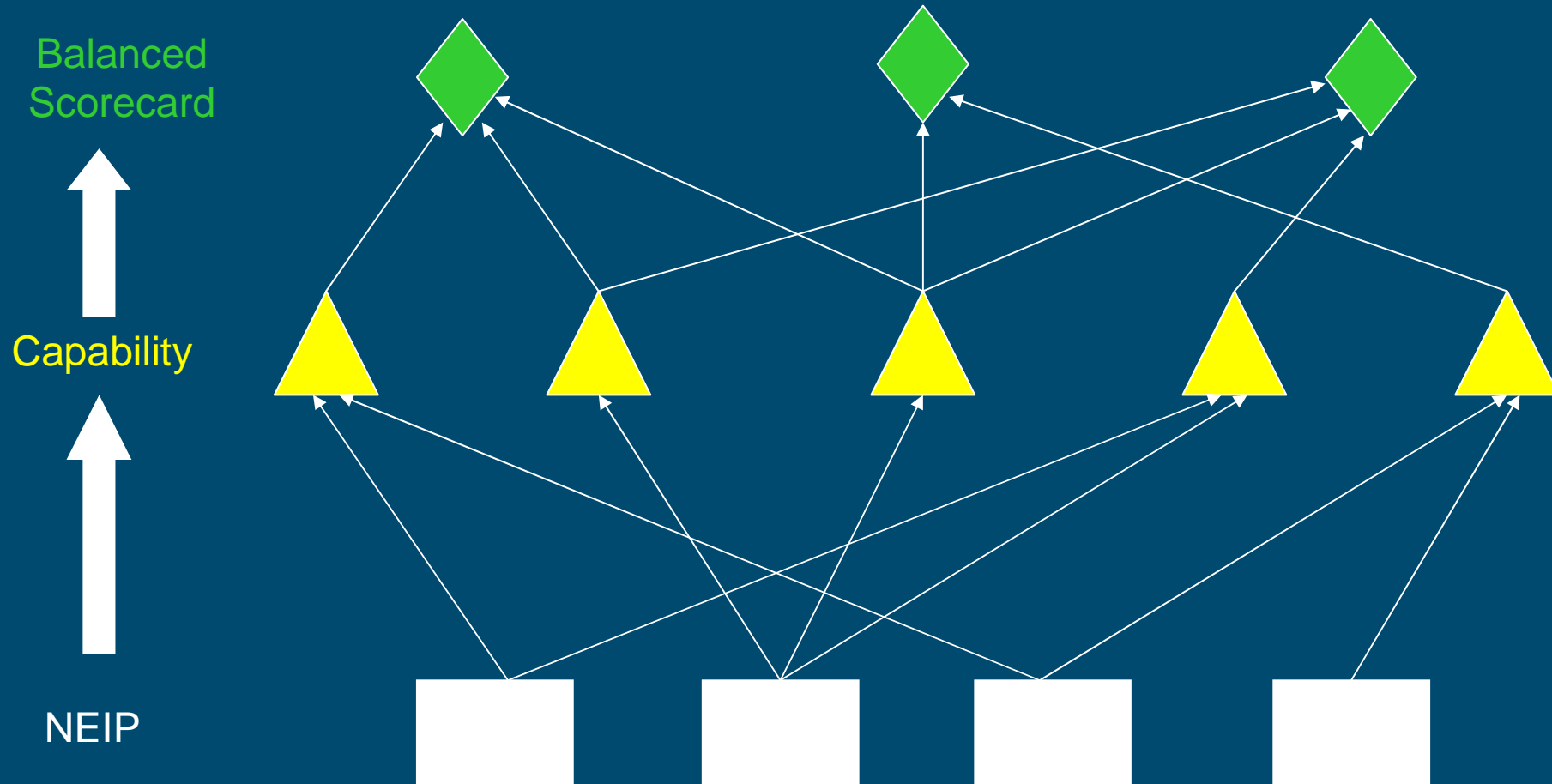


Balanced Scorecard

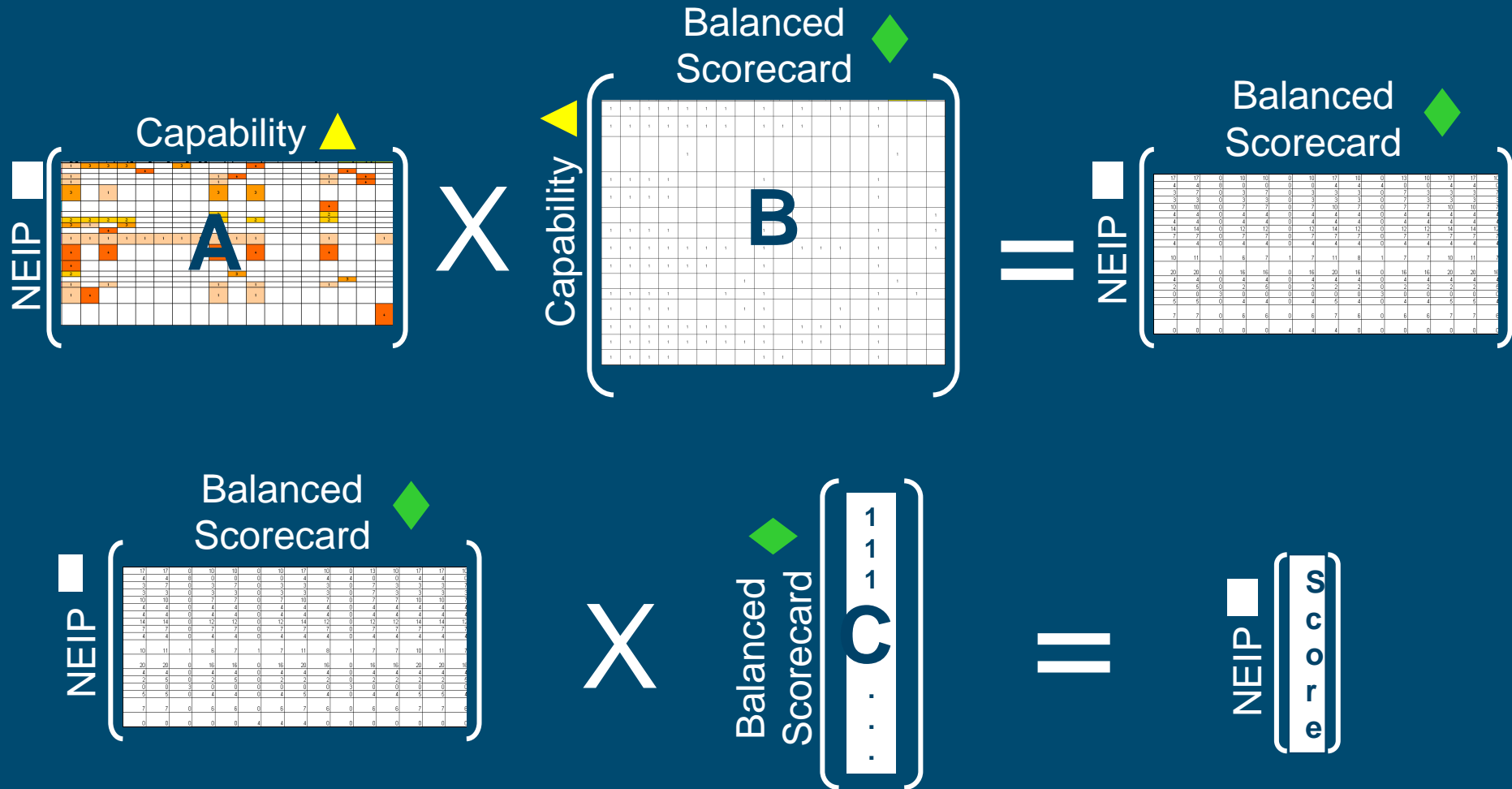
- Scorecard defined in Defence Plans of 2008 & 2009
- Performance management tool
- MoD uses it to monitor its performance



Proposed methodology



... in matrix form



Groupings of NEIP projects

Project description	Project
... (small text) ...	1 CATARA
... (small text) ...	2 PRIDE
... (small text) ...	3 Medical Training
... (small text) ...	4 Medical records
... (small text) ...	5 Property management contract
... (small text) ...	6 Submarine facilities
... (small text) ...	7 Decontamination
... (small text) ...	8 Non-explosive and explosive storages
... (small text) ...	9 BORONA
... (small text) ...	10 BELVEDERE
... (small text) ...	11 Main Building and HQ rationalisation
... (small text) ...	12 Housing (SFA and SLA)
... (small text) ...	13 Army HQ and barracks
... (small text) ...	14 Training
... (small text) ...	15 Defence Information Infrastructure (Future) - TS
... (small text) ...	16 Defence Fixed Telephone System
... (small text) ...	17 Logistics transformation management
... (small text) ...	18 Defence Electronics Communications Server

- Currently ~70 projects
- Need to reduce the number for practicality of trial
- Grouped by type
- Trial conducted with D Scrutiny



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		CAPABILITIES																	
		Battlespace Manoeuvre				Information Superiority				Precision Attack			Equipment Resources						
		Ground Manoeuvre	Expeditionary Logistics and Support	Theatre Airspace	Air and Littoral Manoeuvre	ISTAR	C2I2	Special Projects and CBRN	Capability Improvement	Above Water	Joint Training Evaluation and Simulation	Deep Target Attack	Technology	Equipment Plan	Export Policy and Assurance	Deterrent and Underwater Effect	CDI	D/CDS(Health) and Surgeon General	DE&S
NEIP Groupings	1	1	3	3	3			3				4							
	2					4											4		
	3	1								1	4					1		4	
	4	1								1						1		4	
	5	3		1						3		3							
	6																		
	7									2						2			
	8	2	2	2	2											2			
	9	3	1		3														
	10			4															
	11	1	1	1	1											1			1
	12	4		4															
	13	4																	
	14	2																	
	15																3		
	16	1		1												1			
	17	1	4																
	18	Communications Server																	

Approach subsequently modified so that each Cap has £100 To share between NEIP projects

Scores	
4	Critical to the capability
3	Major impact on the capability
2	Some impact on the capability
1	Minimum impact on the capability
0	No effect on the capability



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			Capabilities																			
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Defence Plan Balanced Scorecard	OUTPUTS	A	Current Operation	1	1	1	1	1	1	1	1	1	1	1	1	1						
		B	Readiness	1	1	1	1	1	1	1	1	1	1	1	1	1						
		C	Policy Contribution & Security Cooperation					1										1				
		D	Reputation	1	1	1	1				1						1					
	RESOURCES	E	Personnel	1	1	1	1				1	1					1					
		F	Finance and Value for Money																1			
	ENABLING PROCESSES	G	Estate Management	1	1	1	1				1						1		1			
		H	Military Equipment Procurement	1	1	1	1	1	1	1	1		1	1	1	1	1		1			
		I	Infrastructure Procurement	1	1	1	1	1	1		1						1					
		J	Security and Business Continuity							1								1				
		K	Safety	1	1	1	1			1	1						1		1			
		L	Sustainable Development	1	1	1	1				1	1			1		1					
	FUTURE	M	Future Capability	1	1	1	1	1	1		1		1	1	1	1	1					
		N	Change	1	1	1	1	1	1	1	1		1	1		1						
		O	Future Personnel	1	1	1	1				1	1				1						

Scores

0	The capability not contributing to the Balanced Scorecard
1	The capability does contribute to the Balanced Scorecard



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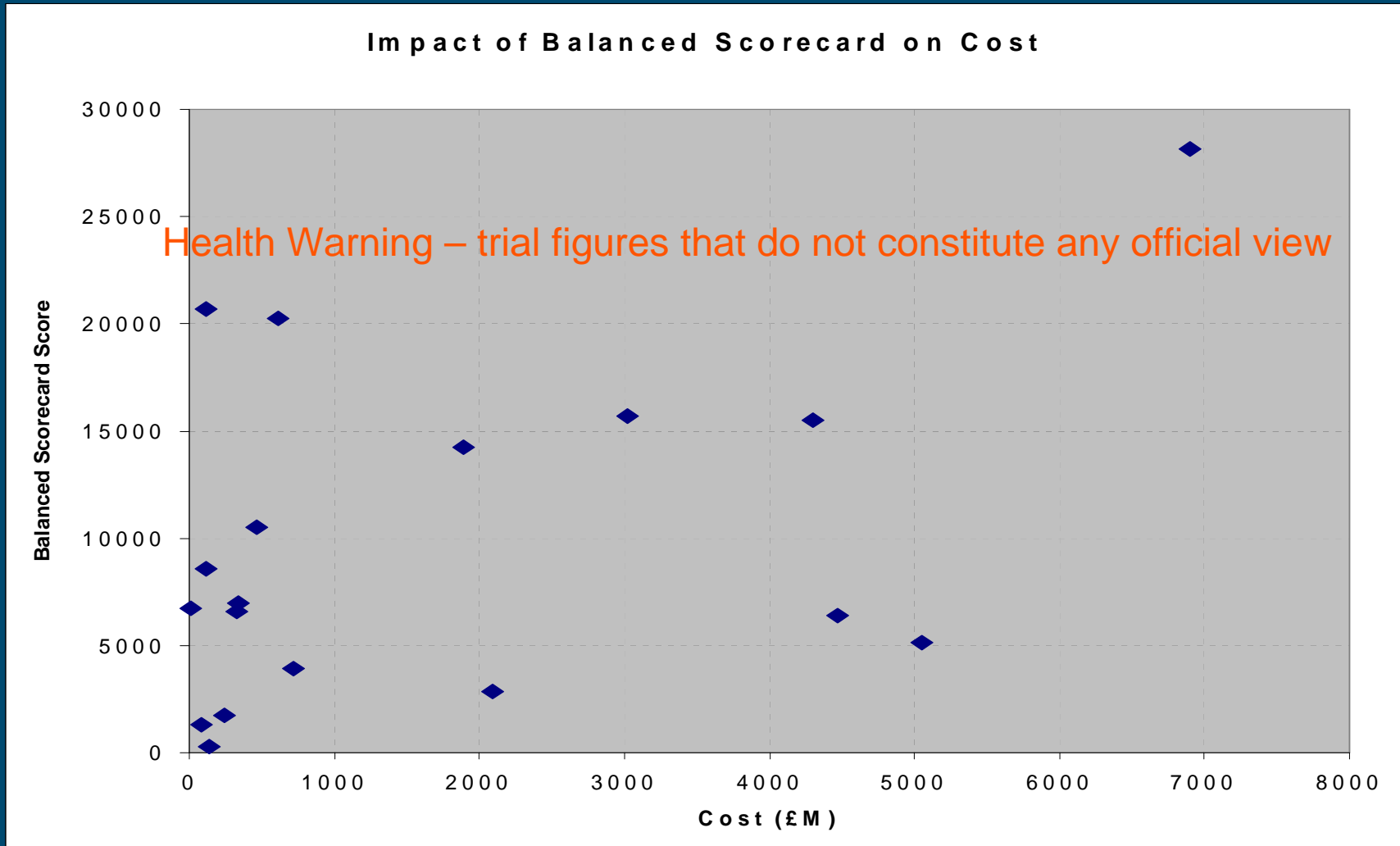
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				Weighting
Defence Plan Balanced Scorecard	OUTPUTS	A	Current Operation	1
		B	Readiness	1
		C	Policy Contribution & Security Cooperation	1
		D	Reputation	1
	RESOURCES	E	Personnel	1
		F	Finance and Value for Money	1
	ENABLING PROCESSES	G	Estate Management	1
		H	Military Equipment Procurement	1
		I	Infrastructure Procurement	1
		J	Security and Business Continuity	1
		K	Safety	1
		L	Sustainable Development	1
	FUTURE	M	Future Capability	1
		N	Change	1
		O	Future Personnel	1

COEIA



Observation

- The proposed method has validity and potential
- “Money Allocation” model is appropriate to Matrices A and B
- The entries of Capabilities need refinement
- Weightings in Matrix C need further debate

Continuing Development in 2010

- Defence Plan 2010-2015
 - Abandoned Balanced Scorecard defining Defence Strategic Objectives!
 - stressed short term objectives
 - some of which are classified
 - Evaluating new high level metrics based on Lines of Development and/or Defence Capability Framework
- Reshaping of stakeholders
 - Reduction in number of Caps represented
 - Addition of D Pers representative
- Re-baselining NEIP projects
- Further trials of approach

Questions



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