

The following presentation was given at:

**SCAF Workshop**  
**“Investment Appraisal: What’s in it?”**

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*The BAWA Centre, Filton, Bristol*

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Ministry  
of Defence

# **APPRAISAL AND EVALUATION – Progress and Change**

**John Ogilvie**  
**Head of Appraisal and Evaluation**

# The work of Defence Economics

Economic  
Statistics  
and  
Equipment  
Support

- ...improving the evidence base and value for money decisions, for example by producing and analysing statistics

General  
Economic  
Advice

- ...improving our policy decisions, for example through *ad-hoc* economic analysis and advice

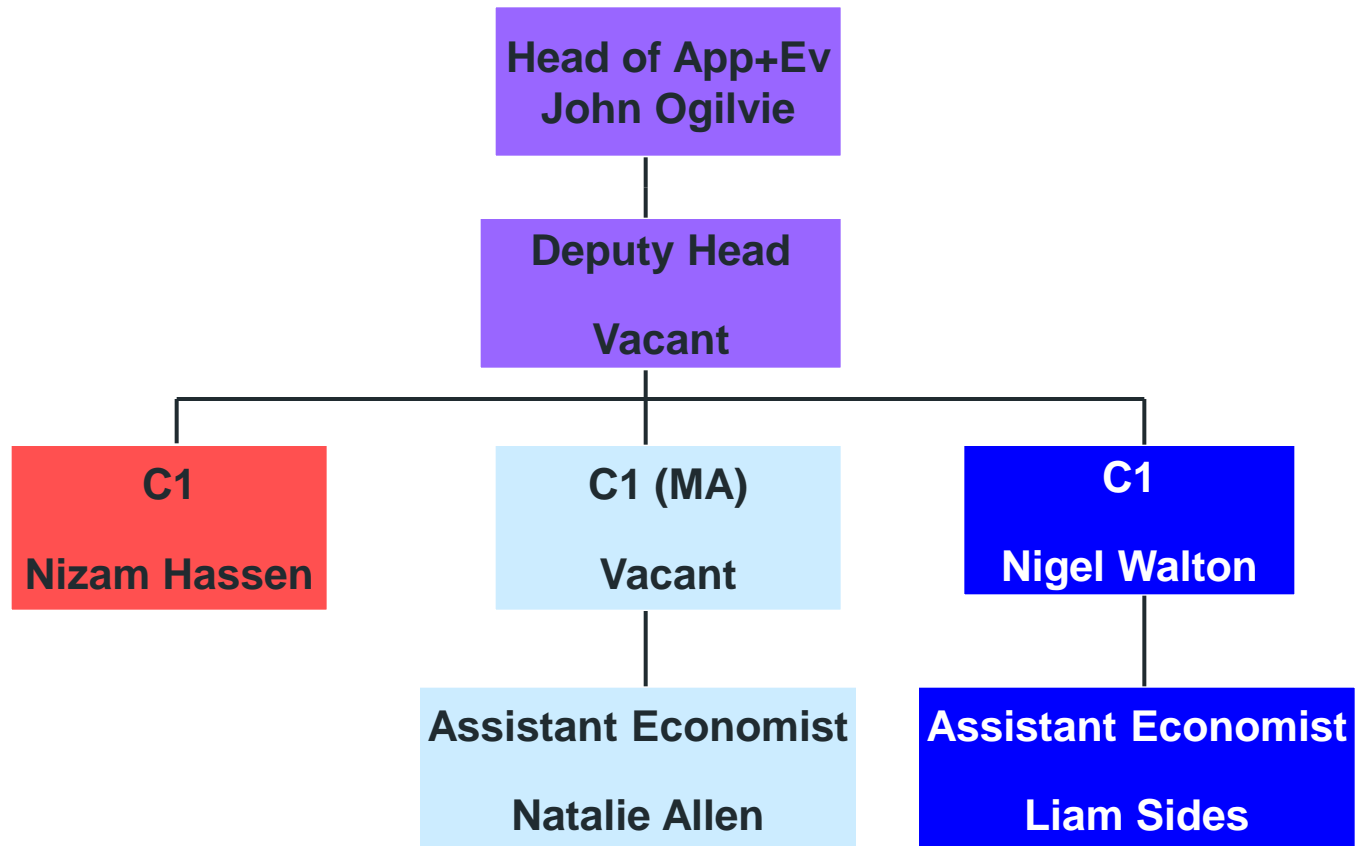
Appraisal  
And  
Evaluation

- ...ensuring value for money is achieved, for example by challenging investment decisions and evaluating existing programmes

# **Our Role In MoD Investment Appraisal And Evaluation**

- **Responsible for MOD policy on Investment Appraisal (IA) and 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, CoAs, Tender Evaluation Strategies, BCs for all projects subject to Central Approval (eg Ministers, IAC)**
- **Review sample of TLB IAs/BCs/PEs for DGFin / DAC**

# Appraisal and Evaluation



# Investment Appraisal – What's in it?

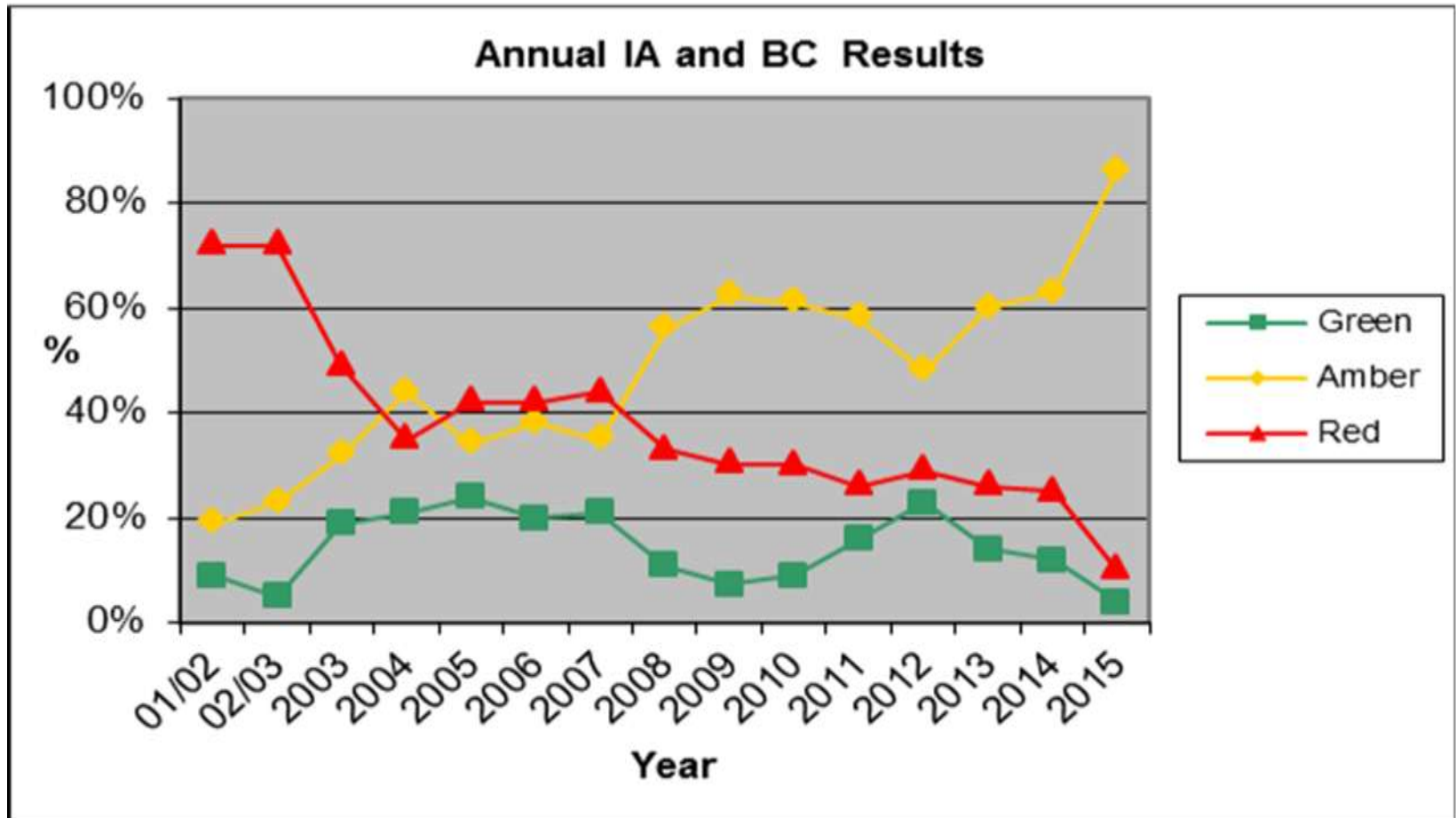
**“a systematic process which entails being clear about objectives, thinking about alternative ways of meeting them, and estimating and presenting the costs and benefits of each potentially worthwhile option.”**

*JSP 507*

# Review of IAs, BCs, PEs Jan – Jul 2015

	<b>GOOD</b>	<b>ADEQUATE</b>	<b>INADEQUATE</b>
<b>IAs</b>	0%	83%	17%
<b>BCs</b>	4%	87%	9%
<b>PEs</b>	8%	67%	25%

# Review of IAs, BCs, PEs Jan – Jul 2015





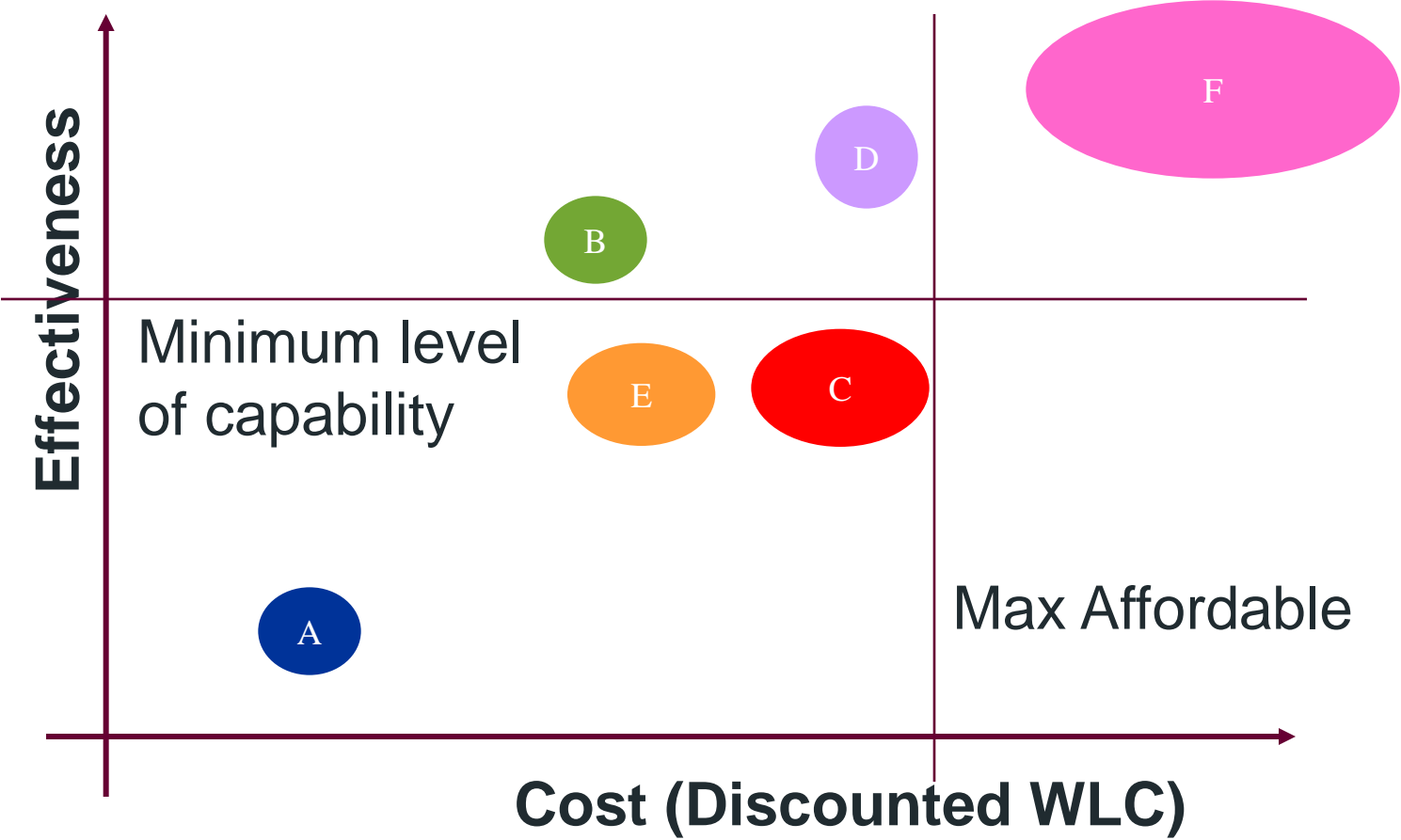
# Key findings

- **Routine extension of contracts due to insufficient time or resource being allowed to compete the requirement.**
- **Option periods within contracts being treated as an integral part of the contract.**
- **Single-source procurement strategy without evidence to dismiss alternatives.**
- **Cases presented for scrutiny and approval too late to allow competition to be viable.**

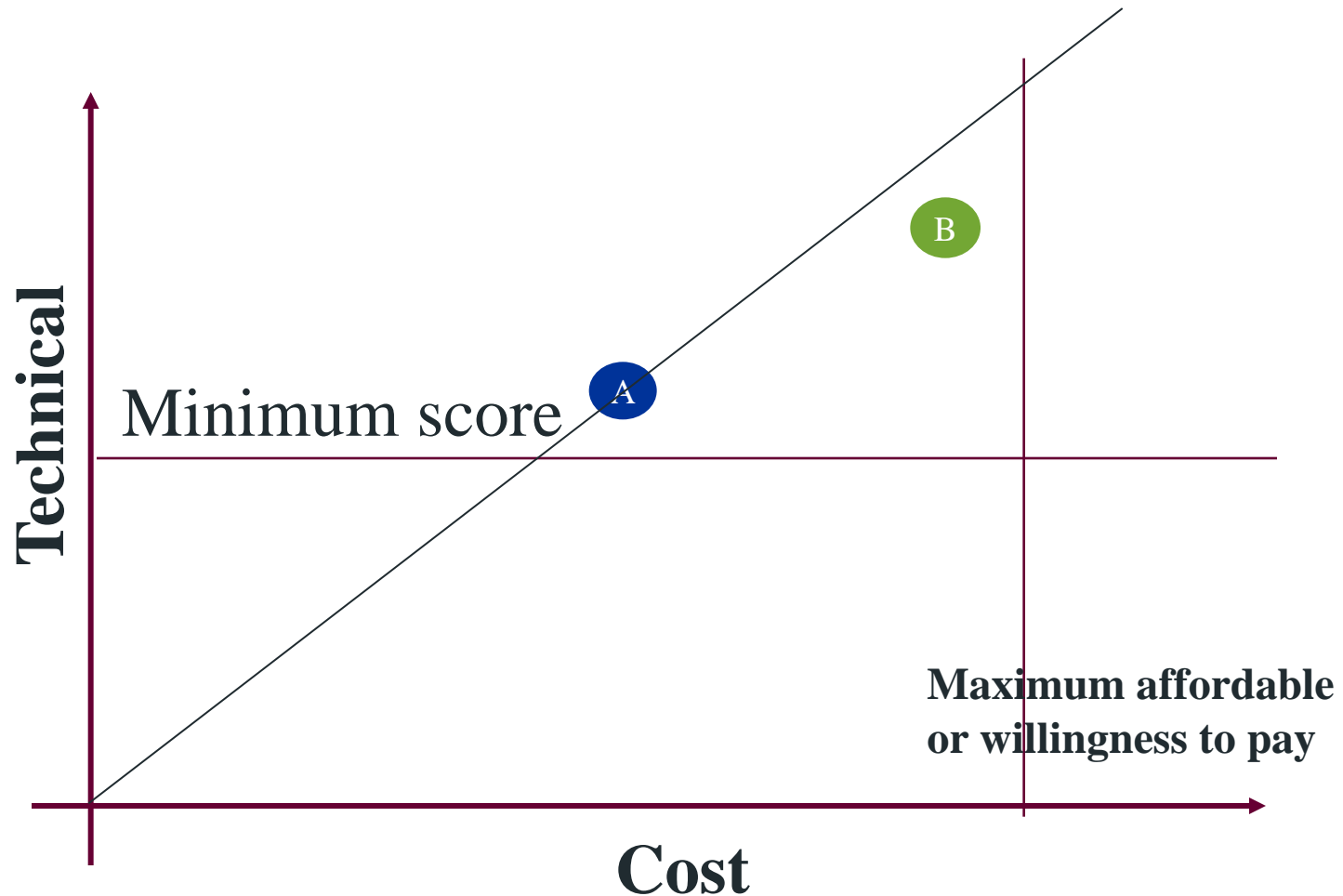
# Key findings

- **No should-cost modelling or benchmarking in single-source procurements or contract extensions**
- **Escalation rates not explained.**
- **The assessment and presentation of risk and uncertainty often unclear.**
- **PEs are not routinely being undertaken to inform future decision making.**

# Changes - COEIA



# Most Economically Advantageous Tender



# MEAT

	Bid A	Bid B
Cost score	100	20
Technical score	50	80

**Total score Bid A  $(60\% \times 50) + (40\% \times 100) = 70$**

**Total score Bid B  $(60\% \times 80) + (40\% \times 20) = 56$**

**Bid A wins**

## MEAT – weightings changed

	Toaster A	Toaster B
Cost score	100	20
Technical score	50	80

**Total score Bid A  $(80\% \times 50) + (20\% \times 100) = 60$**

**Total score Bid B  $(80\% \times 80) + (20\% \times 20) = 68$**

**Bid B wins**

# Future changes

- **SDSR / Prosperity / Industrial Policy**
- **HMT Green Book**
- **JSP 507**
- **Commercial Policy**

# **Need to Know More?**

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