

# THROUGH LIFE FINANCE (TLF)

**Mark Rutterford**

**AD Through Life Finance  
& Output Management**

**SCAF  
24 April 2007**

# THROUGH LIFE FINANCE (TLF)

- **Perceptions**
  - **Marmite**
  - **Mark Rutterford**
  - **Cost Of Ownership**
  - **Cost analysis and forecasting**

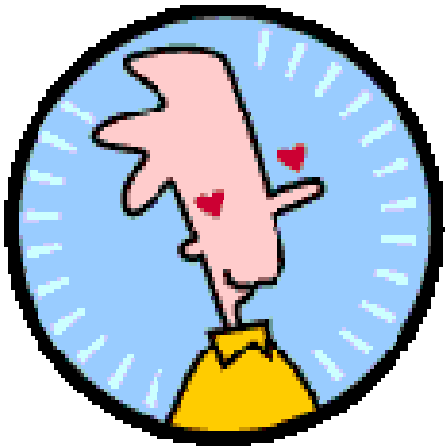


# THROUGH LIFE FINANCE (TLF)



- **“During 2007/08 we will develop improved through life costings using simple models, to support through life decisions”**
- **“Improving early prediction and recording .....in-service cost is also a key contributor to through life programme planning and improved governance (visibility and strategic control) of equipment support costs”**

# THROUGH LIFE FINANCE (TLF)



- **Vision: “Relevant and reliable through life financial information, collected efficiently, supports intelligent decision making”**
- **Mission: “To make through life finance an enabler for managing projects and capability, whilst keeping it as simple and efficient as possible”**

# The three areas of application of TLM/TLCM in future

## 1. Early Phase Project Activities

- Project initiation (pre-Concept)
- Concept/Assessment trade-offs for Business Cases
- Think TL and across all LoDs (where material)
- Reflect in Investment Appraisal and Business Cases

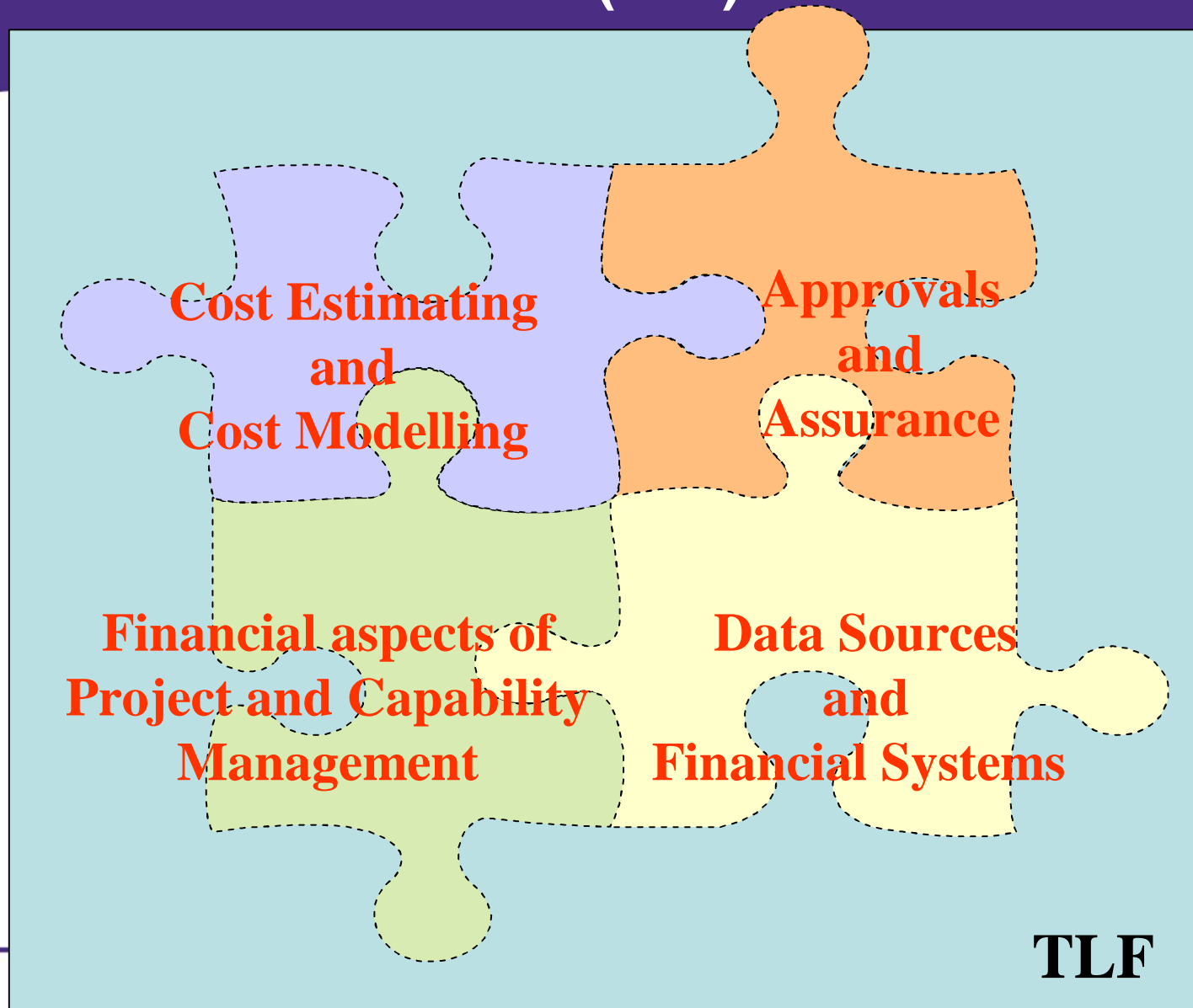
## 2. Ongoing Project Management

- Think TL
- Identify opportunities, negate risks (issues/events)
- Identify options, cost to inform decisions
- Consult widely (including other projects) but only cost across LoDs where significant

## 3. Longer Range Capability Planning

- Refresh equipment and equipment costings within TLMPs
- Identify issues @ capability level – investigate in Review Year
- Consult widely but only cost across LoDs where significant
- Inform next planning round

# THROUGH LIFE FINANCE (TLF)



**TLF**



MINISTRY OF DEFENCE



# THROUGH LIFE FINANCE (TLF)

## **No change.....to some basic disciplines**

- Bespoke cost modelling for major decisions
- Identify dependencies across DLODs, other stakeholders and contributory equipment IPTs
- Cost through-life and across TLBs in the IA
- Address costs and impact in other TLBs
- Address affordability in Business Cases
- Ensure consistency of assumptions (in MDAL)

# THROUGH LIFE FINANCE (TLF)

**Change.....but kind of obvious?**

- The TLMP Cost Record reflects decisions taken
- Only captures materially relevant changes
- Cost in relevant D RDEL and CDEL currencies
- Other TLBs only update record if significantly changed
- Use to inform TLCM (can aggregate into CMPs)
- Less effort on TLMP costing, better spread over year
- Better assurance of DE&S finance related outputs

J Agreement J J Agreement J J Agreement J J Agreement J J Agreement J J Agreement J

# THROUGH LIFE FINANCE (TLF)

## New TLMP record

(Forecasting un-committed and committed costs at outturn prices)

- Procurement (acquiring assets)
- Upgrade (increasing/restoring value)
- Capital spares (bought to ensure rapid support)
- Upkeep (maintaining equipment availability)
- Update (managing obsolescence)
- Fuels (where material to operating specific assets)
- Other Costs (e.g. disposal)

Supports trading of equipment & equipment support

# THROUGH LIFE FINANCE (TLF)

<b>IPT short title</b>	T4X
<b>Project short title</b>	T4X new
<b>DEC short title</b>	AWE
<b>TLMP Ref</b>	22/33F
<b>DFO</b>	Destroyers - Type 42
<b>Lead User short title</b>	Sea
<b>Date of last update</b>	30/03/07
<b>Compiler's Post Title</b>	FC - S Smith
<b>Notes</b>	0
<b>1st Year</b>	08/09

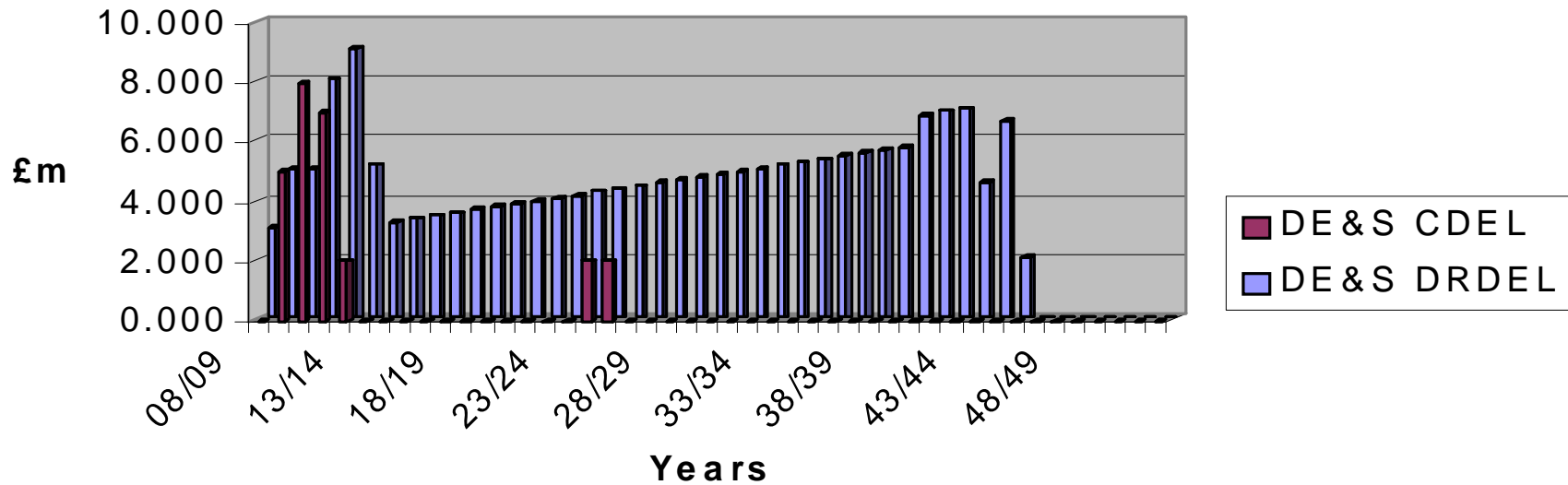
## Cost Record Report Summary

Note : All above as input on DE&S Platform sheet

<b>Near Cash Forecast</b>	<b>1st Decade £M</b>	<b>2nd Decade £M</b>	<b>3rd Decade £M</b>	<b>Total Life £M</b>
<b>DE&amp;S total</b>	70.500	44.500	50.500	210.650
<b>Value of above already on contract</b>	10.000	0.000	0.000	10.000
<b>Breakdown of DE&amp;S forecast:</b>				
<b>Procurement</b>	43.000	0.000	0.000	43.000
<b>Upgrade (inc refits)</b>	0.000	4.000	0.000	4.000
<b>Capital Spares</b>	3.000	0.000	0.000	3.000
<b>Upkeep</b>	19.500	40.500	50.500	146.650
<b>Update</b>	0.000	0.000	0.000	5.000
<b>Fuels</b>	5.000	0.000	0.000	5.000
<b>Other costs</b>	0.000	0.000	0.000	4.000
<b>Front Line TLB total</b>	13.050	27.350	34.350	96.170
<b>Defence Estates total</b>	0.000	0.000	0.000	0.000

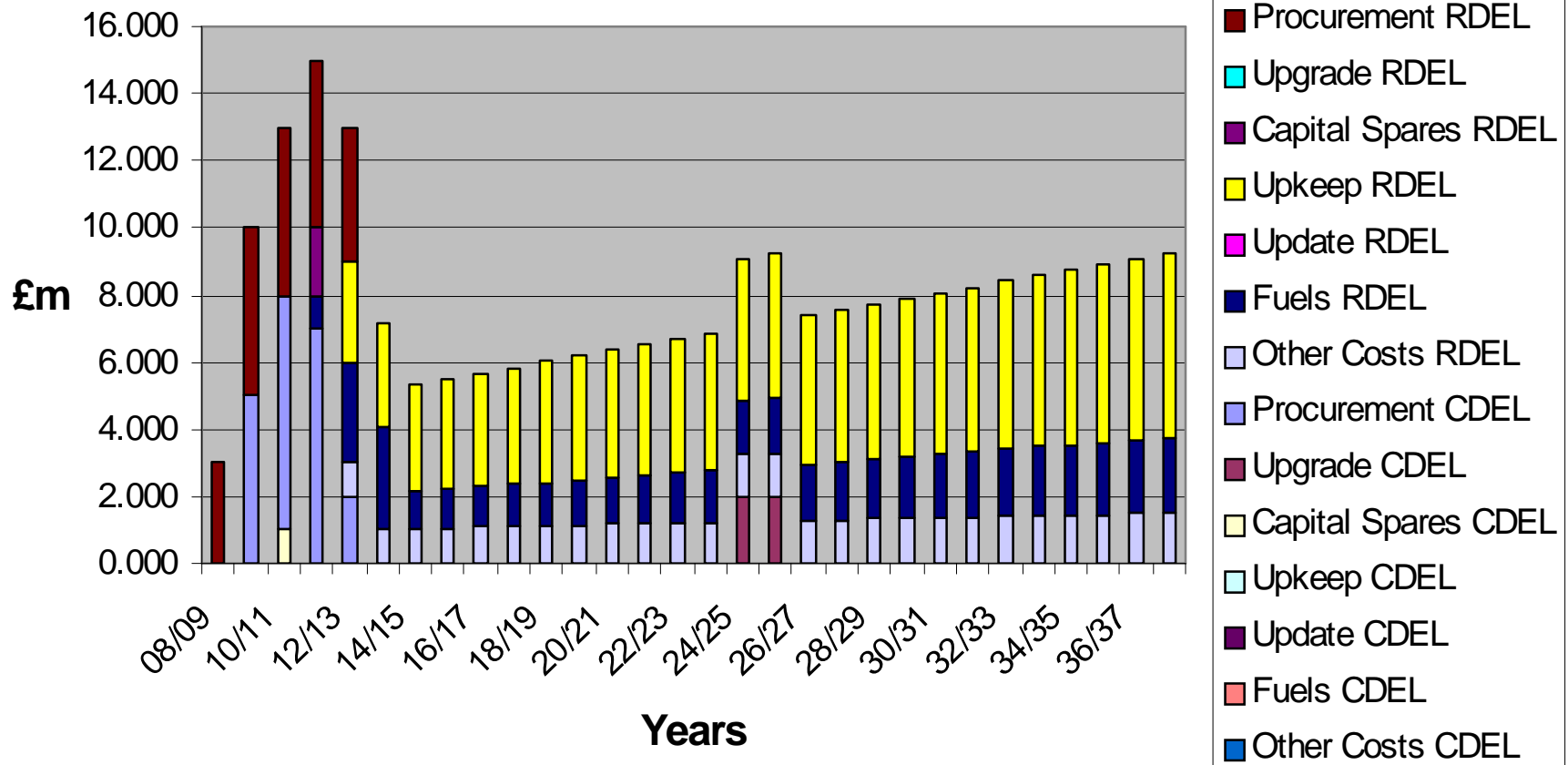
# THROUGH LIFE FINANCE (TLF)

## DE&S NEAR CASH Profile Total



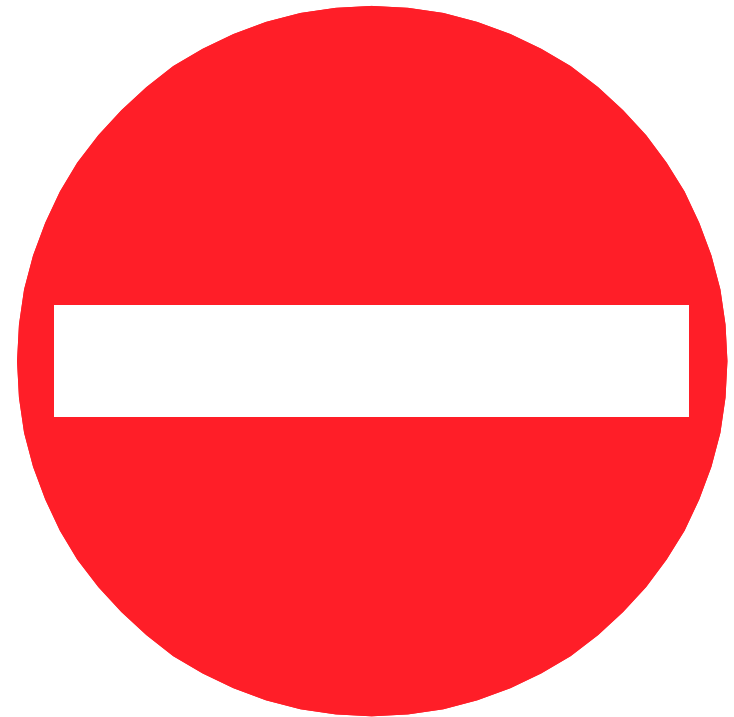
# THROUGH LIFE FINANCE (TLF)

Project Near Cash by Category Total Costs Total



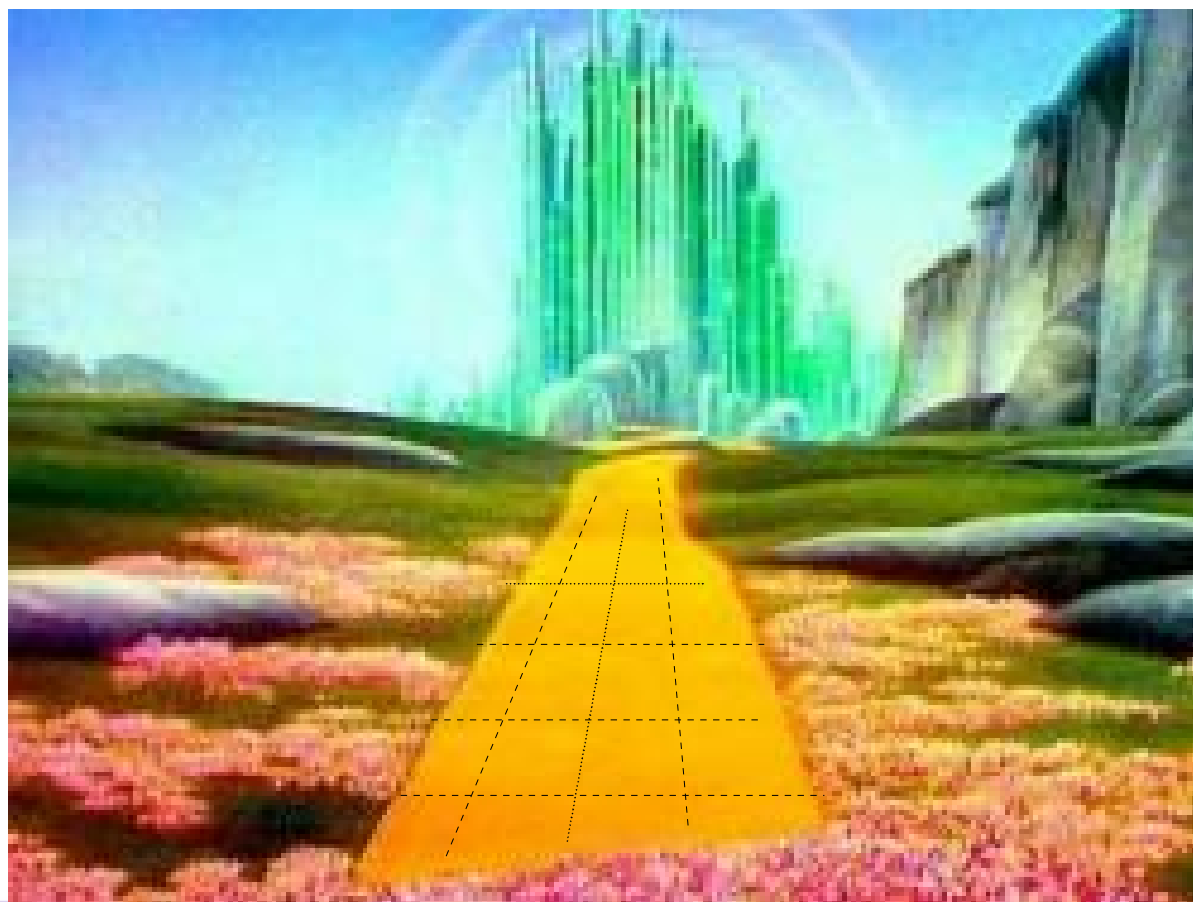
# THROUGH LIFE FINANCE (TLF)

**BUT...**



# THROUGH LIFE FINANCE (TLF)

**...THERE ARE CHALLENGES AHEAD**



# THROUGH LIFE FINANCE (TLF)

- Earlier estimates of through life costs required
- Through Life and across TLBs/DLODs
- Systematically generating support costs – (by equipment and including actual outturn)
- Improving source data – generation and retention
- Identifying primary cost drivers across LODs
- Cost and decision support improvements
- Developing the suite of validated cost models

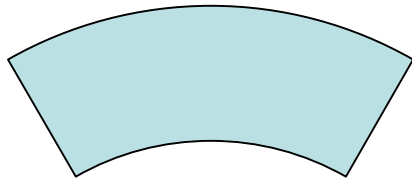
# THROUGH LIFE FINANCE (TLF)

## Decisions, decisions, decisions!

- **Make it efficient, responsive, timely**
- **Make it reliable and understood**
- **Keep it simple, penetrable, usable**
- **Let it support intelligent decision making**
- **Make it an enabler for managing projects and capabilities**

# THROUGH LIFE FINANCE (TLF)

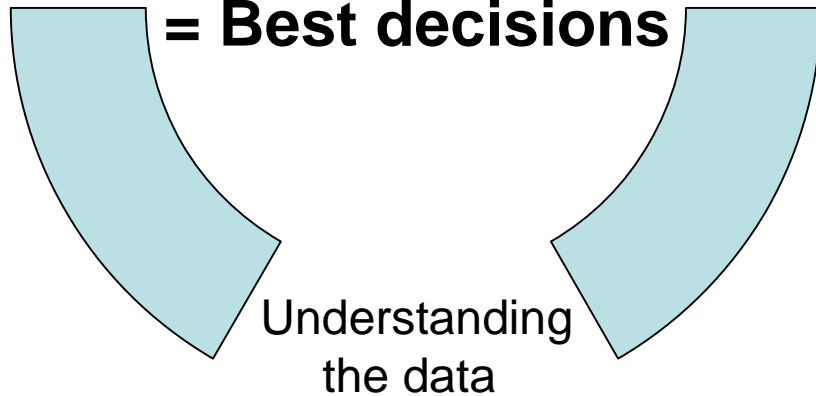
## PROCESSES



Sound Processes

Reliable Data

**Good Information  
= Best decisions**



Understanding  
the data

## OUTCOMES

- Coherent TLB plans and budgets
- Financial information supports decision making

## BENEFITS

- Minimum effort required
- Easy aggregation at all levels
- Management levers identified
- Programme coherence
- Fewer surprises

# THROUGH LIFE FINANCE (TLF)

**Questions ?**