



Ministry
of Defence

ACQUISITION SYSTEM OPERATING MODEL

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FOREWORD

This Acquisition System Operating Model (ASOM) sets out the principles for the changes in the system by which the Department acquires equipment and logistic support and services to enable the Commands¹ to deliver the military capability required. It is not prescriptive of the particular processes and organisational changes required in each area but reflects a number of key considerations from the Levene Report on Defence Reform, and in particular:

- A more strategic Head Office making high level balance of investment decisions, setting strategic direction, a strong corporate framework and holding to account;
- Empowering the Service Chiefs to perform their role effectively as part of a much clearer framework of financial accountability and control; and
- Strengthening financial and performance management throughout the Department to ensure that future plans are affordable and everyone owns their share of responsibility for this.

At the heart of the ASOM is the concept of empowering the Commands as Intelligent Customers of the Defence Equipment and Support (DE&S) and Information Systems and Services², and the processes and behaviours necessary to achieve this both within the Commands, but also in DE&S and Head Office.

The ASOM, therefore, supports the Commands, as well as DE&S and Head Office, in delivering the changes required in April 2015 and beyond to reflect the principles in this ASOM in a way that makes sense for each area; and to ensure that those changes are sustained in the long term to deliver an Acquisition System that delivers better value for money for Defence and the taxpayer.

¹ Including Strategic Programmes.

² As part of Joint Forces Command.

INTRODUCTION

ROLE OF THE OPERATING MODEL

1. **The Acquisition System Operating Model (ASOM) primarily focuses on the planned operation of the Acquisition System from 1st April 2015** in the context of an end-state Target Operating Model; recognising a longer timeframe will be required to embed necessary behavioural and organisational change [which includes, but are not limited to, Defence Equipment & Support (DE&S) transformation, Finance Transformation Programme and the Information Systems & Services (ISS) transformation programme].
2. In doing so it builds on, rather than replaces, the principles and processes articulated in the Defence Operating Model³ and the Financial Military Capability Operating Model (FinMilCap OM)⁴ – as such their core content is not replicated in this document. Similarly it takes into account the development of the Information Operating Model (IOM) and the Information Services Guiding Principles. The place of this Operating Model and future planning documents in relation to the Defence Operating Model is set out in Figure 1 below.

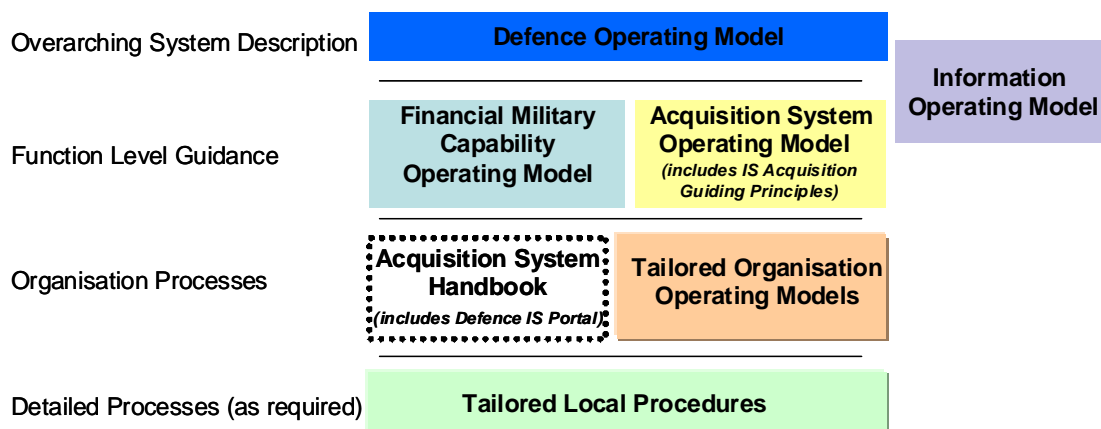


Figure 1: Hierarchy of Documents.⁵

3. The ASOM articulates:
 - The roles, responsibilities and accountabilities (with particular focus on new or changed interfaces) between organisations in the Acquisition System;
 - The key planning documentation used to capture the requirements placed on DE&S and ISS⁶ by the Commands and Strategic Programmes for the delivery of Equipment, Services, Logistics

³ 'The New Operating Model: How Defence Works' v4.0 (published 1 April 2014).

⁴ The Financial Military Capability (FinMilCap) Transformation Programme is implementing an integrated financial and military capability planning process across the Ministry of Defence in accordance with Chapter 8 of the Levene Report.

⁵ This diagram purposefully does not include the Acquisition Operating Framework (AOF) which remains valid and in use. The AOF will be refreshed in combination with the ASOM and with reference to the documentation outlined above for April 15.

⁶ Work is underway to finalise the approach to ISS requirements capture.

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and Support (ESL&S) on behalf of Defence; including the linkages to the Departmental Planning Framework;

- The arrangements through which performance is managed across the system;
 - The arrangements through which the efficiency and effectiveness of the Acquisition System will be monitored and assessed; and
 - The principles for the interaction of Information Systems and Services (ISS)⁷ with organisations across the System.
4. These key activities apply equally to ISS and are set out through the Joint Forces Command (JFC)-ISS Guiding Principles.⁸ The key feature of which is the introduction of a single point of entry for ISS business, a Defence Information Service Portal (IS Portal).
5. This ASOM supersedes previously issued documentation for Acquisition reform; in particular the Acquisition System Operating Principles and the Acquisition System Operating Models for the proposed Government Owned Contractor Operated option for the future DE&S.⁹

CONTEXT AND SCOPE

6. The ASOM captures the changes to the Acquisition System enacted from April 2014. These include the establishment of DE&S as a Bespoke Trading Entity with separate governance and oversight structures; and, significant Human Resource freedoms and flexibilities. These are changes that will help to create a more disciplined boundary between DE&S and the rest of the MOD, in turn reinforcing the Customer- Delivery Agent relationship between the Commands and DE&S and facilitating a more business like approach.
7. The ASOM also captures the changes to ISS following its transfer from DE&S to JFC in April 2014 and the subsequent changes in which it interacts across Defence.
8. The ASOM does not include activities undertaken on behalf of Defence, in the wider acquisition sphere, by the Defence Infrastructure Organisation (DIO). As changes are implemented in this area, the potential for convergence and potential economies of scale for the Customer across wider acquisition will be explored.
9. Similarly, as the design matures, further efforts will be made to exploit synergies in Acquisition with other Defence enablers such as Defence Science and Technology Laboratory (Dstl) and Defence Business Services (DBS).

⁷ Following the termination of the GOCO competition, transfer of the ISS to JFC from April 2014 was re-affirmed. ISS is responsible for the delivery and support of information systems and services to operations and to all parts of the UK Defence community, including other areas of Government.

⁸ The main features of the IS Acquisition Guiding Principles are: A single IS requirement from a unified Information Portfolio, through an agreed information acquisition process. This includes the embedding of user demand, capability planning, resource allocation, approval, assurance and delivery in the same organisation. An IS architecture that: sits within an overarching Capability Plan; delegates financial flexibility to the lowest sensible level; and includes a flexible tasking and management function. Complemented by a JFC 'Defence IS Portal' that matches demand and ISS capacity.

⁹ For Reference: The Acquisition System Operating Principles Version 2 (August 2013), The Acquisition System Operating Model (GOCO)(27 Sept 13) and The Acquisition System Operating Model – GOCO – Final Version 4.3 (27 Nov 2013).

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10. Work to address the unstable interface between the MOD Customer and DE&S¹⁰ is led by the Customer Design Programme working in tandem with the Materiel Strategy Programme. The Customer Design remit was re-validated, following the Secretary of State's announcement on 10th December 2013 of the termination of the GOCO competition for DE&S, and includes the design of the overall Acquisition System in the wake of the new Departmental Operating Model.

VISION

11. The ASOM describes a simplified and improved Acquisition System which is currently being implemented and will gain initial operating capability in April 2015. It forms the basis of work, across Defence, to strengthen the Acquisition System and empower the Commands as Intelligent Customers¹¹, in line with the vision for the Customer Design Programme set out below.

A simplified and improved Acquisition System that strengthens individual accountability and offers better value for money for Defence and the taxpayer, in which:

- Roles, responsibilities, authorities and accountabilities are clearly defined and exercised in order to reinforce Customer- Delivery Agent relationships and facilitate a more business-like approach;
- Personal accountability and judgement is valued over process;
- Informed decisions are taken on an economically rational basis;
- Requirement setting at all levels is properly informed by its cost, risk and time consequences;
- Commands have the capability required to operate effectively in the Customer role; and
- All parties have access to common sources of trusted data to inform timely decision making and manage performance.

ANTICIPATED BENEFITS

12. The implementation of the ASOM draws from and builds upon those benefits identified within the Defence Reform Programme.
13. At the highest level the benefits of the ASOM are consistent with those identified by Defence Transformation (listed below). Work is in hand to further refine these benefits to clarify more directly the link between the changes that are being implemented and the anticipated benefits.

¹⁰ As set out in the "Review of Acquisition for the Secretary of State for Defence" – An independent report by Bernard Gray dated October 2009.

¹¹ Intelligent Customer is defined as a customer that has a clear understanding and knowledge of their requirements and the products or services being supplied in response, including the collaborative management of their supply, as well as the ability to use those products or services safely and effectively.

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- **Net capability delivery risk is reduced** – through empowered financial and capability delegation for delivery to the TLB best able to manage it including better management of joint enablers;
- **Increasingly efficient and effective delivery of Operational outputs** – through increased freedoms to manage capability generation across the Defence Lines of Development (DLODs);
- **Non-front line costs are reduced as a proportion of overall Defence expenditure** – through a smaller, more professional MOD and more efficient, customer-focussed support from our corporate service providers;
- **A better skilled, motivated and engaged workforce, exhibiting modern, relevant behaviours** – through improved leadership, targeted education and training and supported by more efficient structures and processes; and
- **Increased levels of trust** – through improved top- level decision making, better and more transparent processes and communications.

KEY FEATURES

14. The ASOM emphasises that:

- **Head Office** is responsible for **setting the parameters** for the Commands, normally every five years through the SDSR process. These parameters cover **what capabilities are required** from the Armed Forces to support Military Tasks and HMG's security objectives, **and the resources that will be made available**, and are agreed with each Command via Command Plans;
- **Commands** as the **Customer**¹² are responsible for **setting out what DE&S and ISS are to deliver** to them to meet their ESL&S requirements within the overall obligations placed on them by Head Office; and
- **DE&S and ISS**, as **Delivery Agents**, are responsible for advising on **how** the Commands' requirements should be met and assuming responsibility for delivery once agreed with the Commands.

15. ISS will operate in line with the principles outlined in the ASOM. The processes and interfaces relating to ISS are included in this ASOM, but are subject to revision as the ISS interaction with other organisations in the Acquisition System matures.

ACQUISITION SYSTEM BEHAVIOURS

16. The most important enabler of better outcomes in the Acquisition System are better relationships between the Acquisition System organisations, driven through behavioural change. Both at an individual and organisational level, required behaviours must be identified, communicated and

¹² Refer to Appendix 1: Terminology for the definition of Customer and Delivery Agent.

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measured. Mechanisms must exist which encourage challenge of contrary behaviours and reward the opposite at all levels in the organisation.

17. Building on, rather than replacing previous work, the overarching system behavioural principles are identified below and developed further in the Acquisition System Handbook.

- Transparency (timely and open information sharing clear and accurate);
- Financially astute (decision making, requirements setting and Performance Management);
- Accountable (individuals, supporting each others' accountabilities and responsibilities, and H2A at all levels);
- Practical (focus on 80/20 and abiding by decisions);
- Knowledgeable (of our business, of our capability/capacity, of our customers/DAs needs);
- Trusting (delegation and empowerment, supporting each other and focused on best for Defence);
- Improving (tackling failure swiftly and learning across all relationships).

18. These behavioural principles drive the key System needs for:

- **An appreciation of cost/value in all acquisition business** - at every stage in the Acquisition System, decisions are to be made with the financial impact of the decision well understood, on an economically rational basis and supported by quality data which is developed once but used many times.
- **Acquisition organisations working together in a transparent, constructive and knowledgeable way** - effective working relationships across the system are key to its success. Open, structured discussions which actively seek to drive improvement in the relationships, the processes used and overall delivery outputs are to be the norm.
- **Clarity and confidence in our respective roles in delivering for Defence** - delegation, empowerment and holding to account are central to the system. The structured and disciplined interface provides a formal mechanism to ensure consistency and clarity between organisations.

IMPLEMENTATION

19. The ASOM sets the principles and parameters for the operation of the Acquisition System, including the required behavioural changes. It is intended as a reference tool for all those operating within the system, its primary audience is intended to be decision makers within the system.

20. The ASOM is supported by the Acquisition System Handbook (ASH),¹³ which provides further detailed direction and guidance for practitioners and users of the Acquisition System. Taken together, the ASOM and the ASH provide the necessary direction and guidance for organisations across the Acquisition System to adjust and refine their operating models to enact the key features described in the model in a way that works for them, whilst meeting their overall obligations.

¹³ ASH version 1.0 dated 17th July 2014 .

ACQUISITION SYSTEM

1.1 THE ACQUISITION SYSTEM

- 1.1.1 The Acquisition System is a set of discrete accountabilities, functions and activities, undertaken by key individuals and organisations to deliver the ESL&S required principally by the Armed Forces, including procurement, in-service support and commodity management.
- 1.1.2 The top level accountabilities,¹⁴ organisations and interactions are summarised in Figure 2 and are developed further within this document.

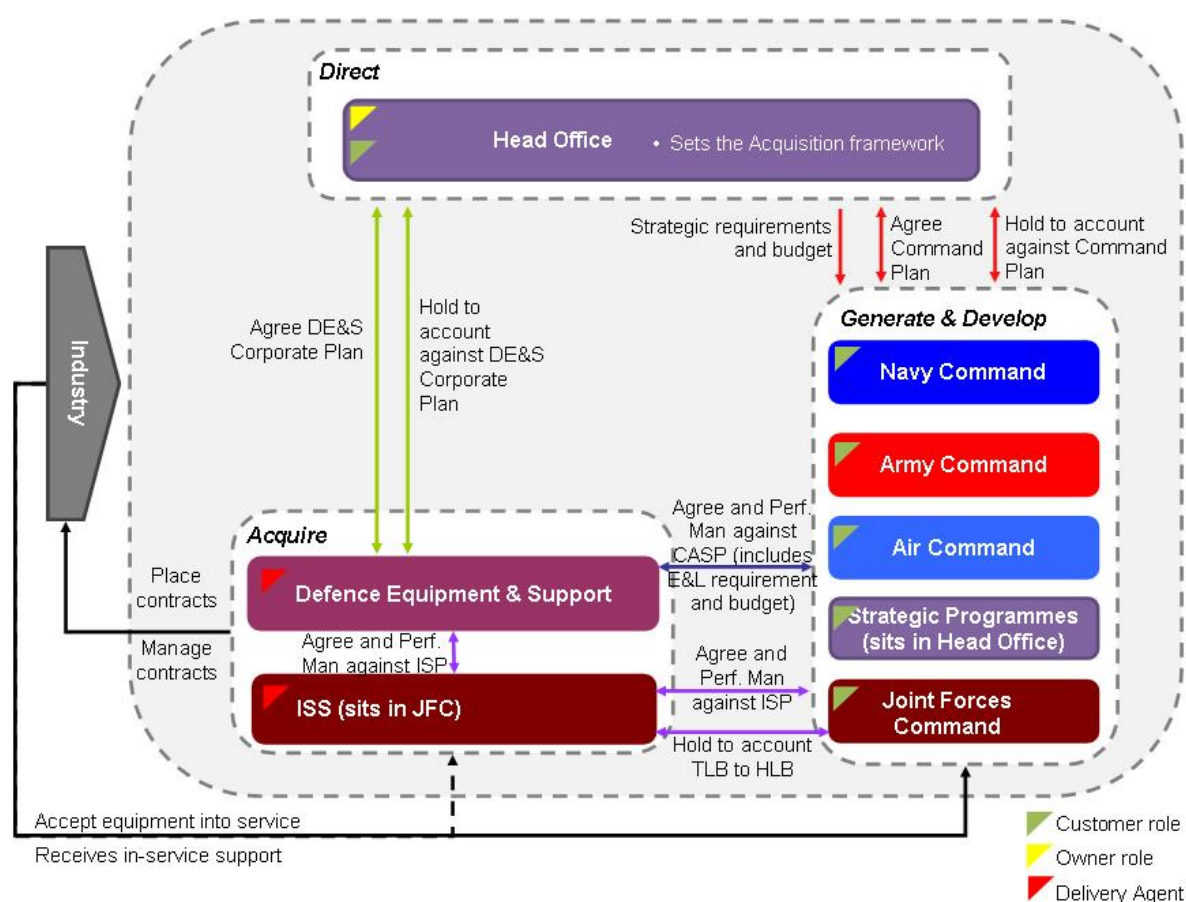


Figure 2: The Acquisition System, a simplified view.¹⁵

- 1.1.3 The Acquisition System aligns with other Defence systems and processes and is designed in accordance with the principles established in the new Defence Operating Model (DOM).¹⁶

¹⁴ Refer to Appendix 2: Accountabilities as agreed by the Acquisition Architecture Board.

¹⁵ Refer to Appendix 1: Terminology for a description of the Command Acquisition Support Plan (CASP) and the Defence IS Portal.

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- Increased delegation of responsibility, authority and accountability to Top Level Budget (TLB) holders by giving them personal responsibility for setting equipment and support requirements and being accountable for providing the capability that Defence needs, on time and within budget;
- Strengthened financial and performance management with military and civilian staff taking responsibility for keeping the Defence Programme affordable; and
- Getting the best out of people in Defence – by aiming to fill posts with the right people, with the right skills, for the right length of time, and by building the right leadership, values and behaviours throughout Defence.

1.1.4 Within the context of the DOM, the Acquisition System components are illustrated in Figure 3.

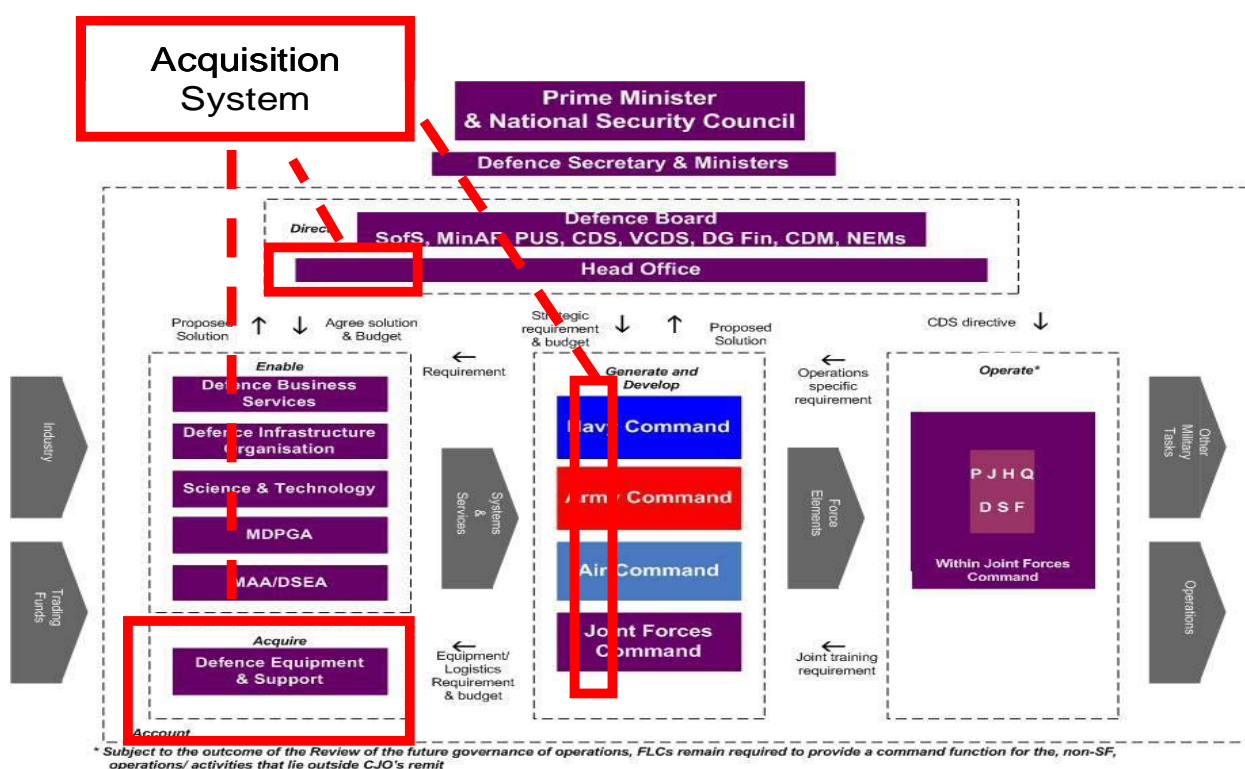


Figure 3: Acquisition System in context of the Defence Operating Model.

¹⁶ 'The New Operating Model: How Defence Works' v4.0 (published 1 April 2014).

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1.2 ACQUISITION SYSTEM ORGANISATIONS

1.2.1 The Acquisition System comprises a core set of organisations (set out below).

Organisation	Roles and Key Activities ¹⁷
Head Office	<ul style="list-style-type: none"> ▪ Sets objectives on Commands and DE&S, and holds them to account for delivery ▪ Allocates resources ▪ Oversees the overall performance of the Acquisition System ▪ Is the Owner of DE&S, as a Bespoke Trading Entity (BTE)¹⁸ ▪ Can act as a customer if required
Commands (includes Strat Progs)	<ul style="list-style-type: none"> ▪ As customers, agree the DE&S Programme of Work which DE&S manages as a trusted "Delivery Agent" ▪ As customers, agree with ISS, through JFC acting as the Defence IS Portal, the requirements for ISS to manage as a trusted "Delivery Agent" ▪ Contract directly with industry only in clearly defined circumstances¹⁹ ▪ Hold DE&S and ISS to account for delivery against the agreed Command Acquisition Support Plans (CASPs)²⁰ and Information Service Plans (ISPs)] ▪ Provides agreed resources (including GFX) to the Delivery Agents ▪ Accept products into service
DE&S	<ul style="list-style-type: none"> ▪ As a customer- focused Delivery Agent²¹, delivers robust and transparent services, including project management to Performance, Cost, Time (PCT) metrics, and placement and management of contracts with Industry ▪ Supports the Department planning process by providing information and analysis (including options, costs and potential solutions) to the customer as requested
ISS (as part of JFC)	<ul style="list-style-type: none"> ▪ As a Delivery Agent²², delivers robust and transparent services to manage and deliver the information systems and services required by the Commands (and wider department) ▪ Sets Defence Network requirements against which procurement must comply
Industry	<ul style="list-style-type: none"> ▪ Delivers the products and services defined by contractual agreements

¹⁷ To aid clarity of individual roles and activities, the Acquisition System Handbook includes detail of 'Role Profiles' across the System. These provide descriptions of accountabilities, responsibilities, associated activities and KSE, for example CASP Owners and their Delivery Agent counterparts.

¹⁸ The BTE is an Arm's Length Body with a clear dividing line between the organisation and its military customers. It has significant freedoms and flexibilities, agreed with HM Treasury and Cabinet Office, around how it recruits, rewards and manages staff (who remain Crown Servants).

¹⁹ Existing arrangements, direct with Industry, can continue. However, an exemption will be required from the Defence Authorities for the Acquisition System and Commercial when entering new agreements or renewing existing ones within equipment, logistics and information. This will need to include considerations of the organisation best placed, most competent, to oversee the contract.

²⁰ Command Acquisition Support Plans replace Smart Contracts which are in place for FY 2014-2015.

²¹ Crown Commercial Services act in many ways as Delivery Agent for the MOD or the procurement of mandated goods and services. In terms of the detailed processes covered in the ASOM and the ASH, Crown Commercial Services activities are not covered in detail as they are outwith the Acquisition System as defined but impact on it.

²² Ibidem.

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- 1.2.2 In addition, Defence Enablers, such as Dstl, DIO, the Defence Academy and DBS provide a range of services on a pan-Defence basis to enable elements of the Acquisition System. They must align with, but are not covered by, the same principles underpinning the Acquisition System.

1.3 ACQUISITION SYSTEM PRINCIPLES

- 1.3.1 The Acquisition System is founded on two key principles:²³

- **Simplicity of approach** – Individuals and organisations use simple, efficient and effective processes minimising complexity wherever possible. A minimal set of parameters are articulated in the ASOM, within which individuals and organisations must comply to ensure the efficient and effective operation of the System.
- **Clarity of accountability** – Individual accountability and responsibility are clear and reinforced through the System with appropriate mechanisms for holding individuals to account.

- 1.3.2 Building on these principles, the Acquisition System is operated through two key activities:

- **Setting and maintaining the baseline:** relating to activities which result in agreed requirements being placed on the Delivery Agents against which they can be held to account; and
- **Managing performance against the baseline:** relating to activities which review and assess the delivery of the requirements.

- 1.3.3 In addition, to ensure that the Acquisition System operates as effectively and efficiently as intended, there will be **system management** arrangements, led by the Acquisition System Authority (ASA).

1.4 SETTING AND MAINTAINING THE BASELINE

- 1.4.1 Agreement is required between organisations regarding the baseline of activity against which each organisation can be held to account. The development of this baseline is not process driven but should reflect the requirements of each organisation working collaboratively and the outcomes of the Departmental Planning Process and the Annual Budgetary Cycle (ABC).

- 1.4.2 The central documents which are used to capture the planning outcomes are:

- The **Command Plans** which are agreed between Head Office and the Commands. They set the TLBs' overall objectives and resources.
- The **Command Acquisition Support Plans (CASP)** which capture what the Commands require of DE&S, as well as the obligations of Commands to support DE&S, and is to be

²³ Appendix 2 provides the detail of the accountabilities across Acquisition System organisations.

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prepared concurrently with the Command Plan. Once agreed, the CASPs collectively become the major component of the DE&S Programme of Work.

- The **Information Services Plan (ISP)** is equivalent to the CASP and captures what the Commands and other customers require of ISS. This is under development; however it is intended that the ASOM principles will apply equally to ISS and DE&S when performing the role of Delivery Agent.
- The **DE&S Corporate Plan** which articulates the strategic objectives for DE&S and the Key Performance Indicators (KPIs) against which it will be held to account by Head Office. It forms the basis against which all DE&S corporate decisions are judged. It is approved by Min (DEST) as the Owner (supported by the DE&S Owner's Council).

- 1.4.3 The Departmental planning process sets overall Defence objectives and allocates resources to TLBs. The details are articulated in Command Plans which are reset normally every 5 years as part of SDSR rebaselining and then refreshed to reflect adjustments made as part of the ABC²⁴.
- 1.4.4 When developing their Command Plans, the Commands are responsible for proposing how they intend to deliver the capability within the resources allocated. This will include identifying the ESL&S outputs required of DE&S and ISS, which involves a collaborative dialogue between DE&S, ISS and the Commands.
- 1.4.5 It is imperative that CASPs and ISPs are aligned to the Command Plans. This will require candidate CASPs and ISPs to be developed iteratively alongside candidate Command Plans as part of overall Departmental planning. To facilitate this alignment, the schedule for developing CASPs and ISPs will mirror the schedule for developing candidate Command Plans in accordance with the Defence Programming Timetable.
- 1.4.6 Once endorsed, the Command is accountable for delivery of the outputs set out in the Command Plan, within the resources identified.

Lead Command and Lead Delivery Agent

- 1.4.7 The principle of Lead Commands set out in the FinMilCap OM must be applied to the development and agreement of CASPs and ISPs.
- 1.4.8 Where ESL&S requirements cut across DE&S and ISS responsibilities, a decision will be made by the Sponsor as to where the leadership for delivering the overall requirement should sit and a lead Delivery Agent assigned; this is likely to be based on which Delivery Agent is responsible for the majority of the requirement, or where there is specific responsibility for the integration of the outputs of the other Delivery Agent. It is the Lead Delivery Agent's responsibility to agree the provision of services to it from other Delivery Agents and ensure these are captured as dependencies.

Agreeing Command Acquisition Support Plans (CASPs)

- 1.4.9 The CASPs establish a bridge between the Departmental Planning framework and the DE&S Programme of Work and will be developed iteratively with the Command Plans.

²⁴ The CPP and the ABC for Commands are articulated in the Financial Military Capability Operating Model (FinMilCap OM). This is supported by the Generic Capability Management and Practitioner's Guides which set out how Capability Management will be undertaken.

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- 1.4.10 Once agreed, DE&S will be accountable to the Command for delivery of the outputs articulated in the CASP within the resources identified.²⁵ Thus the CASPs (covering 1+1 years in detail and the following eight in outline) articulate both the ESL&S requirements which the Commands have formally requested DE&S to procure (DE&S Programme of Work) as well as any commitments made to DE&S by the Commands (e.g. the provision of resources).
- 1.4.11 The Commands and DE&S work together as Customers and Delivery Agent to agree the CASP. Commands set costed equipment and in-service support requirements based on DE&S advice on the financial realism and deliverability assumptions. This will cover both programme costs and directly attributable DE&S operating costs.
- 1.4.12 Both the Commands and DE&S should maximise the opportunities of science and technology within their programmes to generate new capabilities and enhanced performance. It promotes understanding and helps enable the evidence base to make complex decisions, future-proofing our systems, and reducing cost and risk in acquisition. The use of System Engineering principles will also ensure that solutions can be integrated with minimum cost, technical risk can be managed and the systems are interoperable²⁶.
- 1.4.13 The Commands, with DE&S, and in line with wider efforts to embed exportability into acquisition,²⁷ should develop requirements which enable the needs of development partners or export customers to be considered without reducing the provision of capability to the Armed Forces. As well as the economic benefits of scale, this approach will also serve to enhance sovereign capability, enable the sharing of development costs and increase opportunities for international engagement.
- 1.4.14 DE&S will only agree the CASP if appropriate resources are allocated and DE&S is confident of deliverability (i.e. DE&S has the capacity and capability to deliver) within the timeframe and budget identified. If **no material change** to the DE&S-managed Programme of Work is proposed then the expectation is that DE&S will remain accountable for delivery within its agreed Operating Cost Envelope. If there is a **proposed material change** in the DE&S-managed Programme of Work, then Commands should bring forward the full financial implications of this (including DE&S providing information on the implications of the change on its operating cost) as part of their Command Plan for Head Office consideration during the planning process/ABC.²⁸
- 1.4.15 Any dispute between DE&S and Commands that cannot be agreed at programme level should first be escalated to senior empowered DE&S and Command individuals; and if necessary to the DE&S Chief Executive / CDM and the TLB-holder for the Command. If agreement cannot be reached, then the issue should be escalated to the Capability Coherence Authority (CCA), with PUS being the final arbiter of any dispute, as set out in the FinMilCap OM.

²⁵ For more detail on the content of the CASPs please see the Acquisition System Handbook paragraph 2.1.11.

²⁶ The FinMilCap OM establishes the role of R&D in supporting effective Capability Management in the Commands to develop, implement and deliver their respective Command plans with specific details of the linkage to R&D contained in the Operating Model annex 'The Science & Technology High Level Design Document'. By building on the FinMilCap OM the ASOM retains these linkages.

²⁷ A key principle of the 2012 White Paper "National Security Through Technology".

²⁸ Until hard charging is introduced, Head Office will need to adjust the Operating Cost Envelope to reflect material changes in the POW.

Maintaining the Command Acquisition Support Plans

- 1.4.16 Following formal agreement of the CASPs, significant changes in year should be the exception. However, it is recognised that as part of business as usual, there will be need for some changes as projects and programmes progress. Where changes are necessary, Commands and DE&S must maintain an auditable change control process. Once agreed, these changes will be captured into the extant CASP and then consolidated into the following year's updated CASP.
- 1.4.17 Commands (based on advice from DE&S regarding the impact) are accountable for deciding whether to go ahead with any proposed changes. The following table sets out what Commands will need to consider:

Change Considerations

- **Affordability/Value for Money:** whether the Task or Change is necessary, affordable within available resources and value for money on a through-life basis;
- **Coherence:** whether the implications are understood and the impact on any dependencies clear and agreed by those parties affected; and
- **Deliverability:** e.g. organisational capacity to take on the task, or proposed tasking change and deliver to PCT and Risk.

- 1.4.18 When approving a change, Commands may choose whether to adopt DE&S's advice, but if not, the reason would need to be clearly documented. Once approved, Commands are guaranteeing that the agreed resources will be made available to DE&S to deliver the change, and DE&S are accepting responsibility to deliver within the financial envelope and deliverability advice provided. Any disputes are dealt with as outlined in para 1.4.15. and in accordance with the dispute arrangements set out in the FinMilCap OM.
- 1.4.19 To maintain a 'single version of the truth' throughout the change process the Commands and DE&S are responsible for maintaining configuration control of the relevant artefacts, documents and data repositories for which they are accountable. All associated decision makers impacted by the updates should be notified.

Agreeing the Information Service Plan

- 1.4.20 An ISP will be produced where work is required for which ISS is the sole delivery agent or where ISS is the Lead Delivery Agent. ISPs must be agreed through the Defence IS Portal and will cover two broad areas.
- a) An agreement of the volume of routine customer catalogue service requests (such as DII moves and reconfigurations), in the same way that CASPs will contain an agreement of the volume of 'Other DE&S Services.' This volume will be set annually by the Defence IS Portal and will include capacity for both simple requests and composite/integrated items from the IS catalogue.
 - b) Bespoke programmes and projects. These will be reflected in Annexes to the main ISP.

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- 1.4.21 The process for setting the baseline with ISS and arrangements for the Defence IS Portal are under development; however, the same ASOM principles should be applied to ISS when performing the role of a Delivery Agent as those applied to DE&S.

Maintaining the Information Service Plans

- 1.4.22 The change considerations of affordability/value for money, coherence and deliverability will apply to changes to the ISPs.
- 1.4.23 ISS will develop the ability to manage the agreed demand placed on it through appropriate internal governance. There may be occasions where operational circumstances, changes to Defence priorities or the availability of critical resources will make it necessary to change the agreed Performance, Cost and Time (PCT) envelope of the ISS programme of work. These issues will be addressed in the first instance by the Senior Responsible Officer (SRO) (or equivalent empowered individuals). In the event that such changes have implications for other programmes, the issue will be raised to the Defence IS Portal in the first instance.

Agreeing Head Office requirements

- 1.4.24 Head Office (other than Strategic Programmes who are considered a "Command" for these purposes) may engage with DE&S and ISS to deliver ESL&S. The process for setting and capturing these requirements will be assessed on a case by case basis but must comply with the principles set out in the ASOM and ensure appropriate governance and control is put in place.

Agreeing other customer requirements (e.g. Other Government Departments)

- 1.4.25 Other customers may engage DE&S or ISS to deliver ESL&S, provided this is in line with Departmental and/or Government policy and does not impact on the delivery of services to its main MOD customers. DE&S and ISS will need to agree the requirements on an individual basis with the customer and ensure total cost recovery. DE&S will deliver against the agreed requirement and in line with the constraints and principles set out in the DE&S Framework Document.

Agreeing the DE&S Corporate Plan

- 1.4.26 The DE&S Corporate Plan is the agreement between DE&S and Min (DEST) (as owner) setting out the strategic direction of DE&S for a rolling period of three years. The Owner's Council²⁹ will advise Min (DEST) on whether to agree the Corporate Plan and its KPIs, this will include consideration of how the KPIs affect the wider Acquisition System.
- 1.4.27 When approved by Min (DEST), the DE&S Corporate Plan forms the authoritative basis for judgements made of DE&S's corporate performance. It is refreshed annually and reviewed by the DE&S Executive and DE&S Board prior to submission to the Owner's Council and Min (DEST).

²⁹ The exact make up of the Owner's Council is at the discretion of the Minister; the permanent attendance is outlined in the DE&S Framework Document.

Contents of DE&S Corporate Plan

- The strategy for delivering DE&S' purpose and vision.
- The main activities and investments that will deliver this strategy.
- How success will be measured, including delivery against Corporate objectives and milestones.
- The wider context and key underpinning assumptions.
- A financial analysis and projections over the three-year period.

1.5 MANAGING THE BASELINE

- 1.5.1 Managing the baseline includes performance management of DE&S and ISS as “Delivery Agents” and arrangements for performance management of the overall Acquisition System.
- 1.5.2 The identification of clear holding to account lines enables the baseline to be managed in a simpler way. Clear holding to account operates across four interfaces:

Head Office:

- Holds DE&S to account for delivery against the DE&S Corporate Plan.
- Holds the Commands (and Strategic Programmes) to account for delivery against their Command Plans (or equivalent).

Commands (and Strategic Programmes):

- Hold DE&S to account for delivery against the agreed CASPs.
- Hold ISS to account against the agreed ISPs (where ISS is the Lead Deliverer).
- JFC holds ISS to account for how it delivers against its corporate objectives.
- Report performance against Command Plans (or equivalent).

DE&S:

- Holds Industry to account against the contracts that it has placed.
- Reports performance against DE&S Corporate Plan, CASPs and ISPs.
- Holds Commands to account for delivery of their obligations against the CASPs.
- Holds ISS to account for delivery of its obligations against the ISP with DE&S.

ISS:

- Holds Industry to account against the contracts it has placed.
- Holds Commands to account for delivery of their obligations against the ISPs.
- Holds DE&S to account for delivery of its obligations against the JFC CASP with DE&S.
- Reports performance against its corporate objectives to JFC and performance on outputs to its customers.

Overview of performance management arrangements: DE&S

- 1.5.3 In the context of DE&S, underpinning these headline arrangements is a separation between the role of Head Office as owner of DE&S and the role of the Commands and Strategic Programmes as customers.³⁰ Under this construct, the Defence outputs that the DE&S is required to deliver (principally comprising DE&S-managed elements of the Equipment Procurement Plan (EPP) and Equipment Support Plan (ESP)) are set by the Commands, with

³⁰ Head Office can also act as a customer as described in paragraph 1.4.24.

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the DE&S Corporate Plan and the Head Office owner concerned with 'how' DE&S is operating. Refer to Figure 4 below for an overview of this relationship.

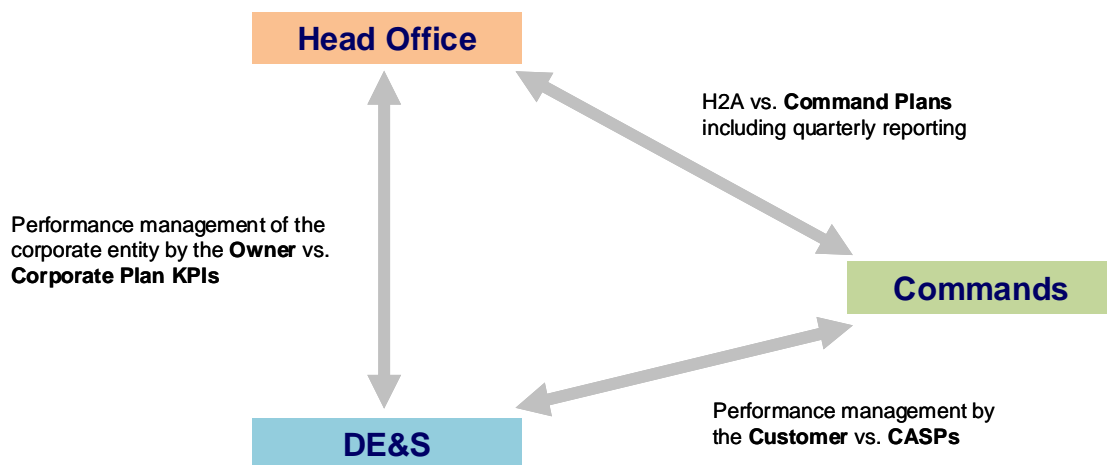


Figure 4: High-level overview of performance management arrangements between Head Office, Commands and DE&S.

1.5.4 As illustrated in Figure 4, there is both a 'vertical' axis relating to holding to account of DE&S (i.e. Head Office to DE&S) against the DE&S Corporate Plan and a 'horizontal' axis relating to performance management against the CASP (i.e. Commands to DE&S). The central challenge to managing the baseline is to ensure that these are aligned and mutually reinforcing; but more fundamentally, these arrangements reflect the holding to account process of Commands by Head Office for delivery of defence capability against their Command Plans, supported by DE&S in the areas of equipment and logistic support.

1.5.5 There are a number of elements to ensuring effective alignment:

- A robust baseline with appropriate metrics in the CASPs which are consistent across the Acquisition System, such that they can be aggregated in a meaningful way to provide a measure of how well DE&S has met the requirements of its customers;
- Appropriate quantitative and qualitative KPIs in the DE&S Corporate Plan reflecting how DE&S has performed;
- An effective mechanism for ensuring a unified "Customer Voice" is represented in the DE&S Owner's Council; and
- System-wide performance management arrangements that challenge areas of potential non-alignment with the ASOM, to reinforce the behaviours required across the System.

Holding DE&S and Commands to account against the CASPs

1.5.6 The Commands are responsible for holding DE&S to account for performance against the requirements and metrics in the CASPs. As such, the Commands must establish a structured arrangement for monitoring, recording and managing the performance of DE&S against agreed measures throughout the life of each project / programme / service. DE&S is responsible for holding Commands to account against their obligations agreed in the CASP.

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- 1.5.7 DE&S will provide regular reports to the Commands regarding its performance against the targets, milestones and metrics in the CASPs. The Commands will report performance against their agreed obligations to DE&S. The timing and frequency of this reporting will be set out in the CASPs or CASP Annexes, to support the formal performance management process. Formal reporting should be supplemented by other day-to-day communication between the Commands and DE&S.

Holding ISS and Commands to account against the ISPs

- 1.5.8 Similar arrangements will apply for holding ISS to account for performance against the requirements and metrics in the ISPs. These processes are currently under development.
- 1.5.9 An overview of the 'generic' Command to DE&S and ISS performance management arrangements is included in Figure 5 below:

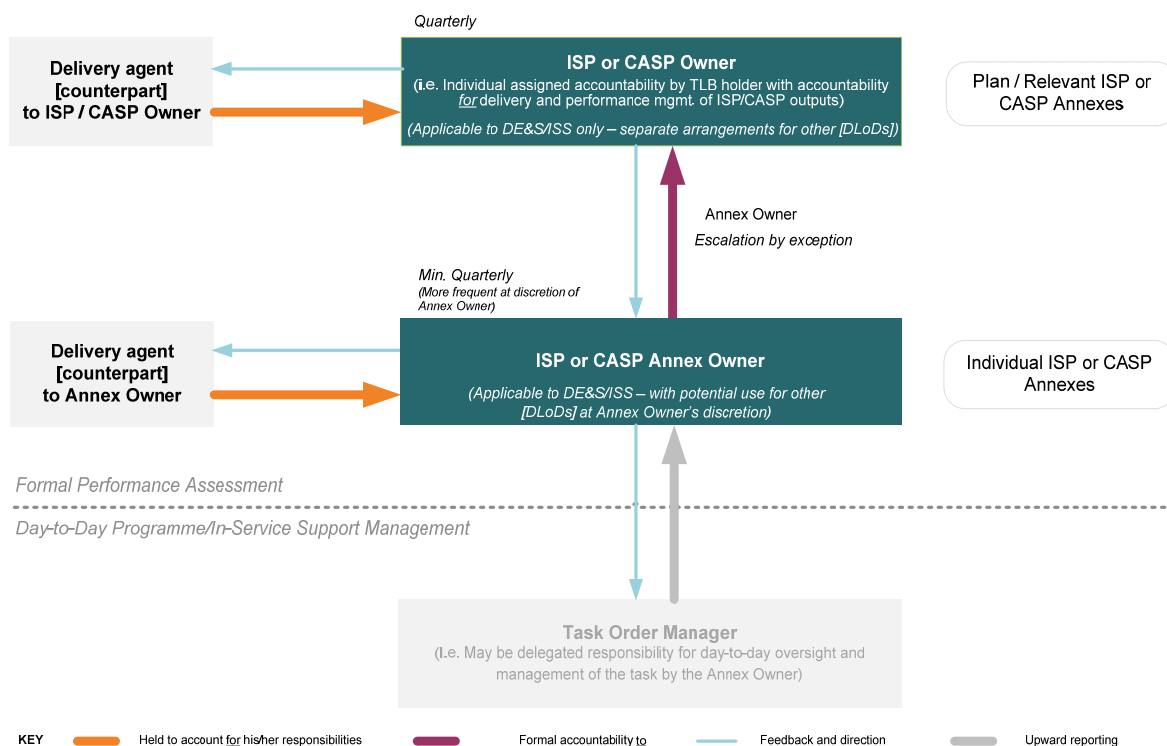


Figure 5: Overview of 'generic' Command to DE&S/ISS performance management.

- 1.5.10 It is important that as part of this holding to account, financial information is aligned and considered with performance reporting. DE&S support this by preparing and providing analysis of the in-year financial position and delivery performance (covering both programme costs and directly attributable DE&S operating costs) which are submitted to Commands and used to support decision making. The information will also be used to support Command Plan reporting to Head Office.

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Holding DE&S to account against the DE&S Corporate Plan

- 1.5.11 Head Office is responsible for providing proactive and robust oversight of DE&S' performance against the objectives and performance metrics in the DE&S Corporate Plan. The DE&S Board is responsible for supporting and challenging DE&S' performance against the Corporate Plan.
- 1.5.12 The explicit holding to account mechanism for the BTE is set out in the DE&S Framework Document. Min (DEST) (supported by the DE&S Owner's Council³¹ and taking into account the views of the customers through the Customer Voice) holds DE&S to account for delivery against Corporate Plan KPIs. As such, Head Office require DE&S to establish structured arrangements for the monitoring and reporting of DE&S' performance against each objective and Corporate Plan KPI, not the Programme of Work. It is expected that this role will be carried out through the Owner's Council.
- 1.5.13 To enable Head Office to discharge its oversight responsibilities, DE&S will provide quarterly reports to Head Office regarding its performance against the objectives and KPIs set out in the DE&S Corporate Plan.
- 1.5.14 To enable the customer to have an input into the holding to account process of DE&S by the Owner, DCDS MilCap (in his capacity as the 'Customer Voice') will represent the views of the Commands on the Owner's Council. Figure 6 below provides an illustration of the holding to account process and the Customer Voice input.

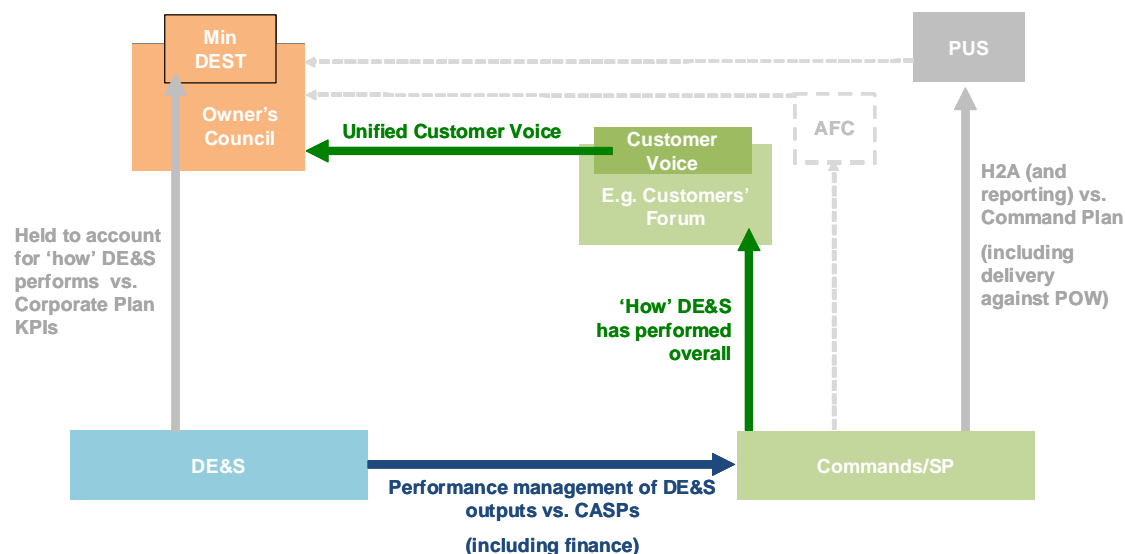


Figure 6: Customer input into the Owner's Council.

Overview of performance management arrangements: ISS

- 1.5.15 Performance management arrangements for ISS will be similar to those for DE&S, as shown in Figure 7. Commander JFC will hold ISS to account for 'how' it delivers against its corporate objectives; and, as part of the JFC TLB, will be Held to Account by Head Office against the JFC

³¹ The Owner's Council is chaired by Minister (DEST) and will meet regularly, at least quarterly, to review the performance of DE&S as well as setting strategic objectives and approving the DE&S Corporate Plan.

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Command Plan. Performance management of ISS outputs by customers will also mirror the process for DE&S, but where ISS and DE&S are both involved in a programme, a 'Lead Delivery Agent' will be agreed and act as the focal point for performance management.

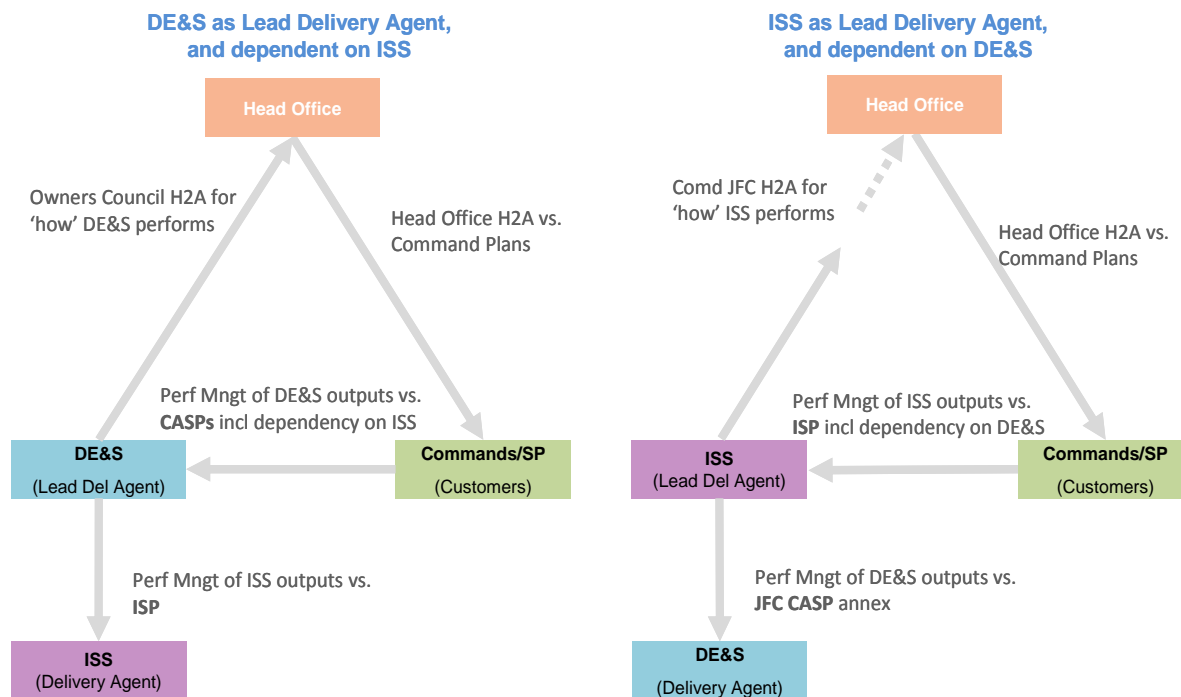


Figure 7: High-level overview of ISS performance management arrangements.

Performance management of ISS outputs against the CASPs/ISPs

1.5.16 DE&S as Lead Delivery Agent— i.e. where DE&S-led projects or programmes include the provision of IS, the CASPs between the Commands and DE&S will reflect the dependency on ISS. The CASP between JFC and DE&S will capture both the JFC programme of work and DE&S obligations to ISS. The Commands will hold DE&S to account for delivery of agreed outputs (including IS elements) against the CASPs. DE&S will hold ISS to account for delivery of its agreed obligations against an ISP.

1.5.17 ISS as Lead Delivery Agent— i.e. where demands are placed directly with ISS, as captured in ISPs. The Customer (e.g. Commands, SP, TLBs and other trading entities) will hold ISS to account against the ISPs for delivery of agreed outputs and ISS will hold the relevant Customer to account for meeting their agreed commitments to ISS.

Performance management arrangements for Head Office requirements on DE&S/ISS

1.5.18 Where Head Office has placed a requirement on DE&S or ISS, performance management will be carried out in line with the terms of the agreement reached for the delivery of the requirement and will be assessed on a case-by-case basis.

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Evaluation and Acceptance of products and services

- 1.5.19 No changes are being made to Evaluation and Acceptance of products and services; these are the responsibilities of the Commands. A structured approach for the Evaluation and Acceptance of ESL&S products and services should be followed to ensure those outputs are coherent and consistent with Command Plan requirements and, therefore, Defence Policy, whilst also ensuring that products and services meet the needs of the Commands.

1.6 ACQUISITION SYSTEM GOVERNANCE

- 1.6.1 **The Defence Authority for the Acquisition System** is the individual that is accountable for the performance of the System as a whole and provides the focus for Acquisition System governance. Director General Head Office and Commissioning Services (DG HO&CS) is the Defence Authority for the Acquisition System³², specifically accountable for:
- Setting standards and practices for the System by which Defence acquires ESL&S to ensure it meets the aims and needs of Defence.
 - Regularly reviewing the health of the System to ensure it is operating as it should and to make changes as necessary.
 - Setting skills standards in conjunction with the appropriate Heads of Profession for those elements of the Defence workforce working in Acquisition.
- 1.6.2 Acting on behalf of the Defence Authority for the Acquisition System, an **Acquisition System Authority (ASA)** will be responsible for monitoring compliance with the principles of the System, making changes where appropriate, driving further acquisition reform and promoting continuous improvement.
- 1.6.3 For DE&S, the **DE&S Owner's Council** will support and advise the Ministerial Owner on the review and setting of DE&S' strategic objectives, the approval of the Corporate Plan and novel or contentious decisions³³, and on performance.

Acquiring and maintaining equipment that is safe to operate

- 1.6.4 The ASOM does not change safety accountabilities within the Department with the overall accountability for safety of Defence undertakings remaining with the Secretary of State for Defence and with the PUS.
- 1.6.5 Effective leadership for safety and collaboration across the Acquisition System shall be established and sustained, with Head Office responsible for communicating updated policy related to safety.
- 1.6.6 Organisations within the Acquisition System need to establish appropriate arrangements for safety management, ensuring effective interfaces with the overall MOD arrangements and existing entities (e.g. MAA and DSEA) for safety management. This includes proportionate arrangements for self-regulation and challenge of product safety throughout its lifecycle.

³² PUS Letter of Authority to Defence Authority for Acquisition System dated 17 June 2014 (D/PUS/11/1(366)).

³³ I.e. Contentious decisions relating to the operation of DE&S.

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- 1.6.7 MOD maintains an independent regulatory function to ensure adequate implementation of policy and standards within Acquisition safety.

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VERSION RECORD – Summary of Substantive Changes			
Version Number	Version Date	Changes to Previous Version	Description
1.30	22 March 2014	Initial Issue	
1.40	6 June 2014	Update to Hierarchy of Documents diagram	Inclusion of IS Portal into figure. Figure 1, page 4.
		Addition of Acquisition System Behaviours	Inclusion of text relating to behavioural change, page 7
		Update to Anticipated Benefits	Rewording of the anticipated benefits. Line 8, page 6
		JFC-ISS Guiding Principles incorporated	Inclusion of JFC-ISS description. Footnote, page 11
		Update to contents of CASPs to include DE&S & ISS	Inclusion of DE&S & ISS. Grey box, page 13
		Recognition of contribution of Science and Technology	Addition of paragraph. Line 1.4.12, page 14
		Correction - DE&S Corporate Plan 3 year period	Update from five to three years. Grey box, page 17
		Update Overview of 'generic' Command to DE&S performance management, Figure 6	Figure 6, page 20
		Update Terminology	Lead Delivery Agent definition added to Appendix 1, page 26
		Minor update of Acquisition System Accountabilities	Appendix 2, page 27
		Addition of Acquisition System Behavioural Principles	Appendix 3, added at page 28
2.0	17 July 2014	Inclusion of Defence IS Portal into Figure 1	Figure 1 information revised to reflect Defence IS Portal, page 4.
		Footnote added to diagram of Hierarchy of Documents	Inclusion of footnote detailing AOF information for Figure 1, page 4.
		Update to Acquisition Systems Behaviours	Update to list of Acquisition Systems Behaviours, page 8.
		Update to diagram of Acquisition System a simplified view	Inclusion of ISP and CASP details into Figure 2, page 9.
		Update to contents of DE&S Corporate Plan	Updated from DE&S Framework Document Version 1.0- 12 May 2014, page 17.
		Content of CASPs removed, as now covered in ASH Vers 1.0.	Grey box containing content of CASPs removed.
		Holding to account interfaces updated with ISS	Inclusion of ISS bullets points into grey box, page 18.
		Update to diagram of High Level Overview of performance management arrangements	Inclusion of "inc. quarterly reporting" details into Figure 4, page 19
		Update to diagram of High Level Overview of ISS performance management arrangements	Inclusion of ISP and CASP details into Figure 7, page 22.
		Acquisition System Critical Success Factors removed as the issues are better and more extensively covered through the Keeping to Essentials documentation circulated to the Customer Design Programme Board.	Table containing Acquisition System Critical Success Factors for IOC Apr 15 removed.
		Appendix 3: Behavioural Principles removed	Table containing Acquisition System Behavioural Principles forming Appendix 3 removed.

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APPENDIX 1: ACQUISITION SYSTEM OPERATING MODEL - TERMINOLOGY

Accountable	An individual/organisation that is answerable for an output/activity. Accountability cannot be delegated, unlike responsibility.
Acquisition System	A set of interfacing activities with clearly defined roles, responsibilities and accountabilities that contribute to the acquisition function as it relates to ESL&S.
Acquisition System Authority	An acquisition specific role established within Head Office responsible for overseeing the implementation and continuous improvement of the Acquisition System.
Bespoke Trading Entity (BTE)	The organisational construct to which most of the functions of DE&S is transferred on 2 April 2014. This will be an Arms Length Body "owned" by the Secretary of State for Defence.
Command Acquisition Support Plan (CASP)	The agreement between Commands (and Strategic Programmes) and DE&S, setting out the Commands delivery requirements of DE&S.
Customer	The organisations that are accountable for setting the requirement for acquisition related products and services from Industry through the Delivery Agent, and accepting those products and services into service.
Customer Voice	A unified view of the Commands and Strategic Programmes perspectives of how DE&S has delivered what they require.
Delivery Agent	The organisations that support the requirement setting process and manage Industry for the delivery of products and services for the customer.
DE&S Corporate Plan	The agreement between DE&S and Head Office setting out how DE&S will be structured and resourced to deliver against the requirements placed on it via the CASP's as well as any additional requirements placed by Head Office and other Government Departments.
DE&S Framework Agreement	The formal document that codifies the governance arrangements between the BTE and owner including outlining the freedoms granted by Treasury.
Intelligent Customer	A customer that has a clear understanding and knowledge of their requirements and the products or services being supplied in response, including the collaborative management of their supply, as well as the ability to use those products or safely and effectively.
Information Service Plan	The agreement between the Commands (and Strategic Programmes), DE&S and ISS, setting out the Commands delivery requirements of ISS.
Lead Command	The Command appointed as responsible for pan-Command planning, delivery and generation of a capability.
Lead Delivery Agent	Responsible for delivery of overall requirement of a programme as well as agreeing provision of services from other Delivery Agents.
Owner	The Head Office role that oversees and holds DE&S to account, as captured in the Framework Agreement.
Owner's Council	Body which will support the Ministerial owner in holding to account DE&S.
Programme of Work	All planned activities (subject to a change control process) to be carried out by Industry.
Responsible	An individual/organisation, with appropriate authority, that is expected to deliver an output/activity. Responsibility can be delegated as long as this is formally recorded.

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APPENDIX 2: ACQUISITION SYSTEM ACCOUNTABILITIES³⁴

	Head Office (HO)	Commands	DE&S
Investment Decisions	<ul style="list-style-type: none"> Cat A, Novel & Contentious approvals 	<ul style="list-style-type: none"> Recommending Cat A to IAC Approvals up to Cat B (including agreeing procurement strategy through business case) Trades between performance cost & time 	<ul style="list-style-type: none"> Recommend and agrees deliverable procurement and support strategies with Commands Agree contractual T&Cs with Industry
Planning	<ul style="list-style-type: none"> Strategic Balance of Investment Decisions (inter-command) Agreement of Command Plans , corporate plans and overall coherence 	<ul style="list-style-type: none"> Develop Command Plans Develop and agree CASPS (advice from DE&S) and ISPs (advice from ISS) Make internal balance of investment decisions Propose strategic balance of investment to Head Office through Genesis options via Command planning process 	<ul style="list-style-type: none"> Significant input to development and agreement of CASPs Provide information and analysis (including options, costs and potential solutions) as requested to support Command and Head Office planning
Funding	<ul style="list-style-type: none"> Negotiates overall Defence settlement with HMT Allocate settlement across TLBs Set the financial policy and processes across the system Agree DE&S operating plans (including operating costs and business investment costs) Allocate resources to DE&S Release of EP programme-level contingency to Commands as it determines appropriate 	<ul style="list-style-type: none"> Management of EPP and ESP budgets (including in-year management) 	<ul style="list-style-type: none"> Negotiates budget arrangements with Head Office Develop Corporate Plan and propose operating costs and business investment requirements to Head Office for agreement Provide EPP and ESP in-year financial reports.
System management	<ul style="list-style-type: none"> Establishes the Acquisition System Framework (including setting roles/accountabilities and organising system elements where most efficient or role requires) Set/ agree objectives for system entities Design and delivery of acquisition system changes 	<ul style="list-style-type: none"> Management of Command planning, tasking of DE&S and ISS, acceptance of products and services and change and configuration control 	<ul style="list-style-type: none"> Internal DE&S management to deliver agreed Command tasking and plans Transforms DE&S in line with Corporate Plan Accept Designs, Equipment and Services from Industry
Performance management	<ul style="list-style-type: none"> Hold DE&S to account for delivery against its Corporate Plan KPIs 	<ul style="list-style-type: none"> Performance manage delivery of agreed CASPs and ISPs Commands held to account for delivery of Capability (incorporating PoW outputs) via Command Plans 	<ul style="list-style-type: none"> Performance manage Industry through placement & management of contracts Report performance of Corporate Plan KPIs to Head Office and delivery against CASPs to the Commands
Governance	<ul style="list-style-type: none"> Owns the trading entity Appoint DE&S Board Chair & Accounting Officer Agree DE&S Framework Doc & Corporate Plan Ensure "voice" of the Customer is taken into account during governance decisions 	<ul style="list-style-type: none"> Report on overall DE&S and ISS quality of service (and escalate where necessary) 	<ul style="list-style-type: none"> Maintain appropriate Corporate Governance Operate in accordance with the Framework Agreement, Corporate Plan and [Chairman's letter] Discharge Accounting Officer role (specific to the Chief Exec)
Policy (selected)	<ul style="list-style-type: none"> Director Commercial and commercial policy Funding for Export, International and Industrial policy transferred to HOCS with line management by NAD 	<ul style="list-style-type: none"> Develops users requirements in accordance with policy 	<ul style="list-style-type: none"> NAD role initially retained with Chief Exec DE&S Advising on implications of policy development/ implementation
Safety	<ul style="list-style-type: none"> Set safety policy 	<ul style="list-style-type: none"> Operate and maintain equipment safely 	<ul style="list-style-type: none"> Provide ongoing availability of equipment that is safe to operate Fulfil MOD legal obligations as owners of complex & potentially hazardous assets

³⁴ Does not include emerging ISS accountabilities.

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