
AOF

Acquisition Operating Framework

The high level principles and information that guide how the UK MOD Defence Acquisition Community works
version 1.0.4 - August 2007

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Initial Gate and Main Gate

Initial Gate : the Early Decision Point

Initial Gate remains the first approval point in the life cycle, being a relatively low threshold event to approve Assessment Phase strategy and funding, Projects will return to the appropriate Approval Authority if agreed targets are breached.

The Approvals and Scrutiny process is applied to assess whether project maturity remains viable in advance of the Main **Gate** or whether the Approval Authority should be recommended to direct the CPG to consider another, lower risk approach.

Main Gate : the Key Decision Point

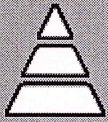
Main **Gate** approval:

- Remains the key investment decision point for Projects, where the risks to successful delivery (e.g. financial, technical, industrial, DLoDs) are considered against the benefit of the proposed solution in meeting an endorsed Defence requirement.
- Sets targets against which the acquisition performance of the project is assessed and contains defined trade boundaries for the project – targets are only established at Main **Gate**, when all the risks are sufficiently understood.
- Considers Whole Life Costs across all DLoDs – crucially, it addresses the support solution as well as the equipment procurement.
- Will require an assurance by the User (generally the Front Line Command) that the proposal can be integrated across DLoDs and with existing systems to deliver an effective military capability from In Service Date.

Main **Gate** requires preparation of a clear, concise Business Case.

The Business Case:

- Identifies risks, all relevant costs, trade space and limits, and demonstrates affordability and value for money in meeting the endorsed requirement.
- Requires the provision of objective, non-advocate evidence.
- Should increasingly consider a wider range of Acquisition Strategies (e.g. partnership, incremental acquisition) that allow opportunity for through-life agility or reflect DIS constraints, while demonstrating value for money.

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The Governance of Approvals

The Investment Approvals Board (IAB) leads the governance of the Approvals and Scrutiny process.

The IAB currently consists of four members at three and four star levels:

- Chief Scientific Adviser
- Vice Chief of Defence Staff
- 2nd Permanent Under Secretary
- Defence Commercial Director.

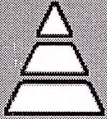
The IAB approves an investment decision collectively.

The IAB considers projects at two decision points – **Initial Gate** and **Main Gate**. For some major projects, collective pan-government (i.e. Treasury) Ministerial consideration is required, for others the final decision is taken by the appropriate MOD Minister.

The IAB or a lower level Approving Authority – as delegated by the IAB – will take the decisions that do not require Ministerial Approval.

Provided MOD corporate governance can be met, decisions are delegated to the lowest level, with the smallest number of appropriate and capable people. Thus, delegations can be made by PUS to the Top Level Budgets (TLBs).

Where a delegated Approving Authority has an approval disagreement, the case can be escalated back to the IAB.


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The Approvals and Scrutiny Process

The Approvals and Scrutiny process is mandated for all investment decisions.

The Approvals and Scrutiny process can be summarised as the following stages:

- Planning for Approval
- Developing the Case for Investment
- Engagement with the Scrutiny Community
- The Formal Approvals Process.

The early stages of a project life cycle contain two major decision points - **Initial Gate** and **Main Gate**. Sponsors and project teams are required to develop a Business Case at both these stages justifying the project proceeding to the next stage.

Initial Gate

Initial Gate occurs before any assessment work is undertaken and is considered a lower hurdle in the process.

Main Gate

Main Gate occurs before a project moves into manufacture or contract signature, and is the main investment decision point.

Approval Categories

Projects are divided into four categories A, B, C and D. Categorisation is based primarily on Value, although other factors e.g. novel and contentious issues, can lead to a project being moved into a higher category.

Category A and B

The approval process for Cat A and B projects requires the project teams to liaise with members of the scrutiny community who each represent the interests of a member of the IAB.

The scrutineers are responsible for reviewing the Business Case and its supporting documentation to ensure that a mature proposal is presented to the IAB for consideration.

Once the Business Case has been submitted to the IAB or other approving authority, each scrutineer briefs "their" respective IAB member or other approver. If Ministerial or Treasury approval is required, the IAB Secretariat drafts the necessary submission to Minister and letter to HMT.

Following receipt of the necessary approval responses, the IAB Secretariat produces an approval/non approval note that is passed back to the project team and sponsor.

Changes to the Approvals Process

Under Defence Acquisition Change Programme (DACP) a number of changes will be implemented progressively during 07/08. These include:

- Earlier engagement between scrutineers and projects.
- Projects to advise on the evidence required at **Initial** and Main Gates.

The evidence will be collected in an evidence portfolio and reviewed by the scrutineers before any investment decision points. The IAB will then receive a scrutiny report from a single lead scrutineer with a simplified business inform the investment decision.

Until these changes are fully implemented projects should assume that the arrangements in Smart Approvals Guidance 9.1 Smart Approvals Guidance 9.1 [DOC] will apply to them unless notified by IAB Sec.

Other changes are:

- The responsibility for the approval of most Category C Projects has transferred to TLBs.
- Category A and B projects will be required to seek approval of their support costs at Main **Gate**.
- Projects will be subject to independent technical advice and independent cost estimating.
- Category A and some B and C projects will be subject to commercial due diligence.
- The DMB will consider the most significant projects at the investment decision points.

Relevant Legislation

No legislation identified as being relevant to the Approvals and Scrutiny process.