

## **Whole Life Costs**

### **Definition of Whole Life Costs**

#### **Background - Whole Life Costs**

In the past MoD assessed project procurement on the basis of acquisition costs with less attention paid to supporting the equipment adequately throughout the equipment's life cycle, or, to the Whole Life Costs of the equipment. The principles of SMART procurement (better; faster; cheaper) focus the attention of the acquisition team leader on establishing a Whole Life Costs approach. This requires the identification of Whole Life Costs at the earliest point in the acquisition cycle as possible and the need to monitor and control Whole Life Costs throughout the life cycle.

The aim of the Integrated Cost Forecasting guidelines is to provide the acquisition team leader with an overview of the tools and techniques needed to control and monitor the project, and provide stakeholders with visibility of Whole Life Costs through all stages of the acquisition cycle, from conception to disposal. Through the use of these tools and processes the IPT will be afforded a constant data source. Additionally, and in conjunction with the Through Life Management Plan, the procedures ensure that through life cost decision are documented and stored.

The process of establishing (WLC) can be defined as the iterative means of estimating, planning and monitoring the overall costs of equipment/systems throughout the Acquisition Cycle.

WLC represent a continuous process of forecasting, recording and monitoring costs throughout the life of an equipment with the specific aim of optimising its capability. It will involve any stakeholder that can identify WLC which are clearly and directly attributable to the equipment. Estimates can be produced using a variety of tools and techniques but should in any event be reconcilable to financial forecasting data.

When procuring equipment or enhancing a capability it is a requirement to identify WLC for each potential option. **WLC** is used to inform the decision making process and identifying budgetary implications and hence facilitate long term planning. It is key to the trade-off process and is linked to performance and schedule.

WLC are central to meeting the objectives of faster, cheaper and better acquisition that meets the customers' capability requirement. Investment in robust whole life costing is needed so that risk is reduced to an acceptable level prior to the setting of binding targets.

This can be summarised as follows:

The total resource required to assemble, equip, sustain and operate a specified capability, as detailed in the Departmental Plan at agreed levels of availability, performance and safety. It comprises the costs to develop, acquire, own, operate and dispose or re-deploy equipment and property. It includes also the costs to recruit, retain and train personnel as well as the costs of higher organisations and formations.