Foreword

Part 2 of this JSP provides guidance in accordance with the policy set out in Part 1 of this JSP; the guidance is sponsored by the Defence Authority for Financial Management and Approvals. It provides policy-compliant business practices which should be considered best practice in the absence of any contradicting instruction. However, nothing in this document should discourage the application of sheer common sense.
Preface

How to use this JSP

1. JSP 462 is intended as a practical source of reference on the Department’s financial management policies and processes in line with the Treasury’s publication ‘Managing Public Money’. It is designed to be used by staff responsible for managing Defence resources, either directly or indirectly. This JSP contains the policy and direction on a range of financial management topics, with particular emphasis on those that may present issues in practice from a governance perspective. It also contains guidance on the processes involved and good practice to apply in order to ensure that the Department’s financial resources are used in a way that meets Treasury’s expectations, i.e. to spend money wisely, with probity and in the public interest. This JSP will be reviewed at least annually.

2. The JSP is structured in two parts:
   a. Part 1 - Directive, which provides the direction that must be followed in accordance with Statute, or Policy mandated by Defence or on Defence by Central Government.
   b. Part 2 - Guidance, which provides the guidance and best practice that will assist the user to comply with the Directive(s) detailed in Part 1.

Coherence with other Defence Authority Policy and Guidance

3. Where applicable, this document contains links to other relevant JSPs, some of which may be published by different Defence Authorities. Where particular dependencies exist, these other Defence Authorities have been consulted in the formulation of the policy and guidance detailed in this publication.

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Further Advice and Feedback- Contacts

4. The owner of this JSP is DFinStrat-FMPA-FinPol-AHd-1. For further information on any aspect of this document, for questions not answered by contacting the Subject Matter Experts identified within the relevant Chapters, or to provide feedback on the content, including reporting defective links contact:

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Guidance for the Reader

1. This Part of JSP 462 should be read in conjunction with Part 1 and contains guidance on the processes involved and good practice to apply in order to ensure that the Department’s financial resources are used in a way that meets Treasury’s expectations, i.e. to spend money wisely, with probity and in the public interest.

2. For simplicity:

   a. All links to sources of information outwith JSP 462 are contained within this Part of the JSP - to note defnet links have now been included following launch 7th Sep 18 - where defnet information is incomplete currently there is a legacy defence intranet link provided, and

   b. Supporting guidance, such as letters of delegation and process diagrams, are included as Annexes to this Part of the JSP only.

3. A list of links to other useful documents not otherwise specifically mentioned by reference to individual Chapters of JSP 462 Part 1 is included at the end of this document.

4. Note for Reader: On opening the JSP 462 link the Reader should maximise the screen by clicking on the maximise icon top right hand corner.
1 Parliamentary Supply and the Government’s Financial Management Framework

Form of the Supply Estimates

1.1. Each Estimate has an introduction and three parts. Part I covers the Parliamentary and Treasury Control Framework, Part II covers subhead details of resources analysed by Commodity Block, and Part III covers a forecast Statement of Comprehensive Net Expenditure and a Statement of Cash Flow. Every Estimate has accompanying notes tailored to the Department it represents.

1.2. Part I of the Estimate contains a summary of the net provision sought by the Department and the ‘Ambit’. In the Main Estimate, it also shows the level of resources and cash which have already been allocated to the Department in the Vote on Account (see below). The Ambit is a brief description of the goods and services for which Parliament is being asked to grant authority. The Ambit should be sufficiently descriptive so as to cover all Resource, Capital, Cash and Non-Cash items to be consumed during the year. The Ambit is reproduced in the annual accounts and thus forms the basis for the statutory authority for Departmental spending. Expenditure cannot be legally incurred unless it is covered by the Ambit.

1.3. Part II provides a more detailed breakdown in tabular format of the expenditure for which Parliamentary approval is sought. The main information required to produce the Estimates is based on the Annual Budget Cycle (ABC), however it is the settlement from the Treasury, rather than the Final ABC Plan appearing in the MOD’s Planning Budgeting and Forecasting system (PB&F), that constitutes the real ‘Budget’ for the Department, the ABC planning horizon and Control Totals usually extending beyond SR settlements. This information is held on Online System for Central Accounting and Reporting (OSCAR) system maintained by Defence Resources on behalf of the Treasury.

1.4. Resource Expenditure is current expenditure. It is split by Programme and Administration costs and includes expenditure on Salaries, Utilities, Maintenance costs and Depreciation for the year.

1.5. Income is receipts which, subject to Parliamentary authorisation, Departments may use to finance gross expenditure, thus reducing the amount to be issued from the Consolidated Fund (see below). Receipts may be appropriated in aid only if they relate directly to Departmental business, otherwise they must be surrendered to the Consolidated Fund as Extra Receipts.

1.6. Capital Expenditure covers expenditure on new Non-Current (i.e. Fixed) Assets, including Assets Under Construction (AUC). It includes any loans issued to Trading Funds.

1.7. Capital Income is receipts associated with Capital expenditure, e.g. receipts arising from the disposal of Non-Current Assets, and repayment of loans.

1.8. After the main Estimates table, a short resource to cash reconciliation is provided. This reconciliation sets out how the Net Cash Requirement is calculated by adding together
the voted Resource and Capital costs from Part II of the Estimate and then deducting the non-cash items, such as Depreciation and Movement in Provisions. It also shows the changes in working capital (Receivables, Payables and Inventory).

1.9. The Part II table provides full visibility of the items in respect of which the Treasury requires details of outturn to be accounted for. **Key Parliamentary Controls** are:

a. Net Resource DEL requirement;
b. Net Capital DEL requirement;
c. Net Resource AME requirement;
d. Net Capital AME requirement;
e. Net Csh Requirement.

1.10. Changes can be made between Commodity Blocks within Control Totals by either Supplementary Estimates or by Virement (see below). Transfers between Parliamentary Control Totals can only be effected by Supplementary Estimates, require Treasury approval and are subject to limits.

1.11. **Part III** of the Estimate gives details of **Extra Receipts to the Consolidated Fund.** Consolidated Fund Extra Receipts (CFERS) are receipts which may not be appropriated in aid of gross Departmental expenditure but must instead be surrendered to the Consolidated Fund. These may be either receipts not classified as Income (e.g. interest on bank deposits) or, possibly, Excess Receipts.

1.12. Excess Receipts are receipts which, although classified as Income, may not be appropriated in aid of gross Departmental expenditure. In practice, Excess Receipts are unlikely to occur now that Estimates are voted on a net basis. Departments may retain RDEL receipts of up to 20% above the level envisaged in the Spending Review Settlement. CDEL receipts of up to 20% of Settlement, as set out in the Departmental Investment Strategy, may also be retained. If receipts are envisaged to be above these limits then the Treasury should be consulted as the receipts may have to be surrendered to the Consolidated Fund at the end of the Financial Year.

1.13. **Forecast Statement of Comprehensive Net Expenditure.** A forecast Statement of Comprehensive Net Expenditure is included in the Estimate document as part of the supporting information. This shows all income and expenditure relevant to the year ahead.

1.14. **Reconciliation of Resource Expenditure between Estimates and Budgets.** This table takes the net resource outturn from the Forecast Statement of Comprehensive Net Expenditure and provides a reconciliation to Net Operating Cost (Accounts) and then Resource Budget Outturn, i.e. it lists the differences. There is a similar table for Capital items (**Reconciliation of Capital Expenditure between Estimates and Budgets**).

1.15. **Supporting Information.** Additional, and more detailed information is required to underpin Parliamentary consideration of the Estimates. The Secretary of State and PUS provide a memorandum to the House of Commons Defence Committee (HCDC) which provides a commentary on the Estimates and contains other supporting material to help the HCDC examine the Estimate. A comparison of Estimates provision with the corresponding
figures for the previous two years’ requirements must also be included in the Supply Estimates, and significant variations can prompt Parliamentary enquiry.

**Treasury Guidance - Estimates Process**

1.16. More information on the Estimates process can be found in the Treasury’s Supply Estimates Guidance Manual on the Gov.UK website at the following link:


**The Role of the House of Commons Defence Committee (HCDC)**

1.17. The HCDC is the Departmental Select Committee established to examine the expenditure, administration and policy of the MOD. Its principal function in the Supply process is to scrutinise Supply Estimates on behalf of Parliament. To do this the HCDC needs access to a greater level of detail than that published in Supply Estimates. The additional information requirement is largely met by the Estimates Memorandum for each Vote, which provides more detailed information than that contained in the Estimate.

1.18. The Committee has complete freedom in deciding its own programme of work and will seek evidence in a number of ways: written material, visits, informal meetings and public evidence sessions. The HCDC publishes its observations on Supply Estimates in a report to Parliament.

**The Role of the NAO and the Comptroller and Auditor General (C&AG)**

1.19. The NAO is headed by the C&AG, who is an officer of the House of Commons. The C&AG’s main duties are carried out on behalf of Parliament and he/she works in close association with the PAC.

1.20. The C&AG certifies the ARAc and AFPCS statements. The C&AG must satisfy him/herself that the accounts are prepared in accordance with the accounting policies contained in the Treasury’s Financial Reporting Manual and the MOD’s Financial Accounting Reporting Manual (JSP 472). The C&AG must also be satisfied that the accounts show a true and fair view of the financial position of the Department and of its pension scheme at the end of each year.

1.21. If the C&AG is not satisfied on these matters, he/she will seek an explanation from the Department and may qualify his/her audit certificate. Possible reasons for qualification include an excess DEL, incomplete and unauditable accounting records, or irregular expenditure. The C&AG always reports to Parliament on any qualification of the audit certificate.

1.22. The NAO’s VFM and cross Government studies are examinations of the economy, efficiency and effectiveness with which Departments use their resources. The C&AG may report to Parliament on the outcome of these. The majority of the C&AG’s reports to Parliament are considered by the PAC.
The Role of HM Treasury

1.23. The Treasury’s objective is to promote rising prosperity based on sustained economic growth. To help achieve this objective, the Treasury needs to maintain sound public finances and keep expenditure at an affordable level. The Treasury therefore superimposes a further set of controls – Resource DEL, Capital DEL and AME – over the Parliamentary controls (see above).

1.24. The Treasury has a small Defence, Diplomacy and Intelligence (DDI) Team which advises its Ministers on, inter alia, a broad range of defence-related issues, including the size of the Defence Budget, Supplementary Estimates, major purchases requiring approval by Treasury Ministers or Cabinet Committee, and the cost implications of defence and security policy. The Treasury also sets out to promote the development and use of efficiency techniques and expenditure planning and control systems, which help deliver the maximum value for money.

Treasury Consolidated Budgetary Guidance

1.25. More information on the Government’s Financial Management Framework may be found in the Treasury’s Consolidated Budgetary Guidance at the following link:

2 The National Audit Office and the Committee of Public Accounts

Guide to the Scrutiny of Public Expenditure

2.1 More information on the role, background and statutory basis of the National Audit Office (NAO) and the Committee of Public Accounts (PAC) may be found in the Treasury publication www.GOV.UK/government/publications/parliamentary-scrutiny-of-public-spending.

The Department’s Relationship with the NAO

2.2 The NAO and PAC are influential bodies in terms both of how we conduct our business and how the conduct of our business is perceived by taxpayers (who fund all of our activities) and by Parliament (which decides on the allocations of the revenue raised through tax). The NAO bases its reports around ‘the three Es’:

a. Economy - minimising the cost of resources used or required - spending less;

b. Efficiency - the relationship between the output from goods and services and the resources to produce them - spending well;

c. Effectiveness - the relationship between the intended and actual results of public spending - spending wisely;

and the NAO definition of Value for Money (VfM), which is ‘the optimal use of resources to achieve the intended outcomes’.

2.3 If the NAO or PAC finds practices which demonstrate that the Department is not spending money in an economic, efficient and effective way, and is not seen to respond to any such finding, then this will have an adverse impact on the Department’s reputation for sound financial management. This makes a good relationship with these organisations vital.

2.4 All organisations, however efficient and effective, need the benefit of professional, impartial and well informed audit. The MOD’s Permanent Secretary (PUS) attaches particular importance to ensuring that our business with the NAO, and the PAC, is conducted well, in the interests of the taxpayer, public service and the Department. For each NAO study, PUS appoints a 2 star civilian or military officer, from the relevant area of the Department, as Study Coordinator. The Study Coordinator must arrange for MOD’s involvement in that report to be carefully staffed, so that the NAO has access to in-depth knowledge of the specific area of study at a strategic level, and must personally engage with the NAO at each stage as part of the information flow/discussion of evidence.

2.5 The overall MOD objective is that the NAO produces a report that is factually accurate, and presented in a fair and balanced way for MOD as a whole. This last point is important because all MOD Coordinators should recognise that a report may record criticisms where they are due but also give credit for occasions where the MOD has performed well. It is also important that where the NAO has drawn conclusions in the report with which MOD is unable to agree, the MOD’s disagreement is recorded in the report. PUS
will not agree an NAO report which he/she considers to be unbalanced or unfairly critical but the PAC work on the assumption that (unless demonstrated to the contrary) every word in an NAO report has been agreed by the Department. The Study Coordinator is responsible for ensuring that the Director General Finance (DG Fin) and PUS are kept informed of the progress of the NAO study and, in particular, are given early warning of any points of contention. The Study Coordinator is also responsible for assembling briefing material for PUS and the supporting witnesses called to the PAC hearing.

2.6. As with all of our dealings with Parliament, and Parliament’s representative bodies, the Department must be seen to place a high priority on its dealings with the NAO and the PAC. Requests for information, and for general staffing requirements generated by the NAO and PAC, should be dealt with promptly.

The Process of Engagement with the NAO

2.7. A brief summary of the key phases of the process of engaging with the NAO is set out in the following paragraphs. The detailed step-by-step process of engaging with the NAO, from the point at which PUS agrees for a study to be undertaken to the point at which there is no longer a requirement to report against recommendations made by the PAC (in the Bi-Annual Treasury Minute) may be found at Annex 1.

Scope and Fieldwork

2.8. Periodically, the NAO, after consultation with the PAC, discusses the potential forward programme of studies with PUS. Once the programme is agreed between the Comptroller and Auditor General (C&AG), on behalf of the NAO, and PUS, the NAO will approach the Department with specific proposals on each of the individual studies. It is at this point that PUS will appoint a Study Coordinator. That individual, and any other individuals whom PUS in turn calls on, must co-operate fully with the NAO and provide all the assistance they can. A sample copy of a letter of appointment may be found at Annex 2.

2.9. Once the Study Coordinator is formally appointed the NAO will begin its fieldwork. This may include interviews with subject matter experts, site visits and surveys. Depending on the scale of the study the fieldwork stage may last between 6 and 12 weeks.

Clearance

2.10. DG Fin is responsible to PUS for managing the programme of business. The Study Coordinator should therefore clear the scope of the study with PUS, through DG Fin. Later in the process, it is vital that DG Fin clears what is known as the ‘Finance Director draft’ of the NAO report before it is submitted for final Accounting Officer agreement to PUS. Study Coordinators should make it clear to their interlocutors at the NAO that PUS will not consider any draft until he/she is content that it has the approval of DG Fin. This approach seeks to avoid rushed last minute, and very high level, exchanges on what should be a piece of work substantively agreed with the Study Coordinator and DG Fin.

The Committee of Public Accounts (PAC)

2.11. Once an NAO study has been agreed and the final report has been published, the PAC will usually decide to hold a hearing into the study and thereafter produce its own report into the matter. The Study Coordinator will, with other experts as necessary, brief
PUS ahead of this hearing and the outer office should be consulted regarding the format of the submission. PUS, and supporting witnesses requested by the PAC, will attend the hearing where they will be cross examined by the PAC on matters relating to the report - it is for this reason that it is important that the facts of the report are agreed between the NAO and the Department before it is published. Where agreement is not possible it is important that this is set out in the report so that the Committee is aware of this ahead of the hearing. Around 24 hours after the hearing, the PAC will release the transcript and publish the video on its website. The Department will receive a formal instruction to supply supplementary material which the witnesses undertook to provide at the hearing. The PAC will then publish its report, an embargoed copy of which is usually received by the Department (via FMPA Fin Pol) 24 hours in advance of publication.

**Treasury Minutes**

2.12. The Department responds to the recommendations made by the PAC report through a document called a ‘Treasury Minute’. Normally the Study Coordinator will have between 4 to 6 weeks to send the response to the Treasury, following clearance by PUS and the Minister responsible. SoS’ outer office should be consulted on the most appropriate course of action. In responding to PAC recommendations policy officials should comply with the Treasury Minute Guidance notes, taking care to confirm to the strict style guide. It is usually (but not always) the case that the Department agrees with the recommendations of the Committee.

2.13. The penultimate step of the Study Coordinator’s responsibility is to prepare material for PUS on the progress made following publication of the Treasury Minute. On an ad hoc basis, PUS is required to appear before the PAC and update the Committee on recent Treasury Minute publications, usually covering the previous six months, highlighting where the Department agreed with the PAC’s recommendations and progress made in taking forward the recommendations suggested by the PAC.

2.14. The final responsibility is for the Study Coordinator to contribute to a progress report on the implementation of PAC recommendations contained in the bi-annual publication by the Treasury, namely, ‘Treasury Minutes – progress on implementing recommendations (usually published in January and July)’. The Coordinator must report progress against a recommendation until the point at which it has been implemented. Once all recommendations made by the PAC - to which the Department originally agreed have been implemented, then the Study Coordinator’s responsibilities will have concluded.

2.15. Throughout the course of the study it is important that DG Fin is kept up to date with progress. Equally, at appropriate moments, the Study Coordinator should submit a short update to PUS-PS, copied to FMPA Fin Pol, highlighting any key issues or concerns. It is important that the Study Coordinator proactively manages each step of the process and particularly that he or she considers what material is required for presentational purposes at each step of the way.

**Osmotherly Rules**

2.16. Further information on giving Evidence to Select Committees (Guidance for Civil Servants), often known as the Osmotherly Rules may be found at the following link: [www.GOV.UK/government/publications/departmental-evidence-and-response-to-select-committees-guidance](http://www.GOV.UK/government/publications/departmental-evidence-and-response-to-select-committees-guidance).
2.17. The main extracts from the Osmotherly Rules relevant to this chapter are paragraphs 64-67, which are given below for ease of reference:

<table>
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<td>64. The basic principle in giving immediate comment on Committee Reports is that departments should be careful not to pre-empt or prejudge the Government’s final and considered reply to the Committee’s recommendations which must first be given to the Committee. This means that comments given to the media or in other statements, especially outside the House, on publication of the Report, or in the intervening period up to the delivery of the Government’s reply, should not seem to anticipate that reply.</td>
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| 65. The general conventions are:
  a. Departments may respond immediately to correct mis-statements of fact, to provide background information, or to draw attention to particular passages in the Committee’s Report or in the published Government evidence the Committee;
  b. The right of Ministers to respond publicly to criticisms of the Government as robustly as appropriate; this would include criticisms of the Committee’s Report itself, inaccuracy or mis-statement in media reporting, or public criticisms made by individual Committee members;
  c. It is long standing convention that recommendations in Committee Reports should not be subject to snap responses without detailed Government assessment. Nonetheless Ministers would feel free to respond immediately to certain recommendations, either positively or negatively, where the Government’s policy was established and clear, or where an early response was needed to influence fast-moving events. |
| 66. Similar considerations apply to immediate comment on PAC reports. NAO reports should be handled by departments in a way which does not pre-empt any subsequent PAC hearing. |
| 67. Departments’ public comments on NAO and PAC Reports which have financial implications, or which might affect substantively the subsequent Treasury Minute, should be cleared first with the relevant Treasury expenditure division. |
3. **Financial Delegations and the Role of Directors of Resources, Budget Holders and Managers**

**The Process of Delegated Authority**

3.1. Treasury guidance on the process of delegated authorities may be found in Managing Public Money, Annex 2.2. at the following link:


**Defence Investment Approvals**

3.2. More information on the Defence Investment Approvals process may be found on Defnet at the following links:

[defnet/HOCS/Pages/JSP 655 - Defence Investment Approvals](http://defnet/HOCS/Pages/JSP 655 - Defence Investment Approvals)
[defnet/HOCS/Pages/Defence Portfolio and Approvals Secretariat](http://defnet/HOCS/Pages/Defence Portfolio and Approvals Secretariat)

**PUS Letters of Delegation**

3.3. A copy of PUS’ Letters of Delegation from the Treasury can be found in [Annex 3](#).

**Investment Approvals Committee**

3.4. Further information on the Investment Approvals Committee may be found at the following link:

[defnet/HOCS/Pages/Defence Portfolio and Approvals Secretariat](http://defnet/HOCS/Pages/Defence Portfolio and Approvals Secretariat)

**Further Guidance - The Role of Director of Resources (D Res)**

3.5. Key areas of Responsibility of D Res are:

a. **Professional Leadership.** As the Senior Finance Professional within the TLB, provide professional leadership and, where appropriate, manage the TLB finance staff effectively, recognising and developing the potential of all staff by providing appropriate advice, coaching and training, paying particular attention to the staff issues raised during periods of significant change. Ensure the provision of effective structures, processes and human resources to enable the discharge of the requirements placed on the TLB by the Defence Authority for Financial Management and Approvals;

b. **In-Year Management.** Production of robust forecasts of In-Year expenditure and variance analysis to support the Holding to Account process within the TLB and externally, allowing transparent and evidence based decisions that manage
risks and opportunities whilst delivering agreed objectives within the agreed Resource Control Total. This includes all timetabled returns to the Centre and provision of advice on the impact of In-Year targets;

c. **Forward Planning.** Own and quality assure the financial dimensions of any TLB submissions and the TLB Plan, articulating issues relevant to the financial management and stewardship of the TLB including its assets, liabilities, RDEL and CDEL budgets. The D Res has a key role in Capability and Planning activity within the TLB, overseeing all aspects of TLB Financial Planning, including equipment and personnel planning. They are responsible for ensuring that all TLB Plans are affordable and that business is conducted within the terms of the delegated agreement, including compliance with centrally mandated processes;

d. **Decision Support.** Ensure the provision of high quality, relevant and timely advice and evidence and its use in support of decision making within the TLB, putting finance and risk awareness at the heart of business decisions. Play a full role within the TLB, enabled by being recognised as having a critical role in the approval of issues with financial implications and being a member of the appropriate governance bodies. This will include ensuring appropriate scrutiny is conducted within the delegations to the TLB and subscribing to one version of the financial truth through the development and use of appropriate sources of information;

e. **Project/Programme/Portfolio Management.** Ensure that appropriate professional support, policies and processes are used to support Senior Responsible Owners (SRO) embedded in the TLB in the execution of their mandates. Also act as the co-ordinating authority within the TLB to ensure that Financial Impact Statements from each SRO from across Defence impacting on the TLB are understood and reflected in the TLB resource planning and risk management;

f. **Process Ownership and Assurance.** On behalf of DG Finance as Defence Authority for Financial Management and Approvals, ensure that central standards and guidance are adhered to within the TLB in an effective and efficient manner, allowing a lean operating model whilst ensuring appropriate levels of internal control;

g. **Value for Money and the Effective Use of Resources.** Develop and lead the Cost Leadership Strategy within the TLB, with a continuous drive to seek opportunities to improve the effective use of resources and drive optimum value for money from the costs incurred to meet Defence Objectives;

h. **Manpower Planning.** Act as the authority and maintain functionality to ensure adequate support for Civilian and Military manpower budget modelling to inform In-Year and Financial Planning so that manpower dynamics as a cost driver and associated financial risks are fully understood. Act as a lead approver on future manpower plans including being the complementing approver for all new posts;

i. **Commercial.** Act as the lead authority within the TLB as a customer to ensure that the right balance of value for money, effectiveness and incentives are derived from all commercial arrangements to meet Defence objectives with proper regard to the financial implications and risks.
Further Guidance - The Role of Budget Manager

3.6. The Budget Manager role includes responsibility for the following tasks and functions:

a. **Financial Scrutiny.** Scrutiny of expenditure or income generation proposals against the criteria of regularity and propriety, value for money, affordability and contribution to the objectives set out in the business plan. For further guidance on Financial Scrutiny see below;

b. **Planning.** Formulation of a taut and realistic programme within available resources and against the correct Resource Account Codes to ensure expenditure and receipts are accounted for properly and in accordance with Supply Estimates. For further information on Supply Estimates see Part 1, Chapter 1 - Parliamentary Supply and the Government’s Financial Management Framework;

c. **In-Year Management.** Control and monitoring of expenditure and receipts to ensure that agreed outputs are delivered within Control Totals and remedial action is taken if there is any risk of control totals being exceeded. For further information on the In-Year Financial Management see Part 1, Chapter 5 - The Annual Budget Cycle Process and In-Year Financial Management;

d. **Receipts and Debt Management.** Budget Managers are responsible for the recovery of repayment income within their area. Invoices for payment for goods and services must be raised as soon as possible. All details must be posted accurately to the accounting system to ensure that payments can be easily matched to invoices. Budget Managers are also responsible for the management of debt within their area, with the assistance of Defence Business Services (DBS). Details of outstanding invoices must be checked each month and details checked against original documentation to highlight any discrepancies that might cause payment to be delayed. Debts should be reviewed and pursued on a regular basis.

e. **Treasury Correspondence.** Act as the focal point within their area for correspondence with Treasury on financial matters falling outside delegated powers;

f. **Parliamentary Business.** Support the Parliamentary Supply Estimates and Departmental Annual Report and Accounts processes, and act as the focal point for finance-related PQs, Ministerial Correspondence and FOI requests and also for business with the National Audit Office and the Committee of Public Accounts. For further information on the National Audit Office and Committee of Public Accounts see Part 1, Chapter 2 - The National Audit Office and Committee of Public Accounts;

g. **Records.** Maintain full and accurate records and payments and receipts to provide a robust audit trail acceptable and accessible to Defence Internal Audit and the NAO;

h. **Training.** Ensure that all members of the Budget management team have the appropriate skills and opportunities for training and development.
Further Guidance - Financial Scrutiny

3.7. All expenditure and income generation proposals must be scrutinised against the criteria of regularity and propriety, value for money, affordability and in accordance with Departmental objectives. This is an integral part of the daily work of Budget Managers but needs to be conducted in tandem with other members of the management team. An auditable record of the financial scrutiny of proposals must be retained.

3.8. The main questions to be addressed during Financial Scrutiny are:

a. is the expenditure within the Ambit of the Estimate? (See Part 1, Chapter 1.)

b. does MOD have legal authority (through statute or the Royal Prerogative) to incur the expenditure?

c. is the proposal within MOD’s delegated authority from the Treasury?

d. is the proposal within the delegated authority of the Budget Holder?

e. is it novel or contentious? (See Part 1, Chapter 14.)

f. does it represent a way of doing business which could be justified to the Committee of Public Accounts (PAC)? (See Part 1, Chapter 2.)

g. has a clear distinction been drawn between public funding and any non-public funding?

h. has proper Requirement Scrutiny been carried out?

i. is the proposal supported by a robust investment appraisal, and have all options, including ‘do nothing’ been considered?

j. have all related issues been considered (eg the timing of expenditure, manpower implications, training requirements and support services)?

k. are there arrangements for project evaluation and lessons learned review?

l. has financial provision been made within the Annual Budget Cycle (ABC)? (See Part 1, Chapter 5.)

m. is the proposal affordable within Control Totals?

n. does the proposal contribute to departmental objectives?

Further Guidance - Requirement Scrutiny

3.9. Requirement scrutiny is the process of ensuring that all new proposals for expenditure or the generation of income:

a. have been correctly drawn up, both procedurally and in substance;
b. have been formulated in accordance with Government policy, cost effectiveness and the likely availability of resources and money, and;

c. are publicly defensible as proper, sensible and cost-effective demands on the resources voted by Parliament.

3.10. The essential difference between Requirement Scrutiny and Financial Scrutiny is that Requirement Scrutiny focuses on the validity of the requirement whereas Financial Scrutiny focuses on the means of meeting the requirement. Financial Scrutiny is carried out by Budget management staff (who have responsibility for ensuring that Requirement Scrutiny has been carried out). Requirement Scrutiny itself is not necessarily carried out by the Budget management team.

3.11. An illustrative list of questions to be asked during Requirement Scrutiny is below:

a. is the requirement consistent with Defence Policy?

b. is the requirement sensible in relation to the Defence programme and the TLB programme?

c. what is the Military task to which this expenditure contributes - is the expenditure necessary in order to execute the Military task successfully?

d. is the case convincingly supported by an Investment Appraisal?

e. are the assumptions underlying the expenditure consistent, both in their own right and with assumptions made in other cases?

f. is the case properly and convincingly made in relation to function, numbers, timing of related expenditure, support and manning?

g. does the proposed expenditure represent Value for Money in terms of its expected benefits and costs?

h. have the risks been evaluated? Would likely slippage or cost overrun affect the judgement of the Value for Money of the expenditure?

i. is funding available? If not, can it be made available (by diversions from elsewhere if necessary)?

j. have all options, including a ‘do nothing’ option, been thoroughly explored?
4  Responsibilities of Accounting Officers

Treasury Code of Good Practice

4.1. The Treasury’s Corporate governance in central government departments: Code of Good Practice can be found at the following link:


The Responsibilities of Accounting Officers

4.2. PUS as the Principal Accounting Officer has personal responsibility for the organisation, management and staffing of the MOD and for MOD-wide procedures in financial and other matters. He/she must ensure that:

a. there is a high standard of financial management in the Department;

b. financial systems and procedures promote the efficient conduct of business and safeguard financial propriety and regularity throughout the MOD;

c. financial considerations are fully taken into account in decisions on policy proposals.

4.3. PUS has a personal responsibility for the regularity and propriety of the public finances for which he/she is answerable, for the keeping of proper accounts, for prudent and economical administration, for the avoidance of waste and extravagance, and for the efficient use of all available resources.

4.4. More information on the responsibilities of Accounting Officers can be found in the Treasury’s Managing Public Money at the following link:

www.GOV.UK/government/publications/Managing Public Money

Annual Report and Accounts

4.5. More information on the Annual Report and Accounts can be found in JSP 472 at the following Defnet link:

defnet/HOCS/Pages/JSP 472-Financial Accounting and Reporting Manual
5 The Annual Budget Cycle Process and In-Year Financial Management

The Annual Budget Cycle Process

ABC Instructions and Supplementary Guidance

5.1. Detailed guidance is available in ABC Instructions and Supplementary Guidance issued by the Corporate Centre for each Planning Cycle. The latest versions can be found at the following link:

defnet/HOCS/Pages/DefResPlansABC

Overall Framework for Defence Planning

5.2. The MOD’s financial planning process is owned by DG Finance, working closely with FMC-DCDS(MilCap). It is managed by the Director of Financial Planning & Scrutiny, working closely with FMC-ACDS(C&FD).

5.3. The day to day running of the process is delegated to the Deputy Director of Defence Resources, who is responsible for issuing ABC Instructions and any supplementary guidance, maintaining the ABC timetable and advising on the overall Departmental financial position throughout the process. Defence Resources is also responsible for issuing Commands/TLBs with Control Totals at key stages of the planning process and for converting the outcome of the ABC for Year 1 into in-year budgets. Defence Resources works closely with FinMilCap (FMC) divisions in Head Office to ensure coherence of the Departmental Plan, TLB Plans, Equipment Procurement and Support Plans and Infrastructure Plans.

5.4. FMC divisions in Head Office are responsible for providing direction and advice to their respective Commands/TLBs during the ABC process and for advising at the Corporate Centre level on specific issues relating to the Commands/TLBs for which they are responsible.

Context for Defence Planning

5.5. The context for any ABC is a combination of strategic and financial factors. The overarching strategic context is set by the outcome of the last Defence Review; for ABC 19 this is the outcome of the Strategic Defence and Security Review (SDSR) 2015 and the outcome of the subsequent National Security Capability Review (NSCR) 2018. Within this overarching strategic context, the Defence Board will set specific strategic requirements and priorities, as articulated in Defence Strategic Direction (DSD), the Defence Plan (DP), individual Command Plans and the Defence Infrastructure Plan.

5.6. The over-arching financial context is set by the outcome of the last Spending Review (SR); for ABC 19 this is the Spending Round (SR) 15 settlement. Again, from this will flow the Defence Board’s specific financial requirements and priorities for individual ABCs.
5.7. The processes and timetable for any ABC will also be influenced by where it sits in terms of the timetables for Defence and Spending Reviews. Thus, ABC 16 started ahead of SDSR/SR 15 and was used firstly to establish a robust financial baseline for the two Reviews and then, as far as possible, to implement their outcomes; refinement of that implementation work has continued into subsequent ABCs.

The Annual Budget Cycle (ABC) - Overview

5.8. The ABC is the process by which the Department internally allocates the Defence Budget set by the Treasury as a result of the Spending Review/Round process to Command/TLBs, in order to deliver Defence outputs in line with the outcome of the last SDSR. Within a fixed budget set by the Spending Review/Round process, the ABC is therefore essentially a process of prioritisation, with decisions to allocate more resources to areas of high priority requiring compensating savings elsewhere in the Defence Programme. Previous planning cycles have usually been run annually but the frequency, timing and content of future ABCs can be varied as required.

Context for ABC 19

5.9. ABC 18 concluded with a set of Command/TLB costed plans which matched the Control Totals issued by Defence Resources. However, this was merely a technical requirement and did not mean that ABC 18 concluded with a properly understood and affordable Defence Programme across the full ten year planning period. Instead, having identified a significant imbalance between programme cost and budget in ABC 18, the closing stages were re-directed to setting manageable budgets for FY 18/19 only. Establishing programme affordability over the longer term would then be addressed through the Modernising Defence Programme (MDP), a programme of further work recommended by the NSCR to modernise defence to deliver better military capability and value for money in a sustainable and affordable way. A key consideration in ABC 19 will be what the juxtaposition with MDP will mean in practice.

5.10. The Chancellor of the Exchequer's 2018 Spring Statement announced a full departmental spending review in 2019. The exact process and timelines for SR 19 have still to be confirmed but this will form another important consideration in ABC 19.

Priorities for ABC 19

5.11. Against this background, the main priorities for the financial approach to ABC 19 are:

a. to construct a forward Defence Programme that is affordable within the allocated defence budget and consistent with the outcomes of the National Security Capability Review (NSCR) and the Modernising Defence Programme (MDP) and, at the conclusion of the exercise, to set Control Totals for Commands/TLBs accordingly, as part of the Defence Planning Process;

b. to set a baseline for SR 19 by establishing programme stability and affordability over the longer term to a greater extent than was possible in ABC 18 which, of necessity, focused principally on setting realistic but stretching budgets for FY 18/19;
c. to align the processes and timelines for ABC 19, Command Capability Assessment Registers should be revised and submitted by 17 October 2018, to support the preparation of a combined financial and capability submission for consideration at the November 2018 joint AFC/ExCo;

d. to take forward efficiency delivery particularly in light of the outcome of the Oliver Wyman Report;

e. to complete ABC 19 in sufficient time to allow Defence Plan 19 to be published in April 2019 and an AP0 forecasting exercise to take place at around the start of FY 19/20;

f. to implement the new delegation of elements of the infrastructure programme to Commands/TLBs from 1 April 2018 and progress to full financial delegation from 1 April 2019;

g. to create the new Defence Nuclear Organisation (DNO) Equipment Plan.

Financial Delegation

5.12. The delegated financial model, first implemented in ABC 14, will continue to form the basis of ABC 19. The fundamental principle of this are that Commands/TLBs have the authority to manage their programmes within the resources allocated to them, including the ability to veer and haul funding between the Equipment Plan (EP), Infrastructure Plan (IP) and the TLB Plan elements of their programmes. Certain limited constraints apply to this financial delegation as follows:

a. Changes to Service Workforce. The ABC 19 Workforce Instructions (part of the ABC 19 Main Instructions) set out the process for managing the Service workforce element of Command/TLB programmes in this planning cycle and the flexibilities and constraints associated with this.

b. Change to Civilian Workforce. Similarly, the Workforce Instructions set out the flexibilities and constraints for managing Civilian workforce requirements. The key difference here is the requirement to meet the Civilian workforce reduction targets (in terms of numbers and costs) resulting from SDSR/SR 15. Any measures which seek to increase Civilian workforce will have to be viewed against this requirement.

c. Transferring Funding Between TLB Plans, Infrastructure Plans and the EP. Whilst some veering and hauling by Commands of Control Total between the TLB Plan, Infrastructure Plan and the EP elements of their programme is an acceptable part of the fully delegated model, significant switching out of the EP is not. This is because to do so would undermine the government’s commitments on the ten year equipment spend, the one percent real terms annual growth and the NATO commitment to spend 20% of the budget on equipment, as well as the affordability of the Equipment Programme, which is audited by the National Audit Office and published. Any proposals for material transfers of funding from EP to either TLB Plan or the Infrastructure Plan should be highlighted in Command/TLB Reports but should not be assumed in the internal allocation of CTs for the purposes of the
financial summary position. Similarly, proposed material transfers out of the Infrastructure Plan should also be raised in Command/TLB Reports in October rather than being assumed directly into costed plans.

Programming and Costing Responsibilities

5.13. Under the delegated financial model, programming and costing responsibilities for ABC 19 are as follows:

a. **Commands (i.e. Navy, Army, Air Command and Joint Forces).** Commands are responsible for costing and programming their TLB Plans at Resource Account Code (RAC) Level 4 across the full ten years of ABC 19. They are also responsible for programming for the ten year planning period those elements of the Equipment Programme (EPP and ESP) which have been delegated to them. In addition, they are responsible for programming their elements of the second and third decade Equipment Programme. Under the new delegation of the infrastructure programme, Commands are also responsible for programming for the ten year period those elements of the Defence Infrastructure Plan which have been delegated to them;

b. **Defence Nuclear Organisation.** DNO is responsible for costing and programming the TLB Plan element of its programme at RAC Level 4 across the full ten years of ABC 19. It is also responsible for programming those elements of the Equipment Programme which have been delegated to it, to the same level of detail and in the same timeframes as other Commands. Within DNO, SDA and DNO(Warhead) Delivery Teams are responsible for entering and maintaining the EPP and ESP costings in PB&F for all projects included in the DNO Equipment Plan. Costings are at RAC Level 4 for Year 1 to 10 and DEL level for the second and third decades.

c. **Defence Infrastructure Organisation (DIO).** DIO is responsible for costing and programming the TLB Plan element of its programme at RAC Level 4 across the full ten years of ABC 19. It is also responsible for costing the totality of the infrastructure plan at RAC Level 4 for Years 1 to 10 and DEL level for the second and third decades and for programming those residual elements of the infrastructure plan not delegated to other Commands/TLBs.

d. **Other TLBs (i.e. HO&CS, DE&S BTE and War Pensions Benefits.** Other TLBs are responsible for costing and programming their TLB Plans at RAC Level 4 across the full ten years of ABC 19. Where relevant, they are also responsible for programming for the ten year period and the second and third decade, those elements of the Defence Infrastructure Plan which have been delegated to them.

e. **Strategic Programmes.** Strategic Programmes is responsible for programming those strategic projects in the Equipment Programme which have not been delegated to Commands or DNO across the full ten years of ABC 19. Additionally, they are responsible for programming their elements of the second and third decade Equipment Programme.

f. **DE&S/ISS Delivery Teams.** DE&S and ISS Delivery Teams are responsible for entering and maintaining the EPP and ESP costing (excluding those in the DNO
Equipment Plan - see above) in PB&F at RAC Level 4 for Year 1 to 10 and DEL level for the second and third decades.

5.14. The Corporate Centre will continue to provide a framework and a supporting infrastructure within which Commands/TLBs are held to account for delivering their programmes within available resources.

5.15. An integral part of a properly functioning delegated model is establishing early and effective lines of communication between all stakeholders. This includes the Corporate Centre, Commands/TLBs and DE&S/ISS/DNO/DIO delivery organisations.

Timetable

5.16. As part of its role to set a framework for ABC 19, the Corporate Centre sets an initial timetable as part of the Instructions and updates this, as necessary, as the process moves forward. In line with the delegated financial model, the ABC 19 timetable allows Commands/TLBs and DE&S/ISS/DNO/DIO delivery organisations the maximum flexibility to set their own internal processes and timeframes. However, the Corporate Centre timetable continues to set certain key milestones in the process to ensure that there is the necessary consistency and to keep the overall process on track. It is essential that these milestones are achieved, as they allow the Corporate Centre to make submissions to senior management in the Centre at key stages in the process. This in turn means that ABC 19 can be concluded in a timely manner and in-year budgets can be set as near as possible to the start of the new FY 18/19.

ABC 19 Process Overview

5.17. For the purposes of this document, the elements which comprise ABC 19 are set out as if they are a linear process; however, the ABC provides in a much more flexible approach. Re-costing activity takes place throughout the planning cycle, rather than being confined to an initial activity which, when complete, sets the finalised financial position for rebalancing activity. Similarly, Options and other activity to rebalance costed plans to Control Totals (see below) can be run throughout the planning cycle and are not confined to a final stage towards the end of the process.

Initial Phase

5.18. The initial phase of ABC 19 activity will comprise:

a. roll-forward of ABC 18 final costed plans and Control Totals in PB&F;

b. issue of ABC 19 Initial Control Totals;

c. further work to refine the financial and capability position reached at the conclusion of ABC 18;

d. re-costing/refresh of the Defence Programme.

Corporate Planning Assumptions (CPAs)
5.19. To ensure that plans are re-costed consistently and correctly, Defence Resources issue CPAs as an annex to the ABC Instructions. These are based on economic forecasts provided by Defence Economics, the Department’s economic advisors, and cover the ten year planning horizon.

5.20. Some CPAs are mandated to ensure that various elements of the Defence Programme are costed on a consistent basis, allowing the Corporate Centre to centrally cost the financial consequences of any subsequent changes in the economic forecasts. Mandated CPAs cover:

a. service and civilian pay, ERNIC, SCAPE and Local Overseas Allowances (LOA);

b. foreign exchange rates (for $US, Euro and $Canadian);

c. fuel costs by fuel type; and

d. asset revaluation indices.

5.21. Other CPAs are discretionary and cover those areas of the programme where the application of costing assumptions will vary between organisations and/or geographical locations. These cover:

a. utilities;

b. general administrative expenditure;

c. defence works - property management.

5.22. It is made clear throughout the ABC Instructions that discretionary CPAs are only to be used in those rare instances where better local information (e.g. specific contracts for delivery of equipment and associated support) is not available. Simply applying the default inflation assumptions in order to avoid unwelcome but expected cost pressures is not acceptable and risks making programmes ultimately unaffordable and introducing unmanageable in-year pressure in Command/TLB Plans.

Balancing Costed Plans to Available Resources

5.23. The activities outlined above will provide Commands/TLBs with a common understanding of the outcome of ABC 18 and a set of re-costed/refreshed plans. It is then for Commands/TLBs to determine how best to manage any emerging costed pressures. This will include consideration of the following:

a. Existing and new efficiencies. Commands/TLBs will need to review the on-going deliverability of efficiencies taken into costed plans in previous planning cycles and take into their ABC 19 plans any new efficiencies which they are able to identify. For SR 15 efficiencies, Commands/TLBs should use the Oliver Wyman assessment of likely achievement as a baseline;

b. Risk. Commands/TLBs will need to review the level of risk assumed within their emerging costed plans, focussing primarily on Risk Inside Costing (RIC), Risk Outside Costing (ROC) and over-programming;
c. **Internal re-programming.** To the extent that Commands/TLBs have a residual shortfall between their re-costed plans and Control Totals after considering efficiency and risk, they will need to consider what further re-programming action they can take in order to return to a position of affordability.

**Options**

5.24. Some measures which are identified during the ABC process (both savings and enhancements) can be taken into Command/TLB costed plans without the need for further consultation, others must be raised as Options. The latter include those that:

- a. affect Defence Final Outputs\(^1\);
- b. are politically sensitive or are likely to generate Ministerial interest;
- c. are novel or contentious;
- d. have a potential impact on other Commands/TLBs\(^2\);
- e. are required to obtain full and assured costings for a capability endorsed as an Urgent Statement of User Requirement (USUR) by Head Office.

5.25. ABC Options are a well-established process which has been in existence in various forms for many planning cycles and which is used to cost and test potential changes to programmes which require Corporate Centre, Defence Board or Ministerial approval, or which have implications for other Commands/TLBs. The key to an effective Options process which incorporates all the dependencies of proposed measures is good communication between all relevant stakeholders throughout the entire Options process, particularly for Options that the Command/TLB knows are likely to be contentious.

5.26. Except where there is a requirement for a centrally-led Options exercise, under the fully delegated financial model it will be for Commands/TLBs to generate and manage Options, liaising with other stakeholders as necessary. Commands/TLBs are also responsible for deciding which Options they wish to implement, although that decision may, in certain limited circumstances, be overidden by Defence Resources (e.g. where an Option requires Defence Board or Ministerial approval and is therefore outside the Command’s/TLB’s delegated authority or where appropriate funding mechanisms have not been agreed with other affected Commands/TLBs).

5.27. In the absence of a centrally led Options exercise, Defence Resources will act only as a facilitator, setting the timetable and processes and undertaking the necessary technical action to create and implement Options on PB&F.

5.28. When considering whether it is appropriate to raise an Option, Commands/TLBs should bear in mind that this can be onerous in terms of the workload in both the originating organisation and for all others that have to review and, if necessary, input into the measure. It is therefore important for the originating Command/TLB to establish early communication with all other stakeholders to allow early consideration of whether the

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\(^1\) Affect the Force Structure in terms of Force Elements at Readiness (FE@R) or Sustainability (FE@S).

\(^2\) Where such impacts have not been previously agreed between the Commands/TLBs.
The proposed Option is the best way forward or whether, for example, a Rough Order of Magnitude (ROM) cost should be sufficient in the first instance. When considering changes to the Equipment Programme two alternative tools are available: the Initial Look Request (ILR) and the Formal Change Request (FCR). Further detail is available in the Change Control section of the Acquisition Systems Guidance (ASG).

**Command/TLB Reports**

5.29. Notwithstanding the operation of the delegated financial model, there remains a requirement for the Corporate Centre to provide a departmental view of the emerging ABC position at a limited number of key points in the process. The emerging position can then be presented to senior management in MOD (e.g. the Armed Forced Committee, ExCo and the Defence Board and/or Ministers) and direction sought as required.

5.30. To facilitate this, Commands/TLBs are required to submit Reports setting out their overall position in terms of delivering the agreed forward programme and the key issues and risks. The exact content and format of the Reports will be set by the Corporate Centre to ensure a consistent approach across the department which provides all the information necessary for a proper understanding of the emerging position. Reports will usually comprise a short written report, a set of completed templates and a submission of costed plans on PB&F which matches the data in the written report and templates.

**Financial Systems**

5.31. The Department’s Planning, Budgeting and Forecasting (PB&F) system provides the functionality for users to re-cost their plans at all levels and to submit those plans up through their budgetary hierarchies. PB&F therefore provide the ‘single version of the truth’ at every stage of the planning process for all financial aspects.

**Other ABC 19 Considerations**

5.32. ABC 19 itself, and the instructions for its conduct are intended to be fully consistent with the operation of the Department’s delegated financial model and form part of the Defence Planning Process. While this model places responsibility for financial management of delegated budgets and programmes principally with Commands/TLBs, the MOD, as a Department of State, continues to operate within a centrally set financial framework and has certain legal and political obligations that it must observe as part of its planning process. Additionally, there are certain central reporting requirements set by Head Office to support management at the departmental level which must be observed.

5.33. Considerations for ABC 19 include:

a. **Financial Control Framework.** The management of public money requires a robust budgeting system to ensure adherence to the Government’s fiscal rules and to ensure that Value for Money is achieved. Budgets are not used to control cash expenditure directly; rather the budgeting system has been developed to indirectly control cash through Control Totals. The HM Treasury Control Framework structure provides the basis of the Control Total regime which underpins the entire ABC process. The ABC 19 instructions provide more detailed guidance on the structure and content of the Control Framework;
b. **Trades Union Consultation.** Commands/TLBs and the Corporate Centre must ensure that any proposed measures in the planning cycle which impact on the Civilian workforce are fully and frankly discussed with the Trades Unions;

c. **Health, Safety and Environmental Considerations.** The Department owes a legal duty of care for health and safety and has legal responsibilities for environmental protection (HS&EP). These obligations are to be considered throughout ABC 19 and handled in accordance with the further guidance provided in the ABC 19 instructions. It is essential that decisions taken do not prevent compliance with legal requirements, increase HS&EP risk or contribute to the emergence of new risks without due and careful consideration;

d. **Multilateral Institution Considerations.** The United Kingdom has regional and global obligations (both formal treaty obligations and the necessity to maintain and develop international relations, reputation and solidarity). This manifests itself most acutely in the need to engage with, and provide defence capability to, NATO, EU and the UN. It is therefore important that decisions made in the planning cycle take account of these requirements and the tasks the UK must conduct. They should also recognise the opportunities for multinational co-operation, including in the capability field;

e. **Official Development Assistance (ODA).** The United Kingdom provides Official Development Assistance (ODA) to developing countries and international organisations. ODA is measured in accordance with the international standards agreed by the Organisation for Economic Co-operation and Development (OECD) and, within that, the current ring-fenced target set for MOD is £5M a year on qualifying activities. It is important that the Department has a good understanding of spending on ODA in both actual and planned terms, especially as this is likely to attract Ministerial interest and could be audited externally.

**Outputs of the ABC Process**

5.34. The outcome of the ABC process is a balanced, coherent and affordable forward Defence Programme. The outputs which Budget Holders are expected to deliver as a result of decisions taken in the ABC will be recorded in the Defence Plan and its annexes. These outputs will be defined in finer detail in Command Plans and will be reflected, where necessary, in Command Acquisition Support Plans (CASPs), Information Support Plans (ISPs), Submarine Acquisition Support Plans (SASPs), Warhead Agreement Plans (WAPs) and Capital Infrastructure Delivery Plans (CIDPs). Performance against these plans will then be measured throughout the year.

5.35. At the conclusion of the ABC process, Year 1 plans are used to set budgets for in-year management purposes and the remaining years to set the baseline for the start of the next ABC.
In-Year Financial Management

The Treasury Control Regime

5.36. The Treasury sets the control framework required for IYM, which is subsequently implemented by Def Res. Any changes in the control framework are issued to TLBs/BTE in the form of In Year Management Notices.

5.37. The Treasury manages the Department using Control Totals as follows:

a. Capital Departmental Expenditure (CDEL) which is divided into Single Use Military Equipment (SUME) and Fiscal;

b. Resource Departmental Expenditure Limit (RDEL). Cash and Non Cash, sub divided into Administration and Programme, and;

c. Annually Managed Expenditure (AME).

5.38. The Parliamentary Supply Controls include:

a. Resource - current expenditure (cash resource) such as pay or procurement and including depreciation (non cash resource), which is the current cost associated with the ownership of assets;

b. Capital - for new investment ;

c. AME - demand led volatile expenditure, and;

d. Net Cash Requirement (NCR) - the cash consequence of cash resource and net cash capital less adjustments for movements in working capital.

Budgets

5.39. TLB Resource budgets are set at the conclusion of every Annual Budget Cycle (ABC), and may then be further amended during the IYM period itself. This process provides an annual budget for each TLB/BTE Holder. Budget Holders then cascade subsidiary budgets through their budgetary hierarchies to Management Groupings (MGs) and Basic Level Budgets (BLBs) as appropriate. Further information on the ABC process is at Chapter 5 - The Annual Budget Cycle Process and In-Year Financial Management.

IYM Reports

5.40. IYM reports are required for the following reasons:

a. to monitor performance against external and internal financial control totals;

b. to provide an early indication when problems arise with performance against objectives so that remedial action can be put in place;

c. to feed into overall Departmental performance reports;
d. to assist managers at all levels in decision-making;

e. to inform the ABC;

f. to complete monthly reports and submissions on the Online System for Central Accounting and Reporting (OSCAR) to the Treasury, and underpin Supplementary Estimates.

5.41. TLBs/BTE are required to make a monthly submission on the Planning Budgeting & Forecasting (PB&F) system supported by a commentary detailing major issues and variance analysis. The form of the commentary is set out by Def Res in the IYM Notice process at the beginning of the Financial Year.

5.42. Reports taken from the PB&F system provide the basis of TLBs/BTE monthly ‘Model Submission’ to Def Res covering both Operating Costs and the Equipment Programme. Monthly reports must include actual expenditure to date and forecasts against budgets. Forecasts should take account of expenditure accrued to date, and the progress against the Defence programme for the year, including any future changes to the programme. All organisations are required to monitor accrued expenditure and commitments to ensure that the forecasts reported are as accurate as possible.

5.43. Def Res brings together all elements of Departmental expenditure for the Defence Board in the form of the Defence Performance Framework.

**IYM Timetable**

5.44. The IYM timetable requires TLBs/BTE to submit their forecasts split by Treasury Controls (RDEL, CDEL, Non-Cash and AME) and associated commentaries/schedules to Def Res Fin & Ops via mailbox DefRes-In-YearManagement by working day 9 of the month. The TLBs/BTE must submit Actual, Budget and Forecast expenditure each month, along with a commentary, variance analysis and supporting schedules.

5.45. A template, to aid the completion of this task, will be sent to each TLB/BTE with their control totals o working day 1 of the month and will essentially be designed to capture any significant changes from the previous to current forecast and offline adjutsments.

5.46. Reports are consolidated to present the Department’s financial position to DG Finance, the Treasury and Defence Board. At the end of each quarter the TLB forecasts are subject, as required, to formal IYM reviews by the Director General Finance. There are also monthly meetings, at Def Res level, to monitor and review. These are consolidated for presentation, and action as necessary, to the Defence Board. Budget Managers should therefore review and update their forecasts on a monthly basis, in line with good commercial practice, to reflect the current expected outcome.

5.47. The MOD is still subject to control on a cash basis by the Treasury. The Department must provide cash flow information monthly to support Treasury reporting requirements. Although PB&F is able to deliver an Net Cash Requirement (NCR) report for AP4 (July) onwards, supplementary information will be required at AP11 (February) addressing the cash flow forecast for the first quarter of the following Financial Year. Further information may also be requested on individual invoices in excess of an agreed threshold.
5.48. All TLBs/BTE are visited regularly by their Def Res focal point. Additional meetings may be held where TLBs/BTE encounter specific problems or issues that need to be resolved quickly.

**IYM Instructions and Notices**

5.49. Detailed guidance is available in IYM Instructions and Notices issued by Defence Resources. The latest versions can be found on the Defnet at the following link:

[defnet/HOCS/Pages/IYM-Instructions and Notices](LegacyDefenceIntranet/Policy/Finance/FinFunc/IYM/Pages/IYMInstructionandNotices)

**Oracle and PB&F Usage**

5.50. Guidance on Oracle and PB&F usage can be found via the same link in the appropriate System User Guides.
6 Operations

The Role of POLADs

6.1. Further guidance on the role of in-theatre policy advisors (POLADs) and Civil Secretaries is at Annex 4.

Forecasting for Operations

6.2. Further guidance on forecasting for Operations may be found on the Defnet at the following link:

defnet/HOCS/Pages/IYM-Instructions and Notices

The Handling of UORs

6.3. Further advice on handling Urgent Operational Requirements (UORs) may be obtained from PJHQ-J3-EC-SO1.

Local Purchase Notices

6.4. Further guidance on the use of contracts may be found at the following links, supplemented by Local Purchase Notices:

defnet/MOD/Acquisition Support Guidance - searches under Urgent Operational Requirements; Commercial Strategies - Commercial Tookit.
defnet/DINSJSPS/JSP 332 Part 1 - Low Value Purchasing
defnet/DINSJSPS/JSP 332 Part 2 - Low Value Purchasing

Procedure for UN reimbursement

6.5. Further information on procedures for UN reimbursement are contained in the ‘Manual on Policies and Procedures Concerning Reimbursement and Control of Contingent Owned Equipment of Troop-Contributing Countries Participating in Peace-Keeping Missions’ – see link below:

7 Sponsorship

The Benefits of Sponsorship

7.1. Sponsorship can offer the MOD and the external organisation a number of benefits. For example, for the MOD it can:

a. help offset costs to the public purse;
b. improve recreational and welfare facilities;
c. enhance the Defence profile in the public eye;
d. enhance relationships with industry and the local community;
e. enable activities to take place which would not otherwise be affordable within existing budgets.

7.2. For the Sponsor it can:

a. enhance public awareness of the Sponsor;
b. associate the Sponsor’s brand with MOD activities.

TLB Sponsorship Focal Points

7.3. Details of TLB Sponsorship Focal Points are given below:

<table>
<thead>
<tr>
<th>Job Title/E-mail</th>
<th>Subject Matter Expert</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army Res-CorpGov-RegProp-SO2</td>
<td>Army TLB Sponsorship Focal Point</td>
<td>94393 6329</td>
</tr>
<tr>
<td>Navy Fin-Decision Support Mgr 1</td>
<td>Navy Command TLB Sponsorship Focal Point</td>
<td>93832 5984</td>
</tr>
<tr>
<td>Air-DResFin-CG-PRSec-C2c</td>
<td>Air Command TLB Sponsorship Focal Point</td>
<td>95221 6911</td>
</tr>
<tr>
<td>JFC-Fin-ChiefAcct</td>
<td>JFC TLB Sponsorship Focal Point</td>
<td>96770 0702</td>
</tr>
<tr>
<td>DIO Fin-TLB2</td>
<td>DIO TLB Sponsorship Focal Point</td>
<td>94421 2049</td>
</tr>
<tr>
<td>DES Fin-FA-FRET BTE FG2</td>
<td>DE&amp;S TLB Sponsorship Focal Point</td>
<td>9679 37490</td>
</tr>
<tr>
<td>Nuclear-Finance Control OpEx2</td>
<td>DNO TLB Sponsorship Focal Point</td>
<td>9621 78931</td>
</tr>
<tr>
<td>HOCS Fin-Governance</td>
<td>HOCS TLB Sponsorship Focal Point</td>
<td>9621 78815</td>
</tr>
</tbody>
</table>
Other Points of Contact

<table>
<thead>
<tr>
<th>Job Title/E-mail</th>
<th>Subject Matter Expert</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>DDC-Strategy-Brand Manager SO2</td>
<td>POC for public relations issues</td>
<td>9621 70861</td>
</tr>
<tr>
<td>DIPR-MERCH-APM</td>
<td>POC for authorising licences in joint sponsorship and merchandising projects, and for other IPR queries</td>
<td>9679 86381</td>
</tr>
<tr>
<td>DJEP-CLCP-SCO Policy</td>
<td>POC for insurance issues</td>
<td>9621 78741</td>
</tr>
</tbody>
</table>

Establishing and Approving Sponsorship

7.4. A wide range of Defence activities may be suitable for sponsorship. Each must be evaluated on its own merits. The Sponsorship Organiser of any activity using public funds or publicly funded resources will need to submit a Business Case to the TLB Director of Resources (D Res), or delegated representative providing full details of the proposal.

7.5. The guidance below must be followed:

a. sponsorship must be received in a fair, equitable, open and transparent manner from businesses competing in a particular field;

b. a sponsored activity must not use MOD resources without the prior written initial consultation with the TLB Sponsorship Focal Point, and final approval by the TLB D Res. Further information on TLB Focal Points can be found in the table at paragraph 7.3 above;

c. proposed large-scale and/or complex sponsorship must not be treated as an ad-hoc activity but as an essential part of the TLB planning process, featuring in the TLB Command Plan. This ensures that the level of sponsorship support needed is considered alongside other Defence business or Public Relations priorities and the TLB’s core programme; that activities are identified in advance of sponsorship being sought, and that there is proper consultation with interested parties before the decision is made whether to approve the sponsorship proposal;

d. a formal Sponsorship Agreement must exist setting out the MOD’s and the Sponsor’s rights and obligations. This agreement will comprise a legally binding contract and Commercial staff must therefore be consulted at an early stage. The Sponsorship Agreement may only be entered into by properly licensed commercial staff;

e. the MOD and Sponsor should only fulfil the obligations within the boundaries of the contract. Any proposals to do otherwise should be raised with the Sponsorship Organiser/Focal Point;

f. sponsors must not use the MOD’s activity as a direct sales channel for their products or services.
Inward/Outward Sponsorship

7.6. **Inward** sponsorship occurs when an outside organisation agrees to assist an MOD activity, either with funding, services or equipment such as publicity material for the Red Arrows. **Outward** sponsorship takes place when MOD supports activities of an external body or individual, typically for recruiting or PR purposes such as a promotional stand at an event. All outward sponsorship proposals should follow the same broad principles as inward sponsorship proposals, i.e. they should be staffed through the TLB D Res, or any formally sub-delegated individuals or organisations. A written Sponsorship Agreement must be prepared to cover the proposal.

7.7. For any large scale outward sponsorship, e.g. on a national level to support recruiting activity, contracts should be placed in accordance with Cabinet Office guidance.

Acceptable Sponsorship Activity

7.8. Acknowledgement of the Sponsor may be made through the use of on-site advertising material and use of standard logos on equipment and vehicles loaned to MOD. The policy on badge usage by third parties and DIPR contact details is set out in both MOD Names, Logos and Insignia – see: defnet/Corp/DINS Archive/2009DIN05-052 - MOD Names, Insignia and Logos and also reinforced in the following: defnet/Corp/DINS/2017DIN05-015 - Guidance on Crown Copyright and Third Party Copyright. Acknowledgement can take various forms:

a. **Branding.** This is the use of the organisation’s name and/or logo on promotional material or publications;

b. **Advertising.** Written advertisements for sponsoring organisations may appear in any relevant brochures or literature associated with the activity or recipient of the sponsorship. This should be outlined in the formal written Sponsorship Agreement;

c. **Accreditation.** This is the direct association of the Sponsor’s name with an activity. A Sponsor should not be offered accreditation within the title of the Defence activity as this would present too close an association with the Sponsor and might also imply ownership or endorsement. Forms of accreditation which are acceptable include:

   i. “sponsored by …”

   ii. “in association with …”

   iii. “supported by …”

   iv. “made possible with the assistance of …”

   v. “the Ministry of Defence gratefully acknowledges the support of …”, or

   vi. “sponsor of …” in the Sponsor’s advertising material.
d. **Product Placement.** This is publicising (but not endorsing which is making a written or public statement) an organisation’s products or services by taking part in their advertising campaign. Other points to note:

i. product placement (in the case of outward sponsorship) opportunities will most commonly involve the inclusion of government messages, services or logos within fictional or non fictional media.

ii. product placement can be difficult to achieve and involves lengthy negotiations with production companies and broadcasters, and again is regulated by Ofcom.

e. **Social Media.** This is publicising (but not endorsing) an organisation’s products or services as part of the activity being sponsored through exhibition Social Media (such as social networking sites, blogs and other internet self publishing channels) are recognised as important channels to enable personnel to keep in touch with family and friends and to collaborate across organisational boundaries. When using these channels, which include posting images and videos as well as writing, personnel must:

i. follow the same high standards of conduct and behaviour online as would be expected elsewhere;

ii. always protect personal information and operational security;

iii. get authorisation from their chain of command when appropriate;

iv. ensure they are familiar with The MOD Online Engagement guidelines - see: [defnet/HOCS/Pages/Defence Communications](#).

**Contact with the Media and Communicating in Public**

7.9. Further guidance on official statements made in conjunction with Sponsorship Agreements may be found at the following link:

[defnet/CORP/DINS/2016DIN03-029](#) - Contact with the Media and Communicating in Public

**Roles and Responsibilities**

7.10. Sponsorship involves establishing a commercial relationship between the MOD and an external organisation and ensuring effective management of the resources involved. The Commercial Director and Head Office and Corporate Services Director share responsibility for the MOD policy on sponsorship, and for providing central guidance.

**The Role of the TLB**

7.11. The TLB D Res is responsible for the implementation of sponsorship policy within the TLB. Day-to-day management of sponsorship may be conducted by the TLB Sponsorship Focal Point.
7.12. Before agreeing to sponsorship, the TLB must consider whether an activity is appropriate in terms of purpose, content, use of facilities and resources, and whether the right message is being sent.

7.13. TLBs are responsible for reporting all core Sponsorship Agreements with a value of £5K or more, excluding VAT, to FMPA Finance Policy.

**The Role of the TLB Sponsorship Focal Point**

7.14. The individual nominated by the TLB D Res to perform this role is responsible for:

a. advising on any sponsorship activity within their respective TLB;

b. promoting sponsorship best practice within the TLB, publicising the role and issuing local guidance, if appropriate;

c. providing assistance with Parliamentary Questions (PQs), Ministerial Correspondence (MCs) and Freedom of Information (FOI) requests relating to sponsorship;

d. scrutinising sponsorship activities across the TLB;

e. ensuring sponsorship Business Cases are dealt with at the appropriate delegated level, refering cases as required to the TLB D Res for approval;

f. maintaining records of sponsorship deals within the TLB;

g. promoting risk management techniques (including utilising TLB Risk Registers) where appropriate;

h. ensuring all core sponsorship arrangements are underwritten by contracts;

i. distributing the six monthly requests for details of core sponsorship with a value of £5K or greater per activity, excluding VAT, to the appropriate people within the TLB (including HLBs, BLBs, Agencies and MOD commercial partners such as Landmarc, Flagship, Aspire etc.) and producing the consolidated sponsorship report on behalf of the TLB, checking and filtering the information to ensure accuracy before submitting to FMPA Finance Policy. Individual amounts of less than £5K in support of the same activity, regardless of the sponsor, must be collated and disclosed where the total is £5K or greater exclusive of VAT, in the format described at Annex 8.

j. regular reviews of sponsorship activities must be undertaken by the TLB Sponsorship Focal Point with the TLB D Res.

**The Role of the Sponsorship Organiser**

7.15. Within the TLB, the business area organising the activity where sponsorship is being sought is responsible for the planning, execution and review of sponsorship. They must ensure sponsorship does not cut across existing regulations or MOD-wide campaigns. The individual nominated to perform this role will be responsible for the following tasks:
a. liaising with the TLB Sponsorship Focal Point;
b. early engagement with TLB Commercial staff;
c. discussing any public relations aspects and any possible conflict with Service marketing initiatives with TLB Public Relations staff and Directorate of Defence Communications;
d. discussing any intellectual property matters jointly with Commercial staff and with the Defence Intellectual Property Rights team;
e. discussing any insurance or non-contractual indemnity matters with DJEP-CLCP-SCO Policy or relevant Commercial staff;
f. discussing any tri-Service ceremonial and heritage issues with People-DS SecHonsCECT TL;
g. identifying a suitable activity for sponsorship;
h. identifying potential Sponsors;
i. assessing suitability of Sponsors by working with the TLB Sponsorship Focal point and Commercial staff;
j. preparing the sponsorship Business Case for approval. A template is at Annex 7;
k. overseeing negotiation and drafting of the Sponsorship Agreement with Commercial staff;
l. implementing the Sponsorship Agreement;
m. ensuring all the relevant personnel have been promptly informed when the Sponsorship Agreement has been signed e.g. TLB Sponsorship Focal Point and maintaining a record/audit trail.

The Role of Commercial Staff

7.16. The role of Commercial staff is to negotiate, draft and sign the Sponsorship Agreement. This is a commercial contract which captures the nature of the sponsorship arrangement, specifies the parties’ obligations and agrees terms in order to secure best value for money and protect the MOD’s interests.

7.17. Commercial staff must be brought into any negotiations at the outset to ensure that MOD interests are not compromised and that the sponsorship arrangement is established on an appropriate contractual basis. They will also advise on suitability of Sponsor, Financial background, Risks and Liabilities, Insurance etc.

7.18. It is important that both parties understand and abide by the Agreement. Any failure by MOD to meet its obligations may result in a breach of contract and possibly an action for damages. Only Commercial staffs with the appropriate Commercial Licence have the authority of the Accounting Officer to sign Sponsorship Agreements.
The Role of the Directorate of Judicial Engagement Policy - Common Claims and Policy

7.19. MOD self-insures risks arising from Core Defence business activities, paying claims for compensation for injury or damage arising from acts of negligence on the part of its employees, servants or agents from direct expenditure. If any sponsored activity risks giving rise to claims which outweigh the benefit to be derived from it, the Organiser must either refrain from undertaking the activity, bring the scope of the activity back within reasonable risk parameters, or purchase commercial insurance to cover these additional risks. If it is decided to purchase insurance, the Sponsorship Organiser will be responsible for arranging, funding and recovering the cost of the insurance from the customer. In this instance advice must be sought from the TLB Sponsorship Focal Point, appropriate commercial officer or DJEP-CLCP-SCO Policy.

Role of Defence Intellectual Property Rights (DIPR)

7.20. Defence Intellectual Property Rights (DIPR) permission is required if non-MOD businesses or organisations are to use MOD names, insignia and logos, except where such use is in fulfilment of an MOD procurement contract. This includes all charities and trusts. More detailed information may be found in defnet/Corp/DINS Archive/2009DIN05-052 - MOD Names, Insignia and Logos.

Identifying Potential Sponsors

7.21. To avoid any suggestion of preferential treatment towards any organisation - particularly in the case of Defence contractors - the organiser must seek potential sponsorship from a range of external organisations, especially where there is a competitive environment for the goods and services which a Sponsor supplies to the MOD. It is important that the TLB D Res or the delegated representative ensures that the same Sponsors are not repeatedly approached to avoid comment that their sponsorship may be used to influence the MOD. The TLB Sponsorship Focal Point or TLB Assurance Cell must maintain details of Sponsors with whom agreements have been agreed.

Assessing Suitability of Sponsors

7.22. Sponsorship must be sought or accepted only from reputable organisations. All potential Sponsors should be assessed by the Sponsorship Organiser, consulting interested parties such as Commercial and the TLB Focal Point as necessary for suitability in terms of reputation, financial capability and value for money.

7.23. A Sponsor must be excluded where the organisation:

   a. represents unwelcome associations, e.g. with violence, unsocial behaviour or extremism, or has had its image tarnished and therefore has low credibility in the eyes of the public and media;

   b. is associated with an unacceptable campaign, e.g. legalisation of drugs;

   c. is a tobacco, alcohol, gambling or Payday Loan company, or a company/organisation which may potentially cause damage to the UK government or MOD’s reputation;
d. has a poor financial record;

e. has known political connections, and/or is known to give political donations and/or support;

f. is known to be environmentally unsound;

g. is undergoing government or financial investigations;

h. is in dispute with MOD.

7.24. Potential Sponsors must be asked to state any current or proposed contracting involvement by them or by their subsidiaries with the MOD. Where it is found that a potential Sponsor or their subsidiaries are bidding for contracts with the MOD (so that acceptance of the sponsorship might lead to accusations of unfair competition from other bidders) then the TLB Sponsorship Focal Point, TLB Assurance Cell and Commercial staff must be consulted before proceeding further.

7.25. For large-scale activities, assessments must be carried out by the TLB D Res in conjunction with the organiser. For low-value activities, assessment of Sponsors may be performed by the Sponsorship Organiser and the result of the assessment included in the business case. Where sponsorship spans more than one TLB, the TLBs affected must decide which of them will act as the lead Coordinator (usually the majority stakeholder).

7.26. Once a Business Case has been approved, the Sponsorship Organiser and Commercial staff will negotiate all Sponsorship Agreements and ensure that legal undertakings are properly established.

The Sponsorship Agreement - General

7.27. It is the responsibility of the Sponsorship Organiser to ensure that the terms of the agreement are fulfilled.

7.28. To ensure that there are no misunderstandings, clear lines of communication must be established between the Sponsorship Organiser and the Sponsor. The Sponsorship Organiser must act as the contact point for Sponsors and:

a. initiate and maintain regular communications to ensure that the Sponsor is kept fully informed with the planning of the activity and that they are satisfied with the arrangements for the delivery of the benefits;

b. accompany the Sponsor during their attendance at events associated with the activity;

c. ensure branding which appears in publicity items is in accordance with the Agreement;

d. ensure they are fully conversant with the contract terms, conditions, liabilities and obligations agreed by Commercial staff.

7.29. On the cessation of a Sponsorship Agreement the Sponsorship Organiser must seek assurance from the Sponsor that all logos and MOD references have been removed.
from the Sponsor’s headed notepaper, web-sites, equipment, etc. Removal of logos on vehicles, balloon canopies etc. could have an associated cost and this should be included in any Agreement. It may mean that replacement canopies etc. are required instead of using Sponsor-provided equipment at the end of the contractual relationship.

**Negotiating a Sponsorship Agreement**

7.30. During negotiations, and in agreements, MOD representatives must make it clear to the Sponsor that no preference will be accorded to Sponsors, their subsidiary partners, or their parent organisations in relation to any current or future MOD acquisition contract or in the MOD’s relationship with the organisations concerned. In consultation with Commercial staff, a decision must be made whether to decline significant offers of sponsorship from Defence contractors currently engaged in tendering for major MOD equipment, supplies or services contracts. Such sponsorship might be perceived by others as compromising fair competition and also provide the company with a PR platform from which to promote its own interests and indirectly seek unfair advantage.

7.31. Sponsorship must provide specific benefits to the MOD and also provide some benefit to the sponsoring organisation. Without this two way exchange of benefits, a donation route is likely to be more appropriate. The Sponsorship Organiser must determine what benefits are reasonable for the Sponsor to expect, drawing on Commercial staff advice. Commercial advice must be sought if a potential Sponsor offers a non-cash benefit. The Commercial Officer’s role is then to negotiate the best terms and conditions to meet the needs of both parties and to protect MOD’s interests.

7.32. It is important that both parties understand the nature of the sponsorship arrangement and their respective obligations. Potential Sponsors must be presented with well-developed proposals which clearly identify the benefits offered in return for sponsorship. All negotiations must be conducted on a ‘Without Commitment’ basis, and this must be clearly stated to the potential Sponsor, both orally and in any written correspondence.

7.33. Sponsorship can be offered in the form of cash payments, benefits in kind where goods or services are provided, or a combination of both. Where more than a single Sponsor is sought for an activity, several benefits packages with different values could be offered to a wider range of organisations. This may help to attract sponsorship from both large and small companies. When accepting benefit in kind sponsorship, agreement must be reached as to whether any items are non-returnable or, if not, the timescale and arrangements for their return. The sponsorship is intended to support the event and not the individual, so all items must be returned at the end of the loan period or destroyed. Exceptionally, items may be retained with the agreement of the D Res and in accordance with the Hospitality rules. If equipment is to be retained, an assessment should be made whether there are additional costs involved such as IT costs where updates, storage and maintenance may be required.

7.34. It is important to allow enough time for the Sponsor to decide whether the sponsorship is right for them and, if so, whether they can allocate the funds/benefits in kind required. Under no circumstances must pressure be placed on Sponsors to accept MOD proposals.
Drafting a Sponsorship Agreement

7.35. Commercial staff must be consulted at an early stage as the agreement will comprise a legally binding contract. A formal Sponsorship Agreement must set out the MOD’s and the Sponsor’s rights and obligations. For reasons of commercial propriety and practicality, where several Sponsors support an activity, a Sponsorship Agreement must be established with each Sponsor individually.

7.36. Any contract will need to include a statement on the responsibilities and liabilities of each party arising as a consequence of the activity being sponsored. Commercial staff will lead on these matters and the following list is indicative of the terms which need to be addressed:

a. the parties to the agreement;
b. the duration of the agreement;
c. the benefits on offer to both parties;
d. the obligations of the parties (including delivery, servicing, removal of logos etc.);
e. that exclusivity is to be avoided;
f. licensing and protection of intellectual property (use of the MOD names/insignia, logos, photographs, software licences, etc);
g. financial arrangements (payments, refunds and VAT);
h. dispute resolution;
i. insurance;
j. liabilities and indemnities;
k. whether VAT is applicable;
l. termination in the event of cancellation and if either party suffers adverse publicity; financial loss or other consequence arising from the cancellation;
m. use of MOD public resources/assets;
n. current/future contractual business;
o. confidentiality;
p. product or service endorsement (not allowed).

7.37. Details of a Sponsorship Agreement will normally be held confidential between the parties under the terms of a Confidentiality Clause. Nevertheless, as a public body, the MOD is subject to certain regulatory and statutory obligations to disclose information. For example, details of sponsorship of core activities must be disclosed in the Annual Report.
and Accounts (ARAc), and may be disclosed under the provisions of the Freedom of Information Act 2000. Sponsorship agreements will also be open to access by the National Audit Office. These issues will be addressed by Commercial staff when negotiating and drafting the agreement.

7.38. Where a decision is taken to cancel a sponsored activity, and Sponsors have signed Sponsorship Agreements for the provision of benefit in kind sponsorship, MOD could be responsible for offering compensation if the Sponsor has incurred costs in preparing for the activity. The MOD must ensure that no liability accrues to the Departmental account in the event of cancellation owing to circumstances outside of its control. Such risks must be highlighted in the Business Case and captured in the Sponsorship Agreement. These matters will be addressed by Commercial staff when negotiating and drafting the agreement and they may recommend insurance cover is sought to cover any risks is taken out by the Sponsor.

7.39. Normally Sponsorship Agreements should only last for two years. Any agreements lasting over two years should be reviewed after the two year period on an annual basis and must be reviewed a year before the date the agreement ends. This is to consider whether renewing the association is appropriate and allow time to decide whether to negotiate a new agreement.


**Reviewing Sponsorship Activities**

7.41. Sponsored activities must be subject to a system of evaluation and post-implementation reviews. This ensures that sponsorship activities have been undertaken in accordance with the Business Case presented and the Sponsorship Agreement made.

7.42. Regular reviews of sponsorship activities must be undertaken by the TLB Sponsorship Focal Point with the TLB D Res, with the results being compared with the original objectives and, if appropriate, with the previous results.

7.43. The evaluation must consider the question of whether or not the sponsorship provided value for money and the lessons to be learned for future sponsorship activities and copied to FMPA for consideration by the Finance Management Executive.

**Recording and Reporting Sponsorship Activity**

7.44. A continuous record of all Sponsors must be maintained by the TLB Sponsorship Focal Point to avoid the same Sponsors being repeatedly approached. A second or subsequent sponsorship with the same external organisation must be exceptional, and justification must be made to the TLB D Res for approval.

7.45. Core activities are those which fall as a legitimate charge to the Defence Budget in the delivery of agreed Defence objectives. Government Departments are required to disclose all sponsorship of core activities where the value of the sponsorship to support the activity is £5K or greater, exclusive of VAT, in the ARAc. TLBs are required to send returns to FMPA Finance Policy on a six monthly basis in accordance with their published timetable. The approved Business Case should be embedded in the return to FMPA for
scrutiny and retained by the TLB as part of the sponsorship audit trail. A summary Process Chart, Checklist and Business Case template are at Annex 5, Annex 6 and Annex 7 respectively. This mandated disclosure in the ARAc must include the value of goods and services provided ‘in kind’. Individual amounts of less than £5K in support of the same activity, regardless of the Sponsor, must be collated and disclosed where the total is £5K or greater, exclusive of VAT.

7.46. Where the sponsorship arrangement is for the provision of a loaned vehicle then, for reporting purposes, the value to be reported is the cost of renting the equivalent vehicle for the equivalent period.

7.47. All Sponsorship Agreements should be reported to FMPA Finance Policy by the TLB Sponsorship Focal Point in the Commercial Sponsorship Return at Annex 8.

**Benefit in Kind Sponsorship**

7.48. Some organisations sponsor activities by providing products or services instead of cash (i.e. ‘benefits in kind’). When considering offers of benefit in kind sponsorship, it is important to take into account any liabilities, risks, guarantees, the value of the offer against any additional costs which would be incurred, including training, maintenance, possible replacement and the associated costs for consumables, e.g. the provision of computer equipment.

7.49. It is important to ensure that acceptance of an offer of products or services would not compromise existing or potential contractual obligations.

7.50. A benefit in kind Sponsorship Agreement should include mention of a value to the MOD of any ‘in kind’ sponsorship. This can be measured by considering the opportunity cost, i.e. how much it would have cost if the MOD had paid for the support provided (or how much was allocated for the product or service within the relevant Budget).

**Loaned and Sponsored Vehicles to the MOD**

7.51. Where the vehicles are provided, the additional cost implications should be considered. For example, the cost of maintenance, fuel, insurance, etc. as well as the limitations on the display of the Sponsor’s branding on the vehicle. Vehicles supporting Core Defence business activities will be covered by the MOD’s self-insurance arrangements and are entitled to draw fuel at public expense.

7.52. Prior approval is required from the TLB D Res or their delegated representative before acceptance of loaned or sponsored vehicles in accordance with JSP 800. Once accepted by the MOD, sponsored vehicles must be managed and operated in accordance with JSP 800.

7.53. Full details of the procedure for accepting loaned and sponsored vehicles including trials vehicles can be found in JSP 800 - Defence Movement and Transport Regulations, Volume 5 - The Management and Operation of Road Transport in the Ministry of Defence at the following link:

defnet/JFC/Documents/JSP 800 Volume 5 - Road Transport
Use of Military Names, Insignia and Logos by Sponsors

7.54. Military names, insignia and logos include:

a. the MOD’s name and Departmental crest;

b. the names of the Armed Services, such as ‘Royal Navy’;

c. the names of military formations, such as regimental names;

d. service insignia such as Army ‘cross swords’ logo or the Royal Air Force roundel;

e. formation insignia such as Army regimental cap badges; and

f. for ‘core’ activities, the names and logos of specific events and activities.

7.55. Staff outside DIPR have no delegation to permit sponsors to use such MOD names, insignia or logos – even in their web pages or corporate literature – except to the extent described in this JSP.

7.56. It is neither possible nor acceptable for a sponsor to be offered the right to use Service or unit insignia in connection with its goods or services as a benefit-in-kind in return for sponsorship money. Nevertheless, there are clear synergies between sponsorship and merchandising, and where appropriate to do so, a ‘joint package’ of both sponsorship and merchandising opportunities might be more attractive to sponsors than entering into either a sponsorship agreement or a merchandising agreement alone. In such circumstances, the sponsor would need to provide the sponsorship money, and to account for any royalties due under the merchandising arrangement, as two distinct and separate transactions. Coordination would be required between the sponsoring unit and DDC from the outset to ensure that both the sponsorship and merchandising activities are acceptable to MOD. If a merchandising agreement is entered into in parallel with a sponsorship agreement, money generated from merchandising generally has to be received into a central budget, unless agreed by DDC that it be received by an alternative UIN.

7.57. Sponsors may be permitted – without further recourse to DIPR – to reproduce in their advertisements, web pages or corporate literature factual statements about their sponsorship, such as:

a. “sponsor of …”, or

b. “supporter of …”

7.58. Web pages, corporate literature and corporate advertisements (but not advertisements for specific products or services) may additionally include a logo of the specific event or activity being sponsored. Such logos must be used in the correct context, under the general licence offered by DIPR entitled “Licence agreement for the use of some MOD logos for specified and limited purposes only” as set out on the general public guidance page at: www.GOV.UK/government/publications/mod_copyright_licensing_information.
7.59. Otherwise, each request for use of a MOD owned name, insignia or logo is considered on its individual merits and benefits to the MOD. Furthermore, it is MOD policy not to allow any third party use of the MOD Departmental Crest except in relation to projects being delivered jointly by the MOD and a contractor.

7.60. Policy concerning non-public bodies, and specifically their power to allow sponsors to use their own names and logos, is set out in paragraph 7.80c.

**Use of Sponsors’ Logos**

7.61. The use of a Sponsor’s logo plays a strong role in Sponsor recognition. Careful consideration has to be made on the prominence of Sponsor logos, their use in relation to MOD/Military logos and the overall impression such use implies. The resulting appearance of the various logos as a whole must not result in any perception that the MOD endorses the Sponsor’s goods and services. It is important that Sponsor demands are not excessive or the logo over-used on materials.

7.62. The following points should be adhered to:

a. the Sponsor’s logo should not take up more than 2% of the total area of the cover of a publication or other printed material (e.g. poster or leaflet) or be greater than 50% of the size of the MOD/Military trademark or logo. The prominent mark should be the MOD/Military trademark or logo;

b. a Sponsor’s logo should not be placed on the front cover of a publication - a highly valued position. Use on the back cover is acceptable but such use, and any exceptional use on the front cover, should make it clear that the Sponsor is a supporter of the publication and not an equal partner;

c. a Sponsor’s main corporate logo must be used in preference to a brand/product logo;

d. sponsors must not be allowed to use sales messages or advertising statements as part of their logo;

e. sponsors may be permitted to use the logo of the activity being sponsored (e.g. a conference logo) subject to clearly defined parameters (e.g. on what it is used). Approval must be given for the usage of the logo on each item of publicity material. Defence Intellectual Property Rights must be consulted to put in place the necessary agreements for these requirements;

f. for sports clothing and equipment the size of a Sponsor’s registered logo or trademark must comply with the instructions laid down by the UK National Governing Body for the sport concerned. Where a minimum size is stipulated, this must not be exceeded. Where a Governing Body stipulates only a maximum size, agreement should be reached with individual Sponsors for the logo to be the smallest size mutually acceptable, subject to the first point mentioned in this list;

g. to avoid creating the perception of a link between the two organisations, the Sponsor’s logo and the MOD/Military logo must not appear side by side. The marks should preferably appear on opposite sides of the page, and consideration
should be given to how they appear on products (if applicable) to ensure that endorsement is not implied. Guidance should be sought from the Defence Intellectual Property Rights where there is uncertainty. Guidance on IPR may be found on the following link: defnet/Corp/DINS/2017DIN05-015 - Guidance on Crown Copyright and Third Party Copyright.

Photographs

7.63. Sponsors may be permitted to use photographs of sponsored activities. However, there are restrictions on the use of photographs and depicting identifiable individuals, and for this reason it is recommended that MOD staff photographers are used to take such photographs. In summary:

a. photographs must be OPSEC and PERSEC cleared.

b. attention is drawn to the Child Photography – see: defnet/DINSJSPS/DINs Archive/2006DIN05-034 - Policy on Use of Child Photography for Defence Publicity.

c. where a photograph is not Crown Copyright (i.e. has been taken by a sponsor, or by MOD personnel not on official duty) the sponsor must obtain the express written consent of all identifiable individuals shown.

d. where a photograph is Crown copyright (i.e. has been taken by MOD personnel on duty, even if not an MOD staff photographer), any individuals shown must have signed the Annex to the Consent DIN – see defnet/Corp/DINs Archive/2012DIN05-006 - Consent Form for Defence Imagery; and the photograph must be cleared with DDC to be licensed under the Open Government Licence Scheme. Crown copyright photographs will not be licensed where non-MOD personnel are shown.

7.64. DIPR does not need to be consulted where MOD insignia or logos are shown incidentally within any photographs: for example – appearing in their normal size on sports kit in a general shot of a sporting activity, or where station badging appears in the background to a shot. Where insignia or logos appear prominently, or are the clear or main focus of the shot, DIPR should be consulted.

Cabinet Office

7.65. Some cases may be subject to Cabinet Office controls and require approval for spend of £100K and above such as: major projects, events, conferences and exhibitions. More detailed guidance may be found at the following link:

www.GOV.UK/government/publications/cabinet-office-controls

Recording and Reporting Sponsorship Activity

7.66. All Sponsorship Agreements should be reported to FMPA Finance Policy by the TLB Sponsorship Focal Point in the Commercial Sponsorship Return at Annex 8.
Acceptance of Gifts and Hospitality by Crown Servants

7.67. Sponsors occasionally offer hospitality to Crown Servants. Typically this might be an invitation to attend the sponsored event. Gifts or hospitality or other benefits must not be accepted from anyone who might reasonably be seen to compromise an individual’s personal judgement or integrity.

7.68. Gifts to the MOD arising from sponsorship arrangements where the gift is not linked to the support of the sponsored activity are to be brought to the attention of the relevant TLB D Res to consider the propriety of accepting the gift and any financial consequences which would arise from accepting the gift. For more information on acceptance of gifts and hospitality see Chapter 12 – Gifting of Surplus Assets, Exchanges of Gifts with Foreign Counterparts, and Corporate and Promotional Items, and also Defence Business Services’ Hospitality policy.

7.69. Further guidance on the acceptance of hospitality and hospitality books may be found at the following link:

defnet/HOCS/Pages/Standards of Conduct and Behaviour

Non-Core Defence Activities

7.70. Activities are undertaken by TLBs which do not directly support Defence objectives but are designed to raise funds and/or benefits in kind to support non-publicly funded activities associated with MOD.

7.71. It would be improper to fund such non-core Defence activities from public resources, and hence they are normally funded by non-public funds, e.g. Service Charities, as appropriate. Where a non-public activity wishes to use public resources a charge for the use of those resources should be applied; normal charging policy as stated in Chapter 19 - Charging applies. Non-public funds must be accounted for separately and there must be no mixing of public and non-public funds. Also see Annex 25.

7.72. The risks and liabilities and impact of the Defence ‘Brand’, associated with accepting sponsorship in support of non-core activities are no different from those associated with core activities and for that reason the general policy set out in this Chapter should apply to any sponsorship (core and non-core) unless exceptions are agreed by the TLB D Res.

7.73. It is important that the organiser of a non-public activity understands that their association, and quite possibly they themselves, will be legally liable for all commitments undertaken and their associated risk.

7.74. Service sporting activities, although often (and appropriately) publicly funded for travel, are primarily non-publicly funded and as such are considered to be non-core activities.

7.75. MOD must not support individual Crown Servants who seek to secure sponsorship for private activities, e.g. sponsored walks. In such instances public resources or assets must not be used to raise sponsorship. MOD officially headed paper must not be used to give the impression that such activities have official MOD support.
7.76. Where vehicles are provided as part of non-core sponsorship, the cost of maintenance, fuel, insurance etc. must be met by the Sponsor or from non-public funds.

7.77. An organiser may sometimes seek to use publicly funded assets and resources in support of non-publicly funded activity. The organiser must consult the TLB Sponsorship Focal Point to ensure that the wider interests of Defence are represented and must also ensure that all costs to public funds are reimbursed before any receipts are disbursed to non-public organisations e.g. for airshows where the Department receives payment from the organiser.

7.78. Where MOD resources are used on a repayment basis, when undertaking non-core sponsorship activity, Sponsorship Organisers must purchase insurance to cover all the risks and potential liabilities which will be incurred, and use non-public funds to do so.

7.79. Sponsorship of non-core activity does not need to be reported in the ARAc.

7.80. For sponsorship of non-core Defence activities, when a serving member of the Armed Forces or Civil Servant acts on behalf of a non-public body, the following protocols must be adhered to:

a. the non-public body which is legally and financially liable must be identified in all communications and it must be made clear in all dealings that it is this body and not the MOD or Royal Navy, British Army, or Royal Air Force that is engaging in the activity;

b. all correspondence and contractual business must be conducted under the auspices of the non-public body, e.g. sports association notepaper. When corresponding or signing an agreement on behalf of a non-public body, individuals are not to use MOD letter headings, or sign in an official MOD capacity or on behalf of the Secretary of State (SofS). Individuals must also ensure that when signing on behalf of the organisation that they are representing, e.g. Trustees, officials of a club etc, that they do so in the capacity that they hold with the organisation and not in their official MOD role, e.g. Secretary of the association, rather than the Commanding Officer or Garrison Commander etc;

c. a non-public body is free to allow sponsors to use:

i. any name and/or logo (of any non-core event or activity) that the non-public body has developed itself, and

ii. its own organisational name and logo, even as part of a joint sponsorship and product licensing package,

but only where such names or logos have either:

iii. been authorised by DIPR/DDC, or

iv. does not ‘contain’ the name, insignia or logo of a Service, any military information, or any core event or activity.
In all other cases, the use of official names, insignia and logos by non-public purposes and their sponsors must comply with the instructions and licences of DIPR/DDC. A ‘joint package’, involving the sponsorship of a non-core activity plus the offer to take out an official merchandise licence, may be possible with the relevant DDC/DIPR consent described in paragraph 58.

d. the body being represented must hold insurance to protect the controllers/managers of the body, e.g. Trustees, its funds as well as its members. The non-public body is also likely to require Public Liability insurance if members of the public could be involved in an activity or event.

e. sponsors occasionally offer hospitality to Crown Servants in the same way as sponsorship for core business. Typically this might be an invitation to attend the sponsored event. Gifts or hospitality or other benefits must not be accepted from anyone who might reasonably be seen to compromise an individual’s personal judgement or integrity. Paragraphs 7.70 – 7.80 above will still apply to non core sponsorship activity.
8 Advance, Interim and Deferred Payments

Late Payment of Commercial Debt (Interest) Act 1998 and Better Payment Code

8.1. More information regarding the Late Payment of Commercial Debt (Interest) Act 1998 and the Better Payment Code may be found at the following link:

www.PayOnTime.co.uk


8.2. More information regarding MOD purchasing and payment processes may be found in JSP 895 at the following link:


defnet/DINSJPS/JSP 895 Part 2 - The MOD Simplified Purchasing and Payment Process Manual
9 Authorisation and Payment of Invoices

Further Guidance - Financial Systems Design

9.1. General guidance on the appropriate way to organise financial systems can be found in the Treasury’s Managing Public Money at the following link:

www.GOV.UK/government/publications/Managing Public Money

9.2. Common themes which should be addressed in systems design should include:

a. segregation of duties – no one person should be able to control all aspects of the payment process and wherever possible, the authorisation of payments should be performed separately from those issuing payments;

b. absolute clarity in roles and responsibilities of those involved at each stage of the process, including issuing appropriate letters of delegation to staff empowered to authorise payments;

c. authentication systems to ensure that only authorised personnel can make payments. This is of special relevance in e-commerce.

Further Guidance – Purchasing and Payment Processes

9.3. Further information on the MOD’s purchasing and payment processes may be found in JSP 895: The MOD Simplified Purchasing & Payment Process Manual at the following link:

defnet/DINSJPS/JSP 895 Part 2 - The MOD Simplified Purchasing and Payment Process Manual

9.4. Further information on MOD purchasing arrangements and information for those looking to become a supplier or contractor (including guidance on forms to be used for submission of paper invoices whose contract stipulates authorisation and payment by DBS Liverpool) may be found at the following link:

defnet/HOCS/Pages/Finance and Procurement

9.5. Guidance on the use of Contracting, Purchasing and Finance (CP&F), the MOD’s strategic e-purchasing tool which enables electronic ordering, receipting and invoicing of goods and services, may be found at the following link:

https://gateway.cpf.r.mil.uk/Pages/default.aspx
10  Cash Feeder Processes

Chart of Accounts (CoA)

10.1. Further information on the Departmental Chart of Accounts (CoA) may be found on Defnet at the following link under Chapter 14 of JSP 472 Part 1 and Annex A to Part 2 JSP 472:

defnet/HOCS/Pages/JSP 472 Financial Accounting and Reporting Manual

10.2. Further information on how to request changes to Standing Data (SD) may be found within the following link:

http://pppaintranet.chris.r.mil.uk/P2P/pages/main.php?areaID=186

The Standing Data System (SDS)

10.3. Listings of valid codes held on the Standing Data System (SDS) for each Accounting Period may be found on the Generic Standing Data pages within the above link at paragraph 10.2 above.

VAT Policy

10.4. Further information on VAT policy may be found via the relevant TLB VAT Focal Point and also at the following link:

defnet/DINSJSPS/JSP 916 MOD Tax and Duty Manual Part 2: Guidance Volume 1 VAT

Miscellaneous Personal Payments

10.5. Further information on making payments for reimbursement of professional subscriptions, for reimbursement of claims for loss or damage to personal property, and for reimbursement of eyesight tests and other costs when Cross-Government arrangements cannot be used may be found at the following links:

defnet/Corp/DINSpersonnel/2017DIN01-185 - Launch of the Payment of Professional Membership Fees Policy
defnet/Corp/DINSfinance/2014DIN08-009 - Claims for Loss of or Damage to, Personal Property (Regulation Claims)
defnet/Corp/DINSafety/2013DIN06-013 - Cross-Government Contract with Specsavers for the provision of Personal Protective Equipment (safety eyewear) and Display Screen Equipment (DSE) eye-sight tests and spectacles

Inter-Management Grouping Transfers

10.6. Policy/guidance on Inter-Management Grouping Transfers may be found in Parts 1 and 2 Chapter 1 Financial Accounting and Reporting Manual at the following link:
Cash Feeder Transaction Coding Errors

10.7. A table detailing some examples of the different types of Cash Feeder transaction coding errors which may require corrective action is at Annex 9.
11 Debt Management

Recovery of Personal and Business Debt

11.1. Further information on the recovery of personal and business debt may be found at the following links:

defnet/HOCS/Pages/Civilian HR People Portal
defnet/HOCS/Pages/Common Law Claims and Policy

Considering Whether Legal Action is Appropriate

11.2. Before embarking on legal action, consideration must be given to the probability of a successful recovery. If a recovery is unlikely, write-off should be considered to avoid waste of further public money. The points to be considered are:

a. is the address for the debtor still correct? As a guide, trace costs are estimated as £100.

b. does the debtor have the means to pay?

c. if a debtor is a person, is he/she in employment or does he/she own property or other assets? This may be established via trace action/financial means questionnaire.

d. is the person or company bankrupt? This can be checked with the Insolvency Service. (www.GOV.UK/government/organisations/insolvency-service)

e. has the person or company failed to pay previous County Court Judgements? This can be checked with Registry Truse Ltd who will search the Register of County Court Judgements. (www.trustonline.org.uk/)

f. is the debt more than six years old?

g. do the costs involved outweigh what is owed?

h. is there the likelihood of a troublesome counter-claim? Advice may be sought from Central Legal Services (CLS).

11.3. Where the debt is in excess of £5K, or the facts of the case are complex, the matter may have to be referred to a solicitor at the outset. If a case involves a personal injury counter-claim, DJEP Common Law Claims and Policy (CLC&P) must be informed immediately as it is their role to handle such claims against the MOD.

11.4. Further information on deciding whether recovery is appropriate and defences against repayment is provided at Annexes 10, 11 and 12.
Use of Solicitors and County Courts

11.5. A solicitor should only be used when all efforts to contact and/or negotiate recovery have been exhausted. The use of solicitors is advised when negotiations with the debtor become difficult. Such breakdowns in communications are often the result of the debtor being accused of bad faith. Where a case is over £5K and court action is necessary, a solicitor will be required.

11.6. Before making the final decision to go ahead with recovery, there may be a need to seek legal advice on a point of law, policy and procedures. If the point relates to policy or procedures, contact CLC&P. If they cannot answer the query they will ask their legal colleagues in CLC&P initially. CLC&P Lawyers cannot act for MOD in courts. If such representation is required then for England and Wales the Treasury Solicitor has a panel of solicitors, in Northern Ireland it will be the Crown Solicitor and for Scotland representation is through the MOD’s appointed solicitor for Scottish legal matters.

11.7. The cost of using solicitors, which will fall to the originator’s Budget, will depend on a number of factors, for example the complexity of the case; whether it is necessary to use enquiry agents, expert witnesses or other legal professionals such as barristers; and whether court costs are involved. An estimate of likely cost should be requested before embarking on legal action.

Use of the Small Claims Court (SCC)

11.8. The SCC is a lay court. Cases are normally heard by a District Judge. Hearings are short and the judge usually controls procedure by asking the parties some questions, looking at the documents and then giving a decision. There is normally no need to employ a solicitor for this court, and thus there is no provision for the legal costs of solicitors to be recovered by either party. If a hearing is required, the MOD originator branch/TLB should be prepared to send a representative to court to answer any questions from the judge in respect of the charges and provision of good and/or services.

11.9. The small claims system is designed to be quick (unless cases are disputed). The length of time taken from lodging a claim to reaching a conclusion should be 12 weeks. If a case is disputed this can significantly extend the time and increase cost. Most hearings take no more than half a day but this may vary depending on the complexity of the case. If the case is deemed too difficult it will be transferred to the County Court. If the case is disputed it will be transferred to the court nearest to the defendant’s location.

11.10. A fee (approximately 10% of the value of the debt) is payable at the start of the claim and will be added to the sum recovered if the claim is successful. A further fee of at least £100 will be payable to enforce judgement if the debtor fails to pay. Interest may be claimed on the sum owed.

11.11. The cost of recovery through the SCC is financed by the budget which owns the debt; costs do not fall to any central budget. Further costs may be incurred if trace action is required.

11.12. Further information on the SCC including fees, forms and related topics can be found on the HM Courts and Tribunals Service website at the following link: www.GOV.UK/make-court-claim-for-money
12 Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items

Gifts, Rewards and Hospitality Policy

12.1. The policy on Gifts, Rewards and Hospitality may be found on the Defence Business Services People Portal within the Policy, Rules and Guidance on Standards of Conduct and Behaviour at the following link:

defnet/HOCS/Pages/Gifts, Rewards and Hospitality

Treasury Policy/Guidance on Gifting

12.2. Treasury guidance on gifts may be found at Annex 4.12 to Managing Public Money at the following link:

www.GOV.UK/government/publications/Managing Public Money

TLB Gifting Focal Points

12.3. TLB Gifting Focal Points perform a key role in the gifting process. A case must be sent by the gift sponsor to their TLB’s Gifting Focal Point for their agreement to ensure the proposal meets regularity and propriety requirements, and to obtain the TLB’s support essential in the course of gaining formal approval for the gift to be made. The Focal Point also coordinates formal reporting of the occurrence of gifts sponsored by their TLB, and any Arms Length Bodies for which they are responsible, to meet Departmental external reporting requirements. The Focal Points are:

<table>
<thead>
<tr>
<th>TLB</th>
<th>Job Title/E-mail</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Command</td>
<td>Air-DresFin-CG-PRSec-C2c</td>
<td>95221 6911</td>
</tr>
<tr>
<td>Army</td>
<td>Army Res-FinTLB-GovComp Mailbox</td>
<td>94393 6326</td>
</tr>
<tr>
<td>DE&amp;S</td>
<td>DES Fin FA-FRETBTE-FG1</td>
<td>9679 84529</td>
</tr>
<tr>
<td>DIO</td>
<td>DIO Fin-TLB2</td>
<td>94421 2049</td>
</tr>
<tr>
<td>DNO</td>
<td>Nuclear-Finance Accting1</td>
<td>030679 31247</td>
</tr>
<tr>
<td>HOCS</td>
<td>HOCS Fin-ARAc</td>
<td>9621 70399</td>
</tr>
<tr>
<td>JFC</td>
<td>JFC-Fin-Accts-AsstMgr</td>
<td>9360 55813</td>
</tr>
<tr>
<td>Navy Command</td>
<td>NAVY SEC-1 Charities and Heritage</td>
<td>93832 5251</td>
</tr>
<tr>
<td>War Pensions</td>
<td><a href="mailto:jayne.andrews174@mod.gov.uk">jayne.andrews174@mod.gov.uk</a></td>
<td>01253 841126</td>
</tr>
</tbody>
</table>

Heritage Branches Point of Contact

12.4. All heritage or preservation requests to gift to Museums, Public Authorities or similar bodies must be sent to the appropriate Heritage Branch for their assessment of the proposal and recommendation as part of the approval stage. The Contact Points are:
PART A

Inventory and Supply Chain Management – Declaring and Gifting Surplus Assets

12.5. Further guidance on inventory and supply chain management, including the requirements for declaring equipment officially surplus, is contained in the Defence Logistics Framework via the Defence Gateway.

12.6. The Defence Logistics Framework may be found on the Defnet at the following link:

[defnet/HOCS/Pages/Defence Gateway]

Gate Guardians and Memorials

12.7. The conditions and requirements under which these items can be moved from their existing location may be found in JSP 800, Volume 3, Part 2 – Leaflet 24 at the following link:

[defnet/JFC/Pages/JSP800]

Gifting Material Excavated Under License From Crashed Military Aircraft Of Historical Interest

12.8. There are many groups and individuals whose interest is to locate and excavate the wreckage of crashed historical aircraft. It is an offence under the Protection of Military Remains Act 1996 to tamper with, damage, move or unearth any items at such sites, unless the Ministry of Defence has issued a licence authorizing such activity. As excavated material may well include the remains of the aircrew and their personal effects, as well as the aircraft wreckage, anyone wishing to conduct an excavation of such material is obliged to follow the applicable guidance that has been determined by the Joint Casualty and Compassionate Centre (JCCC), part of the Service Personnel & Veterans Agency:

[defnet/RAF/Docs3]

Export Controlled Equipment

12.9. Gifts of export controlled equipment made to a foreign government or end user must be assessed on a case-by-case basis against the Consolidated EU and National Arms Export Licensing Criteria. Guidance on this process is available through Arms Control and Proliferation Policy - the following link covers:

[defnet/Corp/DINSdefEquipment/2016DIN04-163 - Gifting Assessment Policy]
12.10. Detailed guidance on export licence assessment, including whether an export licence is required and how to apply, is available via the Department for Business, Innovation and Skills’ Export Control Organisation pages on the [www.GOV.UK](http://www.GOV.UK) website at the following link. This approval must be gained before financial approval is sought:


**United States or Other Foreign Transfer Requirements**

12.11. Guidance concerning ITAR/USML can be obtained from DES IRG2 Asst Hd, Tel 03067 930271.

**Ministerial Approval, Departmental Minutes and Written Ministerial Statements**

12.12. Guidance on seeking Ministerial approval, Departmental Minutes and Written Ministerial Statements is available on the Legacy Defence Intranet at the following link:


12.13. Further guidance on Written Ministerial Statements may be found in Managing Public Money, Annex 4.12 at the following link:


12.14. A process diagram and examples of a Departmental Minute, a Treasury Approval Submission, a Ministerial Submission and a Written Ministerial Statement are at Annexes 13 to 17.

**Payment of Import Duty**

12.15. Further guidance on the payment of import duty and waivers may be found in JSP 916 – MOD Tax and Duty manual – see link: [defnet/HOCS/Pages/JSP 916-MOD Tax and Duty Manual-Overview](http://defnet/HOCS/Pages/JSP 916-MOD Tax and Duty Manual-Overview).

**PART B**

12.16. A template letter for providing exceptional authority for a non-entitled Officer to present ceremonial gifts when representing a senior entitled Officer is at [Annex 21](http://Annex 21).
13 Grants and Grants in Aid

Managing Public Money

13.1. Further guidance on Grants and Grants in Aid (GIA) may be found in Managing Public Money, Annex 5.1 at the following link:

www.GOV.UK/government/publications/Managing Public Money/Annex 5.1

Further Guidance - The Difference Between a Grant and GIA

13.2. If empowered by legislation or the Appropriation Act, MOD may offer financial support to external bodies delivering or contributing towards Defence objectives through a GIA. A GIA provides more general financial support, usually for a Non Departmental Public Body (NDPB), with fewer specific controls over the way in which the funding may be used but more general controls on the recipient. Any agreement to make a regular payment to a body is probably a GIA rather than a Grant.

13.3. Where an organisation is in receipt of a Grant or GIA and is also receiving other financial support (e.g. provision of manpower, accommodation, IT or other facilities) it is not acceptable to offset the cost of providing such services against payment of the Grant or GIA. Such an agreement is not transparent and conceals the true value of MOD financial support to the organisation.

13.4. Any services provided to a third party must be charged for in accordance with Chapter 19 – Charging. Once the charge has been set, it is acceptable for the Grant or GIA to include funding to allow the organisation to pay the charges levied by MOD.

13.5. The decision whether to pay a Grant or to provide a GIA depends primarily on the level of control which the MOD is required, or wishes, to exercise over the related expenditure and the regularity of funding.

13.6. For example, under a Grant, the MOD might decide to fund the purchase of artefacts by a museum. The MOD would issue the Grant as the museum acquired each item, and evidence of the purchase price would be required before individual payments were made. The museum would not have uncommitted funds in hand, nor would it be allowed to carry over the Grant at the end of the year.

13.7. Under a GIA, MOD would issue the funds in full or by instalments during the Financial Year, the timing and amounts of which would reflect the need for funds. The museum would have discretion over the spending of that money within the general framework of controls agreed between it and MOD, as set out in a Financial Framework (FF). A GIA should only be considered where the organisation is clearly able to manage and account for the funds itself.

Template Form of Grant Agreement

13.8. TLBs must ensure that Grants have been spent in accordance with the terms of the Grant, for which a formal Agreement must be drawn up and kept up-to-date. The Agreement should contain as much detail as necessary of what is to be provided, when it is to be
provided, and when payment is due, and of invoicing requirements. The aim is to produce a clear understanding between MOD and the recipient to enable both parties to meet their commitments. This is particularly important when the recipient of the Grant is a Third Sector organisation.

13.9. A template Form of Agreement to cover the payment of a Grant is at Annex 22.

Further Guidance - TLBs’ Responsibilities for GIA

13.10. TLBs’ responsibilities include:

   a. ensuring that there is appropriate statutory authority for the GIA;
   b. ensuring that a GIA is not paid in advance of need;
   c. ensuring that Treasury approval is obtained for each new GIA or change to an existing one;
   d. ensuring that provision for expenditure on GIA is made in the Annual Budget Cycle (ABC) and in Supply Estimates;
   e. agreeing a formal Financial Framework (FF) document for the payment of a GIA;
   f. ensuring that any FF document is compliant with any law which may apply to the organisation being funded;
   g. imposing suitable conditions on the payment of a GIA to be used to acquire or improve Capital Assets;
   h. appointment of an Accounting Officer (AO) for the organisation receiving the GIA.

Financial Framework (FF) Document

13.11. A template FF document, to be used for all charities funded through GIAs, is at Annex 23. It may be adapted to suit the circumstances of individual organisations by following the guidance notes included in the Annex.

13.12. The FF document has been adopted from the Framework Document provided within Managing Public Money. Further information may be found at the following link:

13.13. It should be stressed that each recipient body will be slightly different from the next, and thus the conditions contained within FF documents may be different too. For NDPBs that are not charities the FF document in Annex 7.2 of Managing Public Money should be used.

Further Guidance - Conditions Attached to Payment of GIA

13.14. The conditions attached to a GIA are dependent on the nature of the recipient body and the level of control which MOD wishes, or is able, to apply. For a non-charity NPDB,
which is created by MOD to undertake specific tasks at arm’s length, the level of control is very high: generally, the Secretary of State may dictate the overall policy, appoint the majority of the Board, and wind it up.

13.15. For charities, which are legally independent, the control is exercised only through specifying what GIAs may be used for and placing limits on that use, within the objects of the charity as identified in its charter or deed of trust. Compliance with general procedures such as those set out in Managing Public Money is also required.

13.16. The MOD sponsor must specify to the recipient body in the form of a FF the conditions under which a GIA is made, which must include:

a. the designation of an AO for the organisation. The senior full-time official (Chief Executive (CE) or equivalent) will normally be designated as AO and receive a Letter of Appointment from PUS. Further information on Letters of Appointment is given below;

b. a clause stating the agreement must be reviewed at least every five years. A new FF must be signed when a new CE is appointed, even if this happens prior to the expected renewal date;

c. the aims, objectives and performance targets for use of the GIA;

d. the procedures to maintain adequate safeguards against fraud and theft;

e. the annuality of the GIA (subject to any longer term agreements with third sector organisations). Any GIA not paid to a recipient body by the end of the financial year will lapse, but any unspent GIA may be carried over to the following year but the amount of funding requested must be reduced in the following financial year. TLB Budget Teams and Governance Teams must monitor any unspent GIA;

f. to ensure that recipient bodies do not build up unacceptably large cash balances, TLBs should ensure that GIA is not paid in advance of need. Payments may be used on estimates of future funding requirements but actual expenditure of GIA must be subsequently captured and scrutinised;

g. the phasing of payments. Where a GIA is for a significant amount and designed to meet expenditure accruing at intervals during the year, it should be paid in instalments in accordance with need to ensure that recipients do not build up reserves of unspent cash and that tax payers money is being used efficiently and effectively;

h. the equitability of remuneration. Pay and allowances should not be more favourable than those in MOD;

i. insurance and indemnities;

j. gifts, grants and loans;

k. the presentation of accounts.
13.17. TLBs must ensure that GIAs are given/paid out on the basis of evidence of requirement before any money is received (making sure that up to date FF documents are in place, etc) as opposed to a routine transfer. TLBs should ensure that GIAs have been spent in accordance with the terms associated with GIA, i.e. only on those things specified in the agreement.

13.18. The controls which might be applied to a NDPB are similar to those applied to Government Departments. The following additional controls would need to be included:

   a. compliance with general procedures such as those set out in Managing Public Money, Annex 5.1;
   
   b. staff numbers and grading – pay, superannuation, allowances and conditions of service must not be more favourable than those in MOD;
   
   c. competitive letting of contracts;
   
   d. scrutiny of plans and monitoring of performance supported by the formal presentation (by specified dates) of the ABC, forecasts, management plans and statement of accounts;
   
   e. need to obtain MOD approval before incurring any wide variation between types of expenditure or any new commitment outside the terms of the GIA;
   
   f. relationship between the level of GIA payments and the level of receipts, and whether surplus receipts can be retained or used to abate a GIA;
   
   g. the requirement for an Investment Appraisal for all capital expenditure;
   
   h. subsidiary companies and organisations;
   
   i. internal and external audit.

**Letter of Appointment - Accounting Officer**

13.19. The senior full-time official (Chief Executive (CE) or equivalent) will normally be designated as the AO for the recipient body of a GIA. PUS will send a Letter of Appointment to the CE setting out the responsibilities of an AO. For smaller organisations there may be no formal designation, but the senior full-time official will still be regarded as the AO.

13.20. A model AO Appointment may be found at Annex 24.

13.21. Further guidance on the role of AOs may be found in Managing Public Money at the following link:

www.GOV.UK/government/publications/Managing Public Money/Chapter 3.2.3
Budgetary Arrangements for the Payment of Grants and Grants in Aid

13.22. Expenditure on Grants or Grants in Aid scores against Capital or Resource DEL as appropriate. However, special arrangements apply for payments to Arms Length Bodies (ALBs) which are within the MOD accounting boundary. These are:

a. Royal Hospital Chelsea.
c. RAF Museum.
e. ABF The Soldiers Charity.
g. Council for Reserve Forces and Cadets.

13.23. The spending of these bodies is now consolidated into the MOD Estimates and Accounts. The AOs of these bodies remain responsible however for the regularity, propriety and value for money of their expenditure.

13.24. The ALBs are fully subsumed into the MOD’s budgeting and estimating processes. Their resource consumption and capital expenditure score in the Department’s Resource and Capital DEL in the same way as the Department’s own spending. The net expenditure (gross expenditure less negative DEL) of the ALB (excluding any Grant/GIA paid by the Department) is recorded in the Estimate as Voted DEL. Any additional expenditure by an ALB in excess of the Estimate represents an overspend to the DEL Budget (unless it is offset in year by additional income – negative DEL) which will have to be absorbed by the parent TLB. Similarly, any decision to increase the size of the Grant/GIA paid to an ALB will also have to be offset elsewhere within the TLB’s DEL Budgets.

13.25. The Treasury categorises income/receipts as either ‘negative DEL’ or ‘other’. Where an ALB receives income that is not negative DEL, the Department will either arrange for the ALB to surrender the cash (via the Department) to the Consolidated Fund or allow the ALB to retain the cash on condition that the total is offset by a reduction in the cash Grant/GIA. Income that is not negative DEL does not convey spending authority. In addition, should the Grant/GIA plus any additional income (negative DEL) exceed the overall in year expenditure by the ALB, the Department may consider reducing the size of the Grant/GIA paid. Any additional income generated in year will enable the ALB to increase levels of in year expenditure. Income cannot be carried forward for budgeting purposes and consequently should the additional planned expenditure slip into future years, this may create an overspend for which the parent TLB will again have to identify compensating offsets. The Department may also consider adjusting the timing of Grant/GIA payments should they differ significantly from the expenditure profiles for the ALB. Allowing an ALB to build up large reserves arising from the early release of Grant/GIA payments is discouraged.

13.26. With the exception of the Fleet Air Arm Museum, the total position for each of the ALBs will be consolidated in the MOD Annual Report and Accounts (ARAc). This includes any trading arms regardless of whether they are separately categorised as Public
Corporations. When preparing the consolidated accounts, total expenditure by the Department and total income for the ALB are both reduced by a sum equal to the amount paid as a Grant or GIA by the Department.

**Additional Points of Contact**

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<th>Point of Contact</th>
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<td>DBS-SDS INPUT Team (MULTIUSER)</td>
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<td>DBS RES-Pens-SysAcct</td>
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<td>DJEP-CLCP-SCO Policy</td>
<td>Advice on Indemnities – Directorate Judicial Engagement Policy, Common Law Claims &amp; Policy, Senior Claims Officer</td>
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14  

Regularity and Propriety in Public Expenditure

Managing Public Money

14.1. Treasury guidance on regularity and propriety in public expenditure may be found in Managing Public Money at the following link:

www.GOV.UK/government/publications/Managing Public Money

Tri-Service Operational and Non-Operational Welfare Policy

14.2. Further information on Tri-Service operational and non-operational welfare policy may be found at the following link:

defnet/Army/Docs8/JSP 770 - Tri Service Operational and Non Operational Welfare Policy

Acceptance of Gifts and Hospitality by Service and Civilian Staff

14.3. Further information on the acceptance of gifts and hospitality by Service and Civilian staff may be found at the following link:

defnet/HOCS/Pages/Gifts, Rewards and Hospitality

The use of Public and Non-Public Funds on the Defence Estate

14.4. Specific guidance on the policy to be applied when considering the use of public and non-public funds on the Defence Estate is at Annex 25. Further information on Contingent Liabilities and Service Accommodation scaling may be found at the following links:

defnet/HOCS/Pages/JSP 472 Financial Accounting and Reporting Manual
defnet/DINSJSPS/JSP 315 - Building Performance Standards (BPS)
defnet/DINSJSPS/JSP 362 - Defence Lands Handbook - Chapter 15 - Public Use of MOD Property for Social Recreational or Commercial purposes

The Bribery Act 2010


Related MOD Policy

14.6. Further information on the MOD’s policy on fraud, theft, corruption, bribery and irregularity, and the giving and receiving of hospitality may be found at the following links:
14.7. Specific guidance on conflict of interest is at Annex 27. Further information relating to conflicts of interest in relation to Trustees of Charities may be found at the following link:

www.GOV.UK/Manage a Conflict of Interest in your Charity-Detailed guidance

Training

14.8. All staff should have the necessary skills to manage activities and risk in line with good business practice and ensure compliance with Parliamentary, Treasury and Departmental governance policies. All staff are encouraged to attend the ‘Governance’ training course run by the Defence Academy.
15 Official Hospitality (OH)

Types of Working Function

15.1. The table at Annex 31 details what may be offered at public expense as part of or to support various working functions.

Inadmissible Incidental Costs

Party Entertainers

15.2. Any performer(s) (musical or other) engaged to perform at an official hospitality function that requires payment for their services is deemed a ‘party entertainer’ and therefore an inadmissible incidental cost. The cost of engaging the performer(s) is to borne by the host and co-hosts.

15.3. Where the performers are one of the service bands and the event is classed as a FINCAT 1 i.e. no additional charge to the public purse, they are not party entertainers. JSP 813, Article 0215b and Article 0423 refer:

defnet/DINSJSPS/JSP 813 - Instructions for Service Bands and Military Musicians

   a. 0215b. Official Services parades or events endorsed by a Command, Formation or Unit Commander, on behalf of an affiliated/own-Service Unit, Establishment or Corps.

   b. 0423. FINCAT 1 remuneration. With the exception of official mess functions, costs lie where they fall for FINCAT 1 engagements. Official mess functions that qualify as FINCAT 1 (see 0215-d) must be publicly funded using the requesting Unit’s UIN.

15.4. Where the event cannot be classed as a ‘FINCAT 1’ a business case should be raised for the Deputy Finance Director’s consideration at the planning stage. No commitments should be made until the Deputy Finance Director’s approval has been obtained.

15.5. A business case should also be raised for the Deputy Finance Director’s consideration if the performer’s costs are to be met via the commercial sponsorship route. See JSP 462 Chapter 7 for guidance regarding sponsorship.

Other Annexes covering Official Hospitality

15.6. Other Annexes covering Official Hospitality (OH) include Annex 29 - Defence Activity that may be supported by OH; Annex 30 - Types of Hospitality; Annex 32 on Indicative Rates and Annex 33 – High Level Official Hospitality Instructions for use by the Protocol Office.

Form to be used for Prior Authorisation and Claim for Reimbursement of Official Hospitality Expenditure
defnet/HOCS/MOD Form 1199 (NOTE: On clicking on the link and accessing select 'Edit in Word' within Top Toolbar - you will then be able to edit the form accordingly - the same is applicable to link below covering MOD Form 1199A)

Form to be used for Prior Authorisation for Working Functions

defnet/HOCS/Docs3/MOD Form 1199A
16 Seasonal Festivities

Reference the Family Welfare Grant

16.1. For more information regarding the Family Welfare Grant for family activities which enhance morale see JSP 770 - Tri Service Operational and Non Operational Welfare Policy, Part 2, Chapter 1, Annex N (esp. Para 10) on Defnet at the following link:

defnet/DINSJSPS/JSP_770_Part_1: Guidance - Tri-Service Operational and Non-Operational Welfare Policy
17 Third Sector Funding

17.1. Further information on financial relationships with the Third Sector can be found at the following links:

www.GOV.UK/government/publications/Managing Public Money – see in particular Chapter 7 ‘Working with others’.

www.civilsociety.co.uk (previously Office of the Third Sector)

17.2. The Treasury publication ‘Guidance to Funders and Purchasers’ is also relevant to Third Sector funding and may be found at the following link:

www.webarchive.nationalarchives.gov.uk/hm-treasury.gov.uk/spend_ccr_guidance
Consultancy

Cabinet Office Controls

18.1. Further information on Cabinet Office controls regarding the use of consultants within Government, including definitions and submission template, may be found on the Gov.uk website at the following link:

www.GOV.UK/government/publications/cabinet-office-controls

TLB/ALB Consultancy Focal Points

18.2. TLB and ALB Consultancy Focal Points are given below and should be contacted in the first instance when use of Consultancy is proposed. They can provide advice and guidance so that clear understanding can be gained of the end-to-end process requirements/timescales for obtaining approvals and contract placement, verifying the correct Consultancy category and Resource Accounting Code (RAC) for costs to be booked to and for assistance in preparing and submitting business cases:

<table>
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<tr>
<th>TLB/ALB</th>
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<tr>
<td>Air Command</td>
<td>Air-DResFin ASAT C2d</td>
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<tr>
<td>Defence Electronics &amp; Components Agency</td>
<td><a href="mailto:Paul.Woodworth@deca.mod.uk">Paul.Woodworth@deca.mod.uk</a></td>
<td>95541 7509</td>
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<tr>
<td>Defence Equipment &amp; Support</td>
<td>DES Fin FA-FRET FG <a href="mailto:DESFinFA-FRET-BTEFinGov@mod.gov.uk">DESFinFA-FRET-BTEFinGov@mod.gov.uk</a></td>
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<tr>
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<td>9621 89122</td>
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<td>Defence Infrastructure Organisation</td>
<td>DIO Fin-Ops Cent AH</td>
<td>07769 670687</td>
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<td>DSTL</td>
<td><a href="mailto:nbromly@dstl.gov.uk">nbromly@dstl.gov.uk</a></td>
<td>01980 952241</td>
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<tr>
<td>Head Office &amp; Corporate Services</td>
<td>HOCS Fin-Governance</td>
<td>9621 82753</td>
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<td>Hydrographic Office</td>
<td><a href="mailto:Catherine.Porter@UKHO.GOV.UK">Catherine.Porter@UKHO.GOV.UK</a></td>
<td>01823 483758</td>
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<tr>
<td>Joint Forces Command</td>
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<td>Navy Command</td>
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18.3. Terms of Reference for TLB/ALB Focal Points are at Annex 34.

18.4. A table identifying categories of Consultancy and associated Resource Accounting Codes (RACs) is at Annex 35.
Alternative Resourcing Mechanisms

18.5. Before resorting to Consultancy, managers must consider whether any other resourcing mechanisms, e.g. secondment, would be more appropriate and offer better value for money. Options might include:

a. not undertake the task (i.e. do nothing);

b. redistribute the work amongst existing personnel;

c. use overtime;

d. divert resources from elsewhere by delaying or removing lower priority tasks;

e. utilise personnel from the Redeployment Pool;

f. rearrange the task to match the capabilities of the existing resources;

g. consider the use of Service personnel;

h. ensure that similar work is not already being undertaken elsewhere in the Department, either by MOD staff or external staff;

i. borrow Civilian or Service staff from elsewhere;

j. if the task is ongoing, consider whether a post should be established;

k. consideration should also be given, if a decision is taken to procure Consultancy, to a partial delivery of that requirement by internal resources.

Trade Union Engagement

18.6. Trade Unions are to be engaged about all Consultancy Assistance proposals, Guidance about the appropriate level of engagement needed, i.e. informing, consulting or negotiating is available from Defnet at the following link:

defnet/HOCS/Pages/Understand and Operate the Trade Union Engagement Process

Timescales for Contract Action

18.7. Sufficient lead time must be anticipated to permit the award of contracts by Defence Commercial.

18.8. The following procurement routes will take approximately 4 weeks from receipt of all documentation:

a. ConsultancyONE (for requirements valued between £100K and £2M);

b. standalone non-competitive and competitive tender value below the advertising threshold, i.e. £10K.
18.9. For contracts valued between £10K and £113,057 which are NOT awarded under the above arrangements, the following timescales will apply:

a. standalone non-competitive – 4 weeks;

b. standalone competitive – 4 weeks.

18.10. For contracts value in excess of £113,057, which are NOT awarded under the above arrangements the following timescales will apply:

a. standalone non-competitive – 4 weeks;

b. standalone competitive – 22 weeks – see breakdown of timescales below;

c. preparation, dispatch and publication of adverts in the Official Journal of the European Union (OJEU) and, for requirements in excess of £10K, the MOD Bulletin – 6 weeks;

d. issue and return of pre-qualification questionnaires to potential tenderers – 3 weeks;

e. evaluation of expression of interest – 1 week;

f. tender preparation – 2 weeks;

h. tender evaluation – 1 week;

i. contract award;

j. standstill period – 2 weeks;

k. total time from receipt of requisition to contract award – 22 weeks.

Resourcing Activities NOT Classed as Consultancy

18.11. Further guidance on resourcing activities which are not classed as Consultancy is at Annex 36.

Exemptions from Cabinet Office Controls

18.12. Certain types of legal consultancy are exempt from Cabinet Office controls on the use of consultants. These are:

a. legal advisory services provided by counsel (barristers);

b. legal services relating to civil or criminal litigation;

c. legal disputes (including disciplinary, regulatory or tribunal matters), inquires or any matter of a contentious nature.
Internal Business Case Template

18.13. A bespoke template for seeking the required internal approval of a Consultancy Business Case is at Annex 37. This must be used for all cases where the value exceeds £20,000.

Cabinet Office Expenditure Request Template

18.14. A copy of the Template may be found within the ‘Cabinet Office Controls’ on the Gov.uk website at the following link:

https://www.gov.uk/guidance/consultancy-spend-controls

18.15. For expediency it is advisable to complete the Template whilst the internal Business Case is being staffed, and refine it subsequent to any issues arising from the Business Case approval phase.

18.16. All areas of the Template must be completed, drawing upon the contents of the internal Business Case where appropriate. Where particular questions are not applicable to the case type, a clear statement reflecting that must be made. As part of the drive to improve efficiency there is increased scrutiny of Consultancy requirements by the Cabinet Office. They wish to ensure that:

   a. the use of internal resources has been fully investigated and discounted before proceeding;

   b. where Consultancy is engaged, skills transfer is an integral part of the arrangement where appropriate, and any exceptions are to be fully explained within Business Cases;

   c. there is a clear return on investment for any Consultancy.
19  Charging

Introduction

19.1. Chapter 19 Part 1 sets out the Department's policy for charging for goods and services to internal and external customers and to staff groups for certain welfare services. This guidance provides more detail about how to consider charging for some specific but commonly occurring events across the MOD:

a. Supplies and services to Warships and auxiliaries of foreign governments.
b. International Defence Training.
c. Landing and Parking Fees for Civil Aircraft.
d. Establishing a Memorandum of Understanding (MOU) for the provision of services to other governments.
e. Non-News Media.
f. Military Assistance in the UK and Overseas.
g. Staff engaged as Official Speakers.
h. Charging Members of Parliament.
i. Charging for childcare facilities.
j. Charging associated with Government/MOD-arranged events.
k. Charging associated with MOD attendance at commercial events.

19.2. At the end of this section there is also guidance on establishing arrangements for the loan or secondment of service and civilian personnel.

Income Generation

19.3. Where irreducible spare capacity exists there is scope to generate income through charging arrangements with other public sector bodies, foreign governments or the private sector; see Chapter 20 of this JSP.

Supplies and Services to Warships and Auxiliaries of Foreign Governments

19.4. Foreign government vessels visiting UK Government-owned naval bases (Portsmouth, including the Sea Mounting Centre at Marchwood, Faslane, Devonport, Rosyth and Gibraltar) should be charged for services received from MOD, including those provided by defence contractors. In accordance with Memoranda of Understanding with Germany, France, Canada and the Netherlands these charges may be reduced or waived.
in accordance with International Courtesy Rules; these are available from Navy TLB who also have the responsibility for arranging ships visits.

19.5. International Courtesy Rules do not apply to Operational Sea Training where Navy Command operate a dedicated reciprocal voucher system. The current supplement, of the ‘International Courtesy Rules and Operational Sea Training Booklet’ can be found at:

defnet/MOD/Docs1/International Courtesy Rules and Operational Sea Training Booklet

19.6. A quarterly return from MOD-owned ports is to be provided to DFinStrat-FMPA-ATM-CFAT2 for inclusion in the Annual Report & Accounts (ARAc), detailing the number of cases and value of services provided to visiting warships under International Courtesy Rules.

International Defence Training

19.7. The principle purpose of International Defence Training is to enable the MOD to achieve its international security cooperation policy objectives, as directed by Security Policy & Operations. JSP 510 (see: defnet/DINSJSPS/JSP 510 - Part 1: Directive International Defence Training; defnet/DINSJSPS/JSP510 - Part 2: Guidance International Defence Training) provides the policy for delivery, marketing and management of International Defence Training.

Cost-Shared Training Establishments

19.8. When two or more NATO nations agree to the establishment and operation of a joint training facility in order to meet shared training requirements, the arrangements for financing the facility are contained in STANAG 6025 – Financial Principles And Procedures For The Provision Of Support And The Establishment Of Multinational Arrangements. Specific arrangements for each establishment will need to be set out in a Memorandum of Understanding (MOU). The technical implementation and financial management of such a project is vested in a finance committee on which all the user nations are represented.

19.9. Expenditure borne by the host nation in respect of a cost-shared training establishment is charged in total to a training establishment budget, and the shares appropriate to each user are determined in accordance with the MOU. When the UK is the host nation, budgets and final accounts are prepared by the relevant D Res.

Operational Sea Training

19.10. Operational Sea Training (OST) is provided to overseas forces and other authorities, usually on a charging basis. In addition to the normal repayment mechanisms, for Operational Sea Training Charges and associated Naval Base support there is a reciprocal mechanism called the Operational Sea Training Credit Scheme operated by Navy Command for the exchange of training assets and/or support services.

19.11. The current OST charging arrangements are contained in a separate supplement, and can be found in the International Courtesy Rules and Operational Sea Training Booklet – see: defnet/MOD/Docs1/International Courtesy Rules and Operational Sea Training Booklet.
Landing and Parking Fees for Civil Aircraft

19.12. The following guidance applies to landing and parking fees at MOD airfields. It sets out the conditions under which the D Res may abate these fees and, exceptionally, waive them. It should be read in conjunction with: LegacyDefence Intranet/Reference/DINs and JSPs/Use of Military Airfields by British and Foreign Civil Aircraft. Chapter 7, and that chapter’s Annexes A to H, contain details of special charging arrangements and the criteria for abating costs in specific incidences (known as standing waivers/abatements). The Insurance Indemnity Administration Charge, where applicable, may not be waived or abated.

Charges

19.13. The Department’s landing fees, which are determined by Air Command, are set out in ‘Use of Military Airfields by British and Foreign Civil Aircraft’, Annex A to Chapter 7. Throughout the following guidance these charges are referred to as the ‘standard charge’.

19.14. In order to reflect local market conditions, Directors of Resources may allow units to set their own landing and parking fees. Such fees must be based on a robust calculation of the full costs of providing landing facilities at that unit, and should include any off-unit costs such as security vetting. The locally determined fees must not leave MOD bearing a loss. Records of how the local fees were calculated must be retained for audit purposes.

19.15. Units wishing to set their own landing fees must submit a business case to their D Res through their budgetary chain. Units should implement either the standard charge or their own approved local fees. They may not apply a mixture of both as the unit’s customers should not be treated differently (Para 7.9 of ‘Use of Military Airfields by British and Foreign Civil Aircraft’ refers).

19.16. Providing commercial services using resources acquired with public funds could disturb or distort the fair operation of the market, especially where the public sector provider might be in a dominant position. Therefore, units setting their own fees must respect competition law. This, amongst other things, forbids charging very high prices that may exploit market power or very low prices that may exclude competitors. See Managing Public Money www.GOV.UK/government/publications/Managing Public Money, Chapter 6. Where a unit has set its own fees they must still abide by the following guidance, substituting the locally determined fees for the ‘standard charge’.

Abatement

19.17. The D Res may authorise an abatement of charges for the use of MOD facilities. However, in the case of landing and parking fees the minimum charge should be no lower than 25% of the standard charge, or the marginal costs, whichever is the highest. The D Res may not abate the Indemnity Administration Charge (IAC).

19.18. Aircraft weight has a negligible effect on MOD’s marginal costs, yet to avoid unfairly competing with the commercial sector the standard charge must increase with aircraft weight. The difference between the standard charge and marginal costs increases
significantly as aircraft get larger. Consequently, so does the potential scope for abatement. However, the benefits to MOD do not necessarily increase with the weight of aircraft and could become disproportionate to the sum being waived. The limitation of abatement authority to no lower than 25% of the standard charge, or the marginal costs, whichever is the highest, is designed to minimise that risk.

Full Abatements/Waivers

19.19. The D Res may, exceptionally, fully abate landing and parking fees where the conditions set out in Paragraph 19.20e are met, and the aircraft weighs no more than 15 tonnes. This full abatement authority applies only to casual civil use, and does not include other airfield charges such as use of buildings, fuel and utilities etc. Any proposal to fully abate charges for aircraft weighing more than 15 tonnes, or for regular or long term use (more than 12 visits in a 12 month period) should be referred to DFinStrat-FMPA-FinPol-AHd-2. The Indemnity Administration Charge (IAC) is not chargeable in this instance, because the benefit to MOD is so overwhelming that it is justifiable for the Department to cover the potential liability.

19.20. All abatements must abide by the following principles:

a. a decision to abate or waive charges must be treated as the equivalent of a decision to spend money;

b. each individual landing must directly contribute to the pursuit of a Defence objective. That contribution must be commensurate with the sum being waived;

c. abatements should not be granted as a reward for individuals or groups in reciprocation of allowing MOD to use their facilities or expertise, or as an inducement to allow such use in the future. No club, guild, charity or association, including those which are Service or ex-Services related, is automatically entitled to a full abatement of airfield charges unless they are listed in the standing waivers set out in ‘Use of Military Airfields by British and Foreign Civil Aircraft’ Annex F to Chapter 7. However, where individuals or groups have been invited to visit a MOD airfield in order that we may enlist their participation in achieving a Defence objective, landing and parking fees may be abated for the duration of that visit;

d. charities, whether Service related or otherwise, are not entitled to an abatement by dint of their charitable/not for profit status. They are to be treated like any other outside body seeking to use MOD’s facilities;

e. where the benefits of a landing are exclusive to MOD, or the overwhelmingly larger share of mutual benefits falls to the Department, and not to the user, a waiver may be appropriate. Where the mutual benefits are evenly balanced, or are in favour of the user, consideration should only be given to abating a proportion of the charges.

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1. 15 tonnes is the average weight of civil aircraft landing at MOD airfields.
2. As defined in Use of Military Airfields by British and Foreign Civil Aircraft.
Military Aid to the Civil Community & Air Ambulances

19.21. The MOD does not charge landing and parking fees for Military Aid to the Civil Community (MACC) Category A tasks. These comprise ‘emergency assistance to the civil authorities in times of emergency such as natural disasters or major emergencies’ (See Joint Doctrine Publication 02 - Operations in the UK: The Defence Contribution to Resilience). Please see ‘Use of Military Airfields by British and Foreign Civil Aircraft’, Chapter 7 and Annex F to Chapter 7 for special arrangements concerning Air Ambulances.

Insurance

19.22. The Indemnity Administration Charge must be raised for Civil Users of MOD airfields except where landings directly contribute to the pursuit of a Defence objective and a waiver is granted in accordance with ‘Use of Military Airfields by British and Foreign Civil Aircraft’ Chapter 7, Annex F. DJEP – CLC&P should be consulted if there is any doubt as to the applicability of the charge.

Process & Reporting

19.23. Directors of Resources may delegate their authority to abate charges. Should they do so, robust procedures should be put in place to ensure that decisions are only made by those with appropriate authority. Those granted such authority are to be conversant with this guidance.

19.24. A record must be maintained of each decision to abate charges. This record must contain the details of the user, the standard charge which would usually apply, and the charge actually levied. It must also list those benefits to the Department that justify the full abatement of the standard charge. Such records will be subject to periodic audit.

Table of Examples

19.25. A table giving examples of where to apply each charging regime or abatement is provided below (examples apply only to landing & parking fees):
<table>
<thead>
<tr>
<th>Full Charge</th>
<th>Partial abatement</th>
<th>Full abatement</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Any landing for private purposes and/or where there is no Defence benefit.</td>
<td>- Where there are mutual benefits that fall equally to MOD and the user.</td>
<td>- Any aircraft transporting people from a place of danger to a place of safety, or otherwise engaged in a rescue operation where lives are at risk.</td>
</tr>
<tr>
<td>- Any landing undertaken for hire or reward.</td>
<td>- Where there are mutual benefits, but the benefits to the user exceed those to MOD, or represent a substantial minority share of benefits.</td>
<td>- Civil aircraft attending the Military Civil Air Safety Days organised by the Defence Aviation Safety Centre.</td>
</tr>
<tr>
<td>- Other Government Departments, Police and Local Authorities (but see Joint Doctrine Publication 02 - Operations in the UK: The Defence Contribution to Resilience – Section 6: Funding Arrangements).</td>
<td>- Persons visiting a MOD airfield to provide a service, for which they are not charging MOD, e.g. guest lecturers. Valid only for the duration of the visit. Such visits must be in connection with official MOD business, not social occasions or charity events.</td>
<td></td>
</tr>
<tr>
<td>- Charity events where there is no Defence benefit.</td>
<td>- Aircraft conducting non-emergency patient transfers, e.g. private air ambulances repatriating UK residents with non life-threatening injuries.</td>
<td>- Landowners flying in to attend a presentation at which they will be invited to allow MOD to use their land for Departmental objectives only. Valid only for the duration of the visit.</td>
</tr>
<tr>
<td>- Emergency Landings in accordance with the Strasser Scheme.</td>
<td>- The benefits of a landing are exclusive to MOD, or the overwhelming larger share of mutual benefits falls to the Department and not to the user.</td>
<td></td>
</tr>
</tbody>
</table>

**Establishing a Memorandum of Understanding (MOU) for the provision of services to other governments**

19.26. This guidance on Memoranda of Understanding covers financial arrangements where the Department is providing services or facilities to other nations. At the end of this section there are examples of the financial conditions which may be used in the MOU.
Financial Commitment

19.27. Any financial commitment for an MOU must be properly resourced and funded and the relevant Directors of Resources must be consulted for their approval, to advise of the risk of any claims and liabilities, to ensure funding is available and if necessary to raise the required business case. Following D Res approval, discussions for providing logistic support, supplies or services may take place with participating nation(s). D Res must be consulted where proposed financial arrangements may differ from those approved.

19.28. Managing Public Money requires charging of full costs. Where there is a reciprocal exchange, the expectation is to recover the full cost of any logistic support, supplies or services provided by payment of support or services etc. in exchange of equal value. These exchanges need to be monitored and if there is no reciprocity the full cost charges must be raised. If the reciprocal support, services etc. have been provided to another D Res, a budgetary transfer must be made to equalise the situation.

19.29. There are illustrative sets of MOU conditions at the end of this section – one minimal and the other more detailed:

a. if the MOU is intended to be general i.e. varied logistical support over five years, the minimal conditions in Annex 38 must be incorporated in the main body of the MOU and the more detailed conditions at Annex 39 should be included in any specific Implementing Agreement (IA), Technical Arrangement (TA), Letter of Arrangement (LoA), Joint Implementing Arrangement (JIA) etc. as each request arises;

b. if the MOU is intended to address a particular arrangement i.e. a short term exercise, the longer MOU should always be used - Annex 39.

19.30. Financial policy guidance is liable to change and a clause must be included detailing a duration for the arrangement e.g. three years from date of signature.

Recovery of less than full cost

19.31. There may be occasions where there is a benefit to MOD and action is proposed to charge less than full cost. A business case will need to be raised to the D Res. If abatement exceeds the D Res delegated authority, such cases should be referred to Treasury and FMPA consulted.

Personnel exchanges

19.32. Where arrangements involve the exchange of personnel, the parent nation (the home nation of the exchange personnel) is responsible for the pay and allowances of its personnel, as well as their incidental expenses including those of dependants. The host nation is only responsible for reimbursing those actual expenses that are incurred as a result of the tasks it assigns to exchange personnel e.g. detached duty.

Commercial contracting
19.33. No services or commitment to any commercial contracts may be undertaken by or on behalf of the MOD without prior agreement of the other nations. For supplies, equipment or services obtained directly from commercial sources, payment must be required prior to departure from the territory unless otherwise contractually determined between the participants and the contractor.

**Taxes, duties & other charges**

19.34. In so far as existing laws, regulations and international agreements permit, participating nations should ensure that readily identifiable taxes, customs duties and similar charges are not levied. Bank charges, and any other applicable charges, may be borne by the participating nations as appropriate. Further guidance on VAT is available within JSP 916 – MOD Tax and Duty manual – see links: defnet/HOCS/Pages/JSP 916-MOD Tax and Duty Manual-Overview.

**Invoicing**

19.35. When negotiating payment, the participating nations should agree the currency to be applied. Where MOD is supplying services, it must raise invoices for submission to participating nations. The invoices should itemise the charges for the various logistic support, supplies or services being billed with accompanying evidence of receipt. Arrangements for the settlement of invoices should be detailed in the Implementing Arrangements (IA), Technical Arrangements (T.A), Letter of Arrangement (LoA) etc.

19.36. Generally, the settlement of invoices should be made in accordance with STANAG 2034. However, in instances where you are negotiating with non-NATO nations, the shortest possible timescale should be sought. This should be agreed by all Participants. Late payments may attract interest where permitted under national law.

**Audit**

19.37. It is important that records of all transactions are maintained in accordance with the relevant accounting procedures. Auditing functions may be exercised by the host nation or the agreed financial body. The results of these audits may be provided, upon request, to the participating nations.

**Drafting the Memorandum of Understanding (MOU) Financial Section**

19.38. When the MOU has been agreed between participating nations, if the main body of the MOU contains the minimal financial guidance, the Implementing Arrangement (IA), Technical Arrangement (TA), Letter of Arrangement (LoA) etc. should be drafted to reflect the agreed detailed funding arrangements. Annex 39 gives guidance on the types of clauses that could be used in the drafting process.

19.39. Further guidance on MOUs in general is incorporated within the MOU Handbook, located on the Defence Equipment & Support International Relations Group website (see link end of this Chapter).

**Non-News Media Coverage**
19.40. It is common for MOD to receive requests from media organisations for the use of MOD people/assets for non-Defence related broadcasts. Often, such requests may support the Department’s objective to enhance reputation, but in general Defence resources are not to be diverted from planned Departmental tasks to meet media demands. Non-News Media projects are not funded from the Defence budget and charges are to be raised for resources consumed. Exceptionally, charging can be waived or abated where projects supporting key communication priorities are at risk of being lost. It is important to distinguish between non-news media projects which are primarily for the purpose of income generation (see Chapter 20), and those whose objective is primarily to promote and enhance the reputation of the MOD and the armed forces.

19.41. The Director of Defence Communications (DDC) is responsible for the promotion of Defence reputation, and units should consult with that organisation on any approaches from media companies. There are many such requests, and a response often has to be given at short notice.

19.42. The D Res is responsible for the use of assets and resources to meet the TLB’s core business objectives. Where a programme maker requests the use of assets and resources, no commitment may be given without the express approval of the D Res. Where the programme maker approaches Director of Defence Communications (DDC) directly, the D Res must be consulted before a final decision to proceed is made.

19.43. Requests for support to media projects require input from media and communications staff, finance staff, commercial staff, and the Defence Infrastructure Organisation. To help manage the process, business case and Project Proforma templates should be completed – examples are provided at Annex 40 and Annex 41.

19.44. In dealing with individual media requests of this kind, the following guidance should be followed:

a. it must be made clear at the outset to those who approach MOD wishing to make programmes etc. that we shall be charging for our services;

b. it is then necessary to establish what the full cost (and marginal cost for internal accounting purposes) for those services should be;

c. if full-cost recovery is deemed not to be achievable and it is felt that the project should still be pursued, the TLB D Res has delegated authority to abate the full costs. Advice should be sought from Director of Defence Communications (DDC) who will carry out an assessment of the media value of the particular proposal;

d. in cases where a key project supporting the Department’s communications priority would be lost, it is recognised we may have to waive the charges (excluding insurance charges). These instances must be agreed by the TLB Director of Resources. The key communications priorities are defined as:

i. Operations – Current major operations.

ii. People – Living accommodation, medical and welfare support, support to veterans, support to reservists and cadets, countering allegations of abuse, supporting retention/recruitment.
iii. **Equipment** – Equipment in use on operations, major new equipment coming into operational service within the next year.

e. in accounting for each event, the differences between the full cost and what is actually charged must be accounted for as a public subsidy to the recipient, and entered on the D Res public subsidy return. The information may also need to be recorded in Treasury’s Fees and Charges Return to show where MOD has provided services to commercial organisations.

**Insurance**

19.45. For Non-news media projects that fall within the Department’s Key Communication Priorities (i.e. Operations, People, and Equipment) a flat rate insurance charge of £275 must be levied under the Departmental Insurance Scheme. For all other non-news media projects a minimum flat rate charge of £500 is to be raised under the Departmental Insurance Scheme. These insurance costs cannot be abated.

19.46. In exceptional cases where it is proposed to conduct inherently risky activities DJEP - CLC&P should be consulted to provide advice on the insurance charging requirements that reflect the risk.

**Observational Filming**

19.47. There may be circumstances where a programme maker wishes to film a military event which has already been scheduled and publicly funded as part of the TLB’s core defence programme. Where the programme maker’s role is purely observational, and there is no intervention to the scheduling, content or duration of the event on behalf of the programme maker and there are no additional costs associated with the programme maker’s involvement (such as escort duties), no costs should be charged. Confirmation should, however, be obtained from finance staff before any commitment is made to the programme maker. Charges may be levied however to recover any marginal costs incurred as a direct result of the programme maker’s presence.

19.48. If an event is cancelled at short notice, whether by MOD or by the programme maker, MOD must not be liable for any costs incurred by the programme maker.

**Defence Infrastructure Organisation/Defence Training Estate**

19.49. The indicative cost for use of land/buildings is determined by the Defence Infrastructure Organisation or the commercial contractor managing the estate. MOD has no authority to abate charges on behalf of commercial partners e.g. Landmarc, who manage the Defence Training Estate; however commercial partners may be willing to do so.

**Intellectual Property Rights/Crown Copyright**

19.50. The government-wide authority regarding Crown Copyright material is Her Majesty’s Stationery Office (HMSO) Office of Public Sector and Information (OPSI). OPSI
has delegated responsibility for handling MOD Crown Copyright material to Defence Intellectual Property Rights (DIPR). MOD Crown Copyright imagery (photos and film footage) cannot be provided to third parties without a licence, unless those third parties are acting on behalf of MOD under an MOD contract. Some imagery can be licensed for use without charge under the Open Government Licensing Scheme. If a proposed usage of MOD Crown Copyright imagery requiring payment has an expected Public Relations benefit to the MOD, then an abatement case can be prepared by Director Defence and Communications Public Relations (DDC(PR)) and presented to Defence Intellectual Property Rights (DIPR) (a simple to use standard format exists for this, held by DDC). DIPR will then negotiate with the third party. Note that only DIPR can offer reduced rates to a third party – no expectation must be generated or promises made to the third party prior to DIPR involvement.

**Military Assistance in the UK and Overseas**

19.51. Where MOD has agreed to assist external organisations in emergency situations and unless loss of human life is in immediate danger, the Department must seek reimbursement for use of resources. If the charge is less than full cost, the difference must be accounted for and reported appropriately.

19.52. Although military assistance to external organisations in these circumstances is generally a core Defence task, it is not funded as part of the Department's core business. In some cases, costs should be recovered from the Other Government Departments (OGDs), the Treasury or civil authorities sponsoring the activity. Where there is a request for significant military assistance involving several Directors of Resources; the Ops Directorate will nominate a lead TLB to become the focal point/Coordinator.

19.53. In providing military assistance, personnel and equipment may be used in emergency situations for the maintenance of essential public services, public order or for carrying out special projects of significant social value to the community.

**Categories of Military Assistance**

19.54. There are three broad categories of military assistance:

a. Military Aid to the Civil Authorities (UK) – MACA.

b. Search and rescue (SAR).

c. Military aid overseas.

**Military Aid to the Civil Authorities (UK) - (MACA)**

19.55. MACA is an unfunded military task. There are three specific areas of MACA:

a. Military Aid to the Civil Community (MACC).

b. Military Aid to other Government Departments (MAGD).

c. Military Aid to the Civil Power (MACP).
19.56. Further guidance can be found in Interim Joint Doctrine Publication 02, Operations in the UK: The Defence Contribution to Resilience which is published by the Ops Directorate.

**Military Aid to the Civil Community (MACC)**

19.57. MACC is the provision of unarmed military assistance under the following circumstances:

- a. assistance in emergencies (Category A) to the civil authorities in time of natural disasters or major incidents i.e. to save life;

- b. routine assistance (Category B) to civil sponsors providing short-term routine assistance for special projects or events of significant social value to the civil community;

- c. attachment of volunteers (Category C) – individual assistance by volunteers through full-time attachment to social service or similar organisations.

  - i. the responsibility, both operational and financial, for dealing with civil emergencies and with projects to benefit the civil community lies with the civil authorities. Military Aid to the Civil Community (MACC), which is one of the forms of assistance which the authority may consider it appropriate to seek, should accordingly be carried out under the direction of the authority;

  - ii. it may be considered core business to save human life which is in immediate danger and in such a situation charges should not be raised. Responsibility to agree to the provision of Military Aid to the Civil Community (MACC) Cat A, B and C usually lies with the relevant D Res who has discretion to set the cost recovery level for such support within the limits of their delegated authority. In all other routine situations, full-cost recovery will be the norm.

**Military Aid to other Government Departments (MAGD)**

19.58. MAGD is assistance provided by the Armed Forces on ‘urgent work of national importance’, generally in maintaining supplies and services essential to the life, health and safety of the community. The provision of MAGD is a very significant national step and can be undertaken only with specific authorisation of Ministers and the Defence Council and at the specific request of the lead government department.

19.59. Assistance by MOD personnel and equipment may be requested by OGDs to maintain essential services during industrial disputes. Details of the assistance to be provided in any particular set of circumstances are covered in the appropriate MAGD Index, which is issued by the Director Counter Terrorism and UK Operations (DCT and UK Ops). The use of Service personnel is authorised under the Defence (Armed Forces) Regulations 1939 and the Emergency Provisions Act 1920 and 1964, which requires a state of emergency to be proclaimed and an Order to be signed by the Defence Council. The Department should normally seek to recover the full cost of assistance provided to Other Government Departments (OGDs) It may, however, be appropriate in some circumstances (e.g. mutual benefit to MOD and Other Government Department) to recover
less than full cost in the short term.

**Military Aid to the Civil Power (MACP)**

19.60. MACP is the provision of military assistance (armed if appropriate) to the Civil Power in its maintenance of law, order and public safety, using specialist capabilities or equipment, in situations beyond the capability of the Civil Power. Requests for such assistance will be made by central Government, and the decision to commit Service personnel will be taken at Ministerial level.

19.61. Costs lie where they fall where the assistance is for short-term emergencies to deal with law and order situations threatening loss of life or major damage to property. In most other cases, full-cost charging will be the norm. Where there is a need to procure essential equipment in order to provide this assistance, the sponsor should be encouraged to do so itself. In instances where the sponsor has been unable to carry out the procurement, the acquisition costs must be recovered by MOD from the sponsor.

19.62. Training and Logistic Assistance to the Civil Powers (TLACP) is provided as a service on a full-cost repayment basis and should not be confused with MACA.

**Search and Rescue (SAR)**

19.63. Department for Transport (DfT) has Departmental policy and financial responsibility for civil Search and Rescue (SAR) in UK waters, including coastlines (maritime Search and Rescue) and civil aviation incidents (aviation Search and Rescue).

19.64. Normal policy is for the Department for Transport not to charge individuals who are rescued, because their lives are in immediate danger. As a member of the International Civil Aviation Organisation (ICAO), the UK Government has an obligation to provide Search and Rescue (SAR) in connection with civil air incidents free of charge to those involved, within the UK Flight Information Region.

19.65. Where MOD assists civil departments in carrying out their responsibilities, the charging policy set out in the following paragraphs applies.

**Civil Aviation SAR**

19.66. MOD maintains aircraft to meet military requirements for Search and Rescue (SAR). These are also capable of meeting the majority of the requirements for civil Search and Rescue. In the case of civil aviation incidents overseas, both the Royal Navy and Royal Air Force charges must be at full cost for all hours flown. There are reciprocal arrangements for the Air Accident Investigations Board.

**Maritime SAR**

19.67. Charges at full cost should be raised for those hours which exceed the MOD operational flying programme for dedicated Search and Rescue SAR aircraft. Where Royal Navy or Royal Air Force aircraft not dedicated to Search and Rescue are used, full costs are recovered for any hours flown.
Land SAR

19.68. Land Search and Rescue (including mountain rescue) is the responsibility of the Police authorities and any support from the MOD will incur full cost charging.

Medical Evacuations (Medevacs)

19.69. Medevacs are the responsibility of the Local Health Authorities, hospital, or their agents (e.g. doctors). The marginal cost of providing Medevacs must be recovered from the Local Health Authority.

Use of HM Ships

19.70. From time to time Her Majesty’s ships render assistance to other ships involved in collisions, shipwrecked, in distress, or in searching for missing ships, if they are in the vicinity and can do so without detriment to their primary tasks. In these circumstances no charges are raised as there is an obligation (United Nations Convention on Law of the Sea and International Convention for the Safety of Life at Sea) for ships of other nations to perform the same service to UK shipping.

19.71. If, however, the UK is requested to make vessels available specifically for such purposes by another government department or foreign government, the vessel should be treated as being on loan to the outside body in question, and charges should be raised accordingly. Assistance to HM Revenue & Customs on counter-narcotics tasks is one such example. Charges should be raised on a full-cost recovery basis.

Overseas Disaster Relief

19.72. If military assistance is requested by the Department for International Development (DfID) for relief operations (following natural or man-made disasters overseas), the marginal costs are to be recovered from that Department.

Non-combatant Evacuation Operation (NEO) of endangered of UK nationals

19.73. When military assets are used to evacuate Eligible Persons in danger, costs lie where they fall. MOD does not recover costs from the Foreign and Commonwealth Office relating to building situational awareness, pre-positioning assets linked to an evacuation, or use of MOD owned assets to assist with an evacuation; nor does MOD recover costs incurred if an evacuation is not ultimately required. MOD will however, seek full cost recovery for any non-military expenditure; the Foreign and Commonwealth Office will agree in advance to reimburse MOD’s full costs associated with contracted and chartered support (including costs for charter backfill). The cost of assistance (shelter, food, medical and other provisions) beyond simple delivery of eligible persons to a point of safety (as stipulated by MOD) is also recoverable. Joint Forces Command is the TLB budget holder for in-theatre expenditure and all costs should be reported to PJHQ who will issue suitable financial guidance.

Fishery Protection
19.74. The Royal Navy provides fishery protection on behalf of the Department for Environment, Food and Rural Affairs (DEFRA), the Scottish Fishery Protection Agency and the Welsh Office. The number of patrol days to be achieved on fishery protection duties is subject to annual agreement with the civil departments.

Oil Counter-Pollution Activities

19.75. Responsibility for dealing with oil counter-pollution incidents within one nautical mile of the shore rests with the local authorities and with Department for Environment, Food and Rural Affairs (DEFRA). Where incidents occur more than one nautical mile offshore; responsibility lies with the Marine Pollution Control unit of the Maritime and Coastguard Agency.

19.76. These bodies occasionally seek MOD assistance in carrying out their responsibilities. Where operational commitments allow this to be provided, charges should be raised at full cost. This policy also applies to requests for assistance with aerial surveillance in the waters of the Channel Islands and the Isle of Man, responsibility for which rests with the UK Government. Where the civil authorities are able to pursue the recovery of the full cost of the operation from a third party, e.g. ship owners, operators or insurers, and the claim is successful, MOD should be reimbursed its full costs.

19.77. Comprehensive guidance on matters relating to pollution at sea can be found in Fleet Publication Notice (FPN) 167 Safety Health and Environment Manual and in the Sustainable Development and Environment Manual (JSP 418).

Staff Engaged as Official Speakers

19.78. ‘Official Speakers’ are MOD personnel; military or civilian, and Ministers, who are invited by outside bodies to undertake speaking engagements in their official capacity (i.e. on behalf of the Department) at externally organised conferences, seminars and similar events.

19.79. Appearances as a speaker at meetings, conferences and seminars which are essential to the Department achieving agreed objectives and targets, including interviews to support media news items and speaking roles at events organised, or jointly organised by MOD, are part of MOD’s normal business and do not fall into the category of official speakers. The cost of the MOD contribution to such an event would normally be expected to lie where it falls.

Commercial Events

19.80. For commercial events, the Department should set a fee in accordance with the principles outlined in Chapter 20 – Income Generation.

Speaking in a Private Capacity

19.81. When an individual undertakes an engagement in a purely private capacity, this must be made clear to both the organisers and attendees that he or she is not speaking
on behalf of the Department. All preparatory work etc. must be undertaken in the individual’s own time, without using any MOD resources. Any costs associated with the event must not be borne by the Department.

19.82. The individual can only accept payment when the subject matter falls entirely outside official work and makes no reference to official information or experience.

**Members of Parliament**

19.83. Members of Parliament (MPs), Peers and Members of European Parliament (MEPs) are not entitled to travel and accommodation at MOD expense, even when on official duties such as visits to military establishments by the House of Commons Defence Committee (HCDC). Exceptions to this rule are visits which may be considered as defence (core) business such as the Parliamentary Visits Programme.

19.84. Individuals should normally arrange and pay for their own travel to and from MOD establishments. MOD may, on occasion, organise the travel and accommodation where parties of MPs are visiting establishments (particularly abroad) or operational theatres. Where an overnight stay is necessary, MPs should arrange and pay for their own hotel accommodation and food. If, exceptionally, they are provided with Service accommodation, or travel by Service transport, they must be charged at the non-entitled rates. Charges need not be raised for transport provided within or between establishments where the journeys are an integral part of a single visit, or for the staff effort involved in arranging the visit, briefings etc.

19.85. The exceptions are:

a. the Parliamentary Visits Programme, which is considered to be core business, and MPs, Peers and MEPs may travel on Service transport and stay in Service accommodation free of charge. Exceptionally, expenditure on civil travel and food/hotel accommodation may be permitted if Service resources are unavailable or inadequate. The point of contact for all enquiries relating to the Parliamentary Visits Programme is the Parliamentary Visits Section in Under Secretary of State's office;

b. other visits deemed to be core business by the TLB D Res.

19.86. HQ Air Command produce a DIN for all requests for air travel by non-MOD VIPs.

**Charging associated with Government/MOD-arranged events**

19.87. The Department should not generally charge for Government/MOD arranged events. These can take various forms but are generally categorised into three main groups:

a. publicly funded events officially sponsored by MOD (core business, e.g. State opening of Parliament);

b. service or D Res inspired events (i.e. local community events, flying displays, Open Days, Regattas). For example TLBs may decide to hold an event for the purpose of boosting the morale of service personnel and their families. In these
cases the general public is not invited. Limited public funds may be used for such events at the discretion of the D Res.

c. small scale community events. These are events where a specific group of the community are targeted in order to convey specific defence messages. Generally, few resources are consumed and the costs of such events tend to be low (e.g. cost of travel and subsistence). Examples include a visit to a local school to give a talk, hosting a reception for industry or local councillors, use of a sports field by a youth organisation (Scouts, Guides, etc.), local ceremonial events such as parades, services of thanksgiving and Open Days for the general public. Events of this sort which make use of MOD facilities tend to have negligible cost and risk, but where they take place on the defence estate, DIO should be consulted to confirm any licensing and insurance/indemnity requirements.

19.88. The entertainment of dignitaries is a proper charge to the MOD when carried out in accordance with Chapter 15 – Official Hospitality in JSP 462.

**Sponsorship**

19.89. An event or display team may attract the interests of commercial organisations who may be willing to fund some or all of the activity through sponsorship. It is acceptable to use sponsorship to offset the costs of all activities in which service personnel are engaged. It should be remembered though that before a sponsorship deal can exist, a contract needs to be in place and that there are certain caveats on the actual sponsorship that can be undertaken. Further guidance can be found in Chapter 7 - Sponsorship.

**Donations**

19.90. MOD is sometimes approached with the offer of a cash donation towards an event, and care must be exercised before accepting a donation to ensure the Department can not be criticised on regularity and propriety grounds. Any proposal received should be brought to the attention of the D Res. Further guidance can be found in Chapter 14 - Regularity and Propriety in Public Expenditure.

**Fundraising Events for Charities**

19.91. Fundraising events for Service or indeed any other charities must not incur any cost to the public purse.

**Charging associated with events arranged by third parties**

19.92. These are events organised by external bodies, whether taking place on the defence estate or elsewhere, and are supported by substantial MOD assets and resources. Such large scale events include the Royal International Air Tattoo, County Shows, Music on Fire, Edinburgh Military Tattoo and national sporting events.

19.93. Recovery of the full cost of such events can be prohibitive to the organiser and deter interested parties, thereby preventing an event from proceeding and resulting in a lost opportunity to engage with the public. A balance should be established between the level of costs to be recovered and the benefits to MOD. This may entail weighing up training advantages, public perception, public relations and local community views against the cost to the taxpayer. As a minimum, the marginal costs of such events must
be recovered. Costs can be recovered through a mixture of charging, sponsorship, donations, contributions or income share from external organisations.

Insurance

19.94. Only MOD’s Core Defence activities are self-insured. Where MOD is engaged in any non-Core business activity, insurance cover must be purchased from non-public funds and the cost of doing so recovered from the event organiser. More detail can be found in 2015DIN-08-002 (end of this Chapter under Other Useful Links) and in the insurance section of Chapter 20.

Accounting

19.95. In order to demonstrate financial accountability and good financial management, TLBs must retain records of decisions to commit public funds where personnel have engaged in events. A record of the costs and income associated with activities undertaken should be maintained and recorded in the Annual Report & Accounts to ensure:

   a. transparency;
   b. cost of resources involved, full, abated, marginal;
   c. income received;
   d. net effect on the TLB.

19.96. A Memorandum Trading Account (MTA) is a recommended format for recording financial results of personnel engagements. MTA’s are primarily a statement of income and expenditure and can be as simple or as sophisticated as needed; however it should always:

   a. be prepared on an accruals basis;
   b. include the total cost of all resources consumed – cash/non-cash (full cost);
   c. include income received (full, abated, marginal, nil).

Risk Assessment

19.97. All activities, especially those involving the general public (as either spectators or participants) must be properly managed and supported by a risk assessment. When carrying out risk assessment the following categories should be considered:

   a. Environment.
   b. Health & Safety.
   c. Commercial.
   d. Occupational.
   e. Reputation.
f. Media/communication.

g. Physical (e.g. whether the equipment being provided is fit for purpose).

h. Status of those taking part – employer/employee; on/off duty (simply being in uniform does not confer duty status).

Post Activity Reviews

19.98. A review should be conducted for all large scale activities in which MOD has engaged. This should be at an appropriate point after completion of the activity to measure the benefit to MOD achieved, particularly where there costs have been abated and/or there may be a requirement to provide similar support in the future.

Display Charges

19.99. Full cost charges should be raised for non Departmental displays. Any requests for the abatement of costs should be presented in a business case processed through the D Res finance sections and added to the Public Subsidy return to DFinStrat-FMPA–FinPol. Coordinators of the displays should be able to calculate the cost by using the capitation rates provided by the users of the resources i.e. Air Command for aircraft rates, Army TLB for green fleet vehicles. Departmental displays such as open days should recover their costs from tickets sales to the public, etc.

19.100. Some display teams are considered to be core business while others are not, and this should be considered when setting the level of charges. As participating in events will require anticipation of funding whilst awaiting payment, D Res finance sections should be provided with advance bids, no less than two months before commencement of the next financial year.

19.101. When approached to participate in a display it is good practice to notify the other Services of the event. If the display involves multiple TLBs, a collective decision should be made as to which should be the lead Coordinator (for the negotiations, provision of estimates and recovery of costs) in order to take the event forward.

19.102. Insurance and indemnity arrangements exist where organisers are charged a percentage of an annual insurance policy provided by Willis Ltd. In cases of difficulty, the DJEP-CLCP should be consulted. MOD must not be responsible for any costs arising from cancellations, etc. whatever the reason. Organisers of events should make provision to safeguard against liabilities arising to MOD.

Participation at Commemorative Events

19.103. Commemorative events are defined as those events that mark anniversaries of occurrences of significance in the history of the Armed Forces and MOD. The Department’s policy on participation in commemorative events acknowledges the value of commemorations in nurturing the tradition and ethos of the Armed Forces, building public awareness of their role in the nation’s history, and recognising the contribution of those serving, past and present.

Central Governance
19.104. Tri-Svc Ceremonial Policy & Plans PS12(A) is responsible for the policy on Service participation at commemorative events, and issues an annual Defence Instruction and Notice (DIN). FMPA is responsible for providing guidance on the use of public funds in relation to commemorative events both in the UK and overseas.

**Key Principles**

19.105. It is important that commemorative events are linked to anniversaries of recognised military significance or historic events of note. Events such as the commissioning of ships, or the opening or closure of establishments, are not commemorative events. Non-public events for charity or tattoos are not to be treated as commemorative.

19.106. There are two areas where commemoration of anniversaries can take place and be publicly funded:

   a. annual – Anniversaries of events of major importance which, by tradition, are commemorated annually, for example the Battle of Trafalgar, the Battle of Britain, the Normandy Landings;

   b. periodic e.g. 70th anniversaries and centennials of events of major importance.

19.107. The commemoration of an event will typically take the form of:

   a. A parade.

   b. A march past.

   c. A flypast.

   d. A religious service.

   e. A combination of the above.

**National Events**

19.108. Where a major event is to be commemorated at national or Departmental level, a central project team will advise Directors of Resources on the nature of centrally planned events and the level of participation required, Defence Services Secretary - Honours and Ceremonial aim to do this well in advance to allow Directors of Resources to submit bids through the Planning Round for funding of their participation in such events. A list of anniversaries designated for commemoration several years in advance will be published as part of the Defence Services Secretary - Honours and Ceremonial annual DIN so that the appropriate financial planning can take place. A separate DIN is issued each year to cover Armed Forces Day events.

**Regional or Single-Service Events**

19.109. Anniversaries identified by the Defence Services Secretary-Honours and Ceremonial for publicly-funded, centrally co-ordinated events may also, where appropriate, be commemorated locally at Command, formation or unit level. Commemoration of other
anniversaries, where there is a specific formation or unit connection, may be undertaken at the discretion of the D Res.

19.110. Careful financial control should be exercised to ensure that such events are not seen as lavish affairs at public expense and can be properly defended if necessary. Additional funding from non-MOD sources (e.g. sponsorship, ticket sales, non-public accounts) should therefore be considered where it is appropriate and available. If a donation has been offered to the Department in respect of a commemorative event, the rules governing donations in Chapter 14 JSP 462 should be followed.

19.111. All proposals for an event to be commemorated in accordance with this guidance must be submitted via the chain of command to the D Res before any expenditure or commitment is entered into.

19.112. The D Res should bear in mind that:

a. the scale and type of commemoration should reflect the historical importance of the event being commemorated, rather than the status of attendees. The attendance of a VIP at an event does not necessarily indicate that the use of public funds is justified;

b. where an anniversary is commemorated nationally, any additional commemoration at local level should be on a small scale, subject to the D Res approval. The D Res must be satisfied that it is affordable and represents value for money;

c. Defence Services Secretary (Honours and Ceremonial) should be consulted where there is any doubt about the suitability of a proposed commemoration.

Approvals Process and Reporting Requirements

19.113. An approvals process should be implemented for all commemorative events which use public funds. Records of the decisions to commit public funds and the cost of such events must be maintained by the D Res for audit purposes.

Commemorative Events organised by External Bodies

19.114. The Armed Forces may be asked to participate in commemorative events organised by external bodies, such as commercial organisations and charities (including Service and ex-Service charities). Such events must be at no cost to the Department.

19.115. Where MOD is taking part in events organised by external organisations, a contract for sale may be required. In particular, the Department must not be held liable for costs incurred should cancellation or change in the level of participation in an event become necessary for operational reasons. The relevant cost recovery regime, contractual strategy, insurance and indemnity issues must, therefore, be agreed in advance. See also Chapter 20 – Income Generation.

Personnel

Charging for Personnel on Loan or Secondment

19.116. The full cost for personnel should consist of pay, national insurance (Earnings
Related National Insurance Contributions - ERNIC) and pension (Superannuation Charges Adjusted for Past Experience (SCAPE), which are the direct costs, plus a percentage for MOD indirect costs (‘overheads’). If expenses are not paid by the host, then these should also be recovered.

19.117. When personnel are seconded (i.e. they are transferred from MOD’s complement of personnel) they will be paid directly by the host department/country, but their SCAPE and in some instances ERNIC must be passed to MOD to ensure the personnel’s contributions are maintained.

**Loans to Foreign Governments**

19.118. The loan of personnel to foreign governments is generally governed by a Memorandum of Understanding (MOU), Exchange of Letters, Letters of Agreement or other formal document, setting out the terms of the loan agreement (see previous paragraphs on MOUs).

**Loans to Other Government Departments**

19.119. The loan of personnel to other government departments is generally governed by a Service Level Agreement setting out the terms of the loan agreement.

**Loans to Private Sector including Charities**

19.120. When personnel are provided to companies, charities etc. this should be governed by the provisions of [Chapter 20](#) of this JSP.

19.121. Further guidance on the loan or secondment of civilian personnel can be found in the following documents:

a. [defnet/DINSJSPS/JSP 468](#), Loan and Secondment of Personnel to Commonwealth and Foreign Forces, and in;

b. Ministry of Defence - Statement of Civilian Personnel Policy - [defnet/HOCS/Pages/Understand the Rules for a Permanent Transfer to Other Government Departments](#);

c. Ministry of Defence - Statement of Civilian Personnel Policy - [defnet/HOCS/Pages/Secondments-Policy](#).

d. Guidance on the loan or secondment of Service personnel can be found in [defnet/DINSJSPS/JSP 755](#) - Centre-Determined Policy for Career Management and the Administration of Tri-Service Positions and Assignments.

**Other Useful Links**

[defnet/HOCS/Pages/Gifts, Rewards and Hospitality](#)
[defnet/Corp/DINSfinance/2017DIN08-005 - Insurance Arrangements for Charging Activities (Income Generation and Repayment)](#)
[defnet/HOCS/Pages/JSP 472-Financial Accounting and Reporting Manual](#)
[defnet/HOCS/Pages/JSP 891-Imprest Accounting, Banking and Control Accounts Manual](#)
20 **Income Generation**

**Examples of Income Generation activity**

20.1. The scope for commercially exploiting irreducible spare capacity is wide and reflects the broad range of assets and expertise owned by the Department. Examples include:

- secure storage of documents, equipment, vehicles and caravans.
- use of military airfields and leasing of hangars to civilian aviation.
- provision of personnel, equipment and locations for filming.
- use of specialist equipment, e.g. hyperbaric chambers to the research industry.
- use of sports facilities (but take advice from the TLB tax focal point because of possible tax implications.
- provision of military band/musicians for engagements.
- recording of military band music for public release and performances.
- leadership training.
- bulk training (and related support) undertaken for companies (irrespective of the end user).
- sale of spare places on technical and academic training courses.
- lease of the defence estate for agriculture, e.g. granting of grazing rights.
- inward commercial sponsorship, e.g. of military display teams (see Chapter 7 of this JSP). Note that care needs to be taken that no private use is made of benefits provided through sponsorship e.g. equipment provided by a third party, as there would be tax/NIC liabilities to consider.
- licensing of Intellectual Property developed or acquired by MOD.
- provision of personnel to deliver ad hoc lectures to academic institutions.
- sale of radar data to commercial airports.
- facilitating corporate and team building events.

**Roles & Responsibilities**

**Sponsor/Project Manager/Focal Point**

20.2. Each Income Generation activity should have a unit or Command sponsor responsible for ensuring it is managed correctly, from conception through to negotiating project delivery, through to termination and eventually, where appropriate, to Lessons Learned.

**Budget Manager**

20.3. Budget staff play a key role in Income Generation projects, including:

a. calculating the fixed and variable costs incurred by the activity.
b. advice on affordability where it is proposed to invest in an activity or create or retain assets/capacity.

c. validation of bills in conjunction with Defence Commercial.

d. ensuring invoices are raised, and payments received, in accordance with the terms of the sales contract or lease or licence, etc.

Defence Commercial

20.4. Defence Commercial staff are able to advise on a range of issues, including:

a. the commercial viability of a proposal.

b. market Rate (Price) to be charged, including an appropriate rate of return.

c. a suitable commercial administration fee. Typically this is set at 3% of full cost or £100 whichever is greater, but it may be reduced in some cases by agreement with commercial staff.

d. the type of commercial agreement most suitable for the proposal, and which terms and conditions should be included. Only licensed commercial staff or those holding a specific Letter of Delegation are permitted to commit the Department to contract.

e. the feasibility of competing a particular Income Generation opportunity in order to generate the best possible return.

f. mitigation of risk through contractual conditions.

g. validation of bills in conjunction with budget staff.

20.5. Where the totality of a sales proposal appears to unduly risky or unjustified, commercial staff may decline to resource the activity, and/or sign any contract.

Defence Infrastructure Organisation (DIO)

20.6. DIO Land Management Services staff are able to advise on a range of questions surrounding the use of the defence estate, including:

a. whether the proposed use of a specific building or piece of land is appropriate from a practical, environmental or legal point of view.

b. local Planning Authority requirements, e.g. whether the proposal necessitates planning approval for a temporary change of use.

c. the commercial rate to be charged for the use of a piece of the estate for a particular reason.
d. the type of estate contract that is appropriate to the use, i.e. lease or licence. Only authorised DIO staff or those holding a specific Letter of Delegation are permitted to commit the Department to a lease or licence.

e. the feasibility of competing a particular Income Generation opportunity in order to generate the best possible return.

f. mitigation of risk through lease/licence conditions.

**Defence Intellectual Property Rights Group (DIPR)**

20.7. Selling the use of MOD services to external bodies may well involve a requirement for them to use or reuse Intellectual Property (IP). Such IP can include text (e.g. books, documents, reports, training materials), photographs and digital image files, film footage, unit names, badges, crests and insignia, drawings, illustrations and diagrams, or software code.

20.8. MOD does not necessarily own the IP it holds: for example, much of the technical information it holds belongs to industry and is supplied in commercial confidence. It might also have been supplied under the terms of an arms export licence. DIPR alone hold a delegation from the Secretary of State and from HMSO to license the use of IP, and so only authorised DIPR personnel are permitted to issue IP licences. A fee is payable to DIPR by the user for the use of some form of IP: other IP must, as a matter of law, be provided to the public for more than the marginal cost of doing so. It is important that DIPR staff are consulted early in the process when it is believed that IP may be an issue.

**Directorate of Judicial Engagement Policy-Common Law Claims & Policy (DJEP-CLCP)**

20.9. DJEP-CLCP is not only the Department’s common law claims handling organisation, it is also responsible for providing policy advice on insurance and non-contractual indemnity matters, and routinely sponsors DINs on these subjects. CLCP should be the Income Generation project sponsor’s contact point for guidance when considering how best to protect the Department financially from not only compensation claims arising from its own negligence, but also the negligence of the external body.

20.10. Income Generation sponsors should familiarise themselves with the DINs below:

Insurance Arrangements for Charging Activities – Income Generation and Repayment

[defnet/Corp/DINSfinance/2017DIN08-005 - Insurance Arrangements for Charging Activities (Income Generation and Repayment)]

and “Activities that are not covered by the MOD’s self-insurance arrangements – Non-Core MOD business activities”:

[defnet/Corp/DINSfinance/2017DIN08-008 - Activities that are not covered by the MOD’s self-insurance arrangements - Non-Core MOD business activities]

**Safety, Health, Environmental Protection and Fire (SHEF)**
20.11. In MOD, the duty to comply with safety and environment legal requirements is cascaded down the chain of command to those in control at local level. It therefore generally rests with the Commanding Officer or Head of Establishment. Those embarking on Income Generation activities must ensure that MOD as an employer has met all of its statutory and common law duties, whether as employer, occupier, person in control of premises or landlord.

20.12. The introduction of non-military personnel into military establishments, training areas or ranges will require additional controls to be put in place to take account of lack of understanding of military hazards, protocols and customs, and different standards of health, fitness and training. A directly employed MOD Health and Safety SME should be engaged from the outset in the planning process, and should endorse the risk assessments before proceeding with the activity in order to ensure that the unit initiating Income Generation activity remains legally compliant, and that risks are monitored, managed and mitigated appropriately.

Corporate Governance

20.13. TLB Corporate Governance teams are able to advise on the propriety of a proposed course of action. They are generally the conduit through which business cases for Income Generation activity and public subsidies requiring TLB/D Res approval are routed.

Director of Defence Communications (DDC) and TLB Media Staff

20.14. DDC and TLB media staff are available to advise on how proposals might impact, negatively or otherwise, on the reputation of the armed forces and MOD.

Reputation

20.15. Income Generation activity should only be undertaken with reputable external bodies. They should be assessed by the sponsor of the activity, consulting Defence Commercial/DIO and Media staffs as necessary to ensure they do not have the potential to damage the reputation of MOD or the UK government.

20.16. The following list is not exhaustive, but the supply of goods/services to an external body must be declined where it:

   a. represents unwelcome associations, e.g. with violence, unsocial behaviour or extremism;

   b. is associated with a controversial campaign, e.g. the legalisation of drugs;

   c. is a tobacco, alcohol, gambling or payday loan company;

   d. is a political party or pressure group, or has known political connections, and/or is known to give political donations and/or support;

   e. is known to be environmentally unsound;

   f. is the subject of government; financial or police investigation or prior conviction;
g. is in dispute with MOD, e.g. through a court case;

h. has otherwise low credibility in the eyes of the public and media.

Insurance

20.17. Income Generation is considered by the Treasury to be a discretionary activity. As such it would be inappropriate for financial liabilities arising to third parties to be funded by the Department. Instead, commercial insurance arrangements are to be set in place to meet MOD’s potential liabilities (see Managing Public Money: www.GOV.UK/government/publications/Managing Public Money A4.4A). The cost of this insurance is a variable/marginal cost of providing the service and must be included in the charge to the external body to ensure the premium is not ultimately funded by MOD.

20.18. Conversely, there will always be a risk that the external body may itself become financially liable to the Department following some negligent act or omission. For this reason, external bodies must demonstrate that they have adequate insurance cover of their own to mitigate the risk to MOD.

20.19. Further advice on insurance arrangements for Income Generation is available from DJEP - CLC&P who also publish regular DINs on the subject – see paragraph 20.10.

Understanding cost, price and rate of return

20.20. Income Generation requires the Department to secure an appropriate financial return on the use of irreducible spare capacity by the private sector. The following standard terms are referred to throughout this guidance:

a. **Cost** relates to the actual level of resource expended by MOD in supplying a service.

b. **Full cost** is the sum of the direct and indirect costs of supplying the goods/services, and all such costs can be **fixed** or **variable**:

   • **Direct costs** are those costs which can be readily traced to the activity or service and which generally relate only to that activity or service.

   • **Indirect costs** are other costs consumed by the activity or service which are not readily identifiable, and some apportionment method may be adopted to allocate to a particular activity or service. The administration costs of staffing a proposal by commercial and finance staff are indirect costs.

Both Direct and Indirect costs can be fixed or variable

   • **Fixed costs** are those which are incurred irrespective of the level of activity and may include manpower costs and the fixed element of the equipment capititation rates which include unit/squadron, Main Operating Base and estate costs, depreciation and fixed elements of equipment support and Research and Development costs apportioned across the life of the equipment.
- **Variable costs** are those which change in relation to the amount of activity carried out. These may include consumables, travel and subsistence, hotel accommodation, civilian overtime, hire of cars, etc.

c. **Marginal costs** are the additional (variable) costs which are incurred in delivering the goods/services provided for Income Generation, i.e. costs which would not otherwise have been incurred by the Department.

d. **Rate of Return (or Profit)** is the amount added to the full cost in order to ensure the Income Generation activity is not merely cost neutral. The rate will be influenced by the level of risk to MOD in pursuing the activity and is determined by Commercial/DIO staff who will ensure as appropriate that the rate of return neither undercuts the private sector nor abuses a dominant market position.

20.21. It will often be difficult to calculate the absolute full cost of an activity or service, and the expectation must be that budget staff understand the cost base and make pragmatic decisions about the extent to which indirect and variable costs can be attributed to the activity or service.

**Assessing the commercial rate**

20.22. The commercial rate (sometimes known as the market rate) can be subject to variation depending on geographical location, level of demand, etc., and Income Generation project managers should look to Defence Commercial and/or Defence Infrastructure Organisation staff to advise on commercial rates.

20.23. There is no adequate definition of what constitutes a commercial rate, beyond saying that it reflects what the market will bear. For the purpose of Income Generation activity, the market will already have been tested to a greater or lesser degree by the private sector. The objective is therefore to ascertain what the private sector competition charges for the supply of similar goods/services, and then take into account variations in geography, convenience, quality of service and so on.

20.24. Identifying the commercial rate is rarely straightforward, and it is the commercial branch’s responsibility to set the price at what it determines the market rate to be applying the principles of MPM. To do this, full costs will be the starting point (as outlined in MPM www.GOV.UK/government/publications/Managing Public Money Annex A6.1 Box A6.1.A), but in line with MPM Annex A6.1.10 MOD will expect to achieve a rate of return which is likely to be between 5% and 15% depending on the level of risk. It is recognised that the market rate may well sit above these indicative percentages, and in order to observe competition law it may be necessary to raise prices accordingly.

20.25. Where MOD operates in a market without competitors, the rate of return will be the prevailing cost of capital (currently 3.5% - MPM A6.1.9 refers).

**Public Subsidies**

20.26. A public subsidy is when the price charged falls below the full cost.

20.27. Directors of Resources have delegated authority from PUS to approve public subsidies of up to £1M on individual cases where there is clear benefit to Defence. No delegation is given to abate Intellectual Property Rights licence fees, and any such cases should be referred to Defence Intellectual Property Rights Group (DIPR).
20.28. Individual public subsidies above £1M, or of any value if novel or contentious, should be referred through FMPA Finance Policy to the Treasury and if necessary to Ministers, either on a case by case basis or for a blanket authorisation.

20.29. A full audit trail must be maintained to demonstrate that such instances are properly costed and that an auditable business case detailing and quantifying the benefits to defence which are being exchanged for the income foregone, has been approved at an appropriate level. Furthermore, public subsidies are to be reported in accordance with FMPA instructions.

20.30. There is no definitive list of justifications for applying a public subsidy. It is for Directors of Resources to satisfy themselves that there is sufficient benefit to defence beyond the primary purpose of Income Generation to justify abating charges, e.g. in terms of providing useful training to Service personnel, promoting air safety, contributing towards the promotion of MOD key messages, etc.

20.31. Furthermore, abatement of charges in these circumstances should be a last resort to enable the activity to take place; TLBs should not automatically adopt a position of abatement without first considering what is affordable to the external body; a lack of affordability is not in itself a reason to abate charges. Ideally MOD should seek to recover a full commercial rate and enjoy the other less tangible benefits.

**Value Added Tax (VAT)**

20.32. To avoid real or apparent distortion in competition, the EC requires member states to apply turnover taxes in equal measure to both the public and the private sector.

20.33. Under VAT legislation, government departments are required to treat a supply of goods to an outside body as a business supply, if the same types of good are generally available from the private sector.

20.34. However, most public sector services are delivered on a statutory basis, very often under a statutory monopoly and/or for no payment. A prime example of this is the provision of the UK’s defence capability which, from a VAT perspective, is deemed to be a non-business supply and therefore outside the scope of UK VAT.

20.35. The key to deciding whether MOD can charge or recover VAT lies in determining whether an activity is being carried out on a commercial or a statutory basis i.e. whether it is a business or a non-business activity. The vast majority of Income Generation activity will be undertaken on a commercial basis. Further information on determining what is a business or non-business supply is contained in Part 2 of JSP 916 – see: def-net/DINSJSPS/JSP 916 MOD Tax and Duty Manual Part 2: Guidance Volume 1 VAT, or alternatively you should contact your TLB VAT focal point.

**Benefits in Kind**

20.36. It can be tempting for units to undertake Income Generation in return for benefits in kind, e.g. items of equipment or reduced prices on MOD procurement business with the same external body, either in lieu of or in addition to cash payments for the service supplied.
20.37. Advice should always be sought with regard to such proposals. Quite apart from the fact that items of equipment accepted in lieu of cash can have unintended consequences in terms of downstream maintenance or disposal costs, what appears to be a sales activity could in some circumstances be interpreted instead as the procurement of the benefit in kind, and would therefore be subject to public procurement law. MOD’s failure to observe the various procurement regulations could damage the Department both financially and reputationally.

20.38. Any proposal involving benefits in kind should be discussed at an early stage with both Defence Commercial/DIO and the TLB Corporate Governance team.

Income Generation outside the UK

20.39. There is no reason in principle why Income Generation activity should not be undertaken outside the UK. However, there are a number of important factors to consider first, including:

   a. the terms under which UK armed forces are present in another country may very well preclude commercial activity of this nature. Agreements such as MOUs, the NATO Status of Forces Agreement, the Cyprus Treaty of Establishment, etc. must be carefully considered.

   b. the employment terms and conditions of Locally Employed MOD Civilians may prohibit their involvement in Income Generation activity.

   c. income generation may lead MOD into competition with host nation companies. This could be seen as unusual, offensive to local sensitivities, and predatory in nature.

   d. competition law must be respected every bit as scrupulously overseas as in the UK. Any suspicion that UK taxpayers are subsidising a bid to undercut a host nation company could be damaging to MOD and the wider UK.

   e. the overseas commercial insurance market may not always be as comprehensive and effectual as in the UK, and this may affect confidence in an external body’s ability to meet its financial obligations to MOD.

   f. arms export controls exist in order to control the proliferation, even between allies, of military technology. They also control the supply of technical information relating to the use of military technology, such as repair manuals and training materials. The necessary clearances to permit the export need to be arranged (speak to both DefSy and the relevant DE&S team), and consideration given to whether the equipment/documentation can be reimported back into the UK after use.

20.40. Project managers should take advice from appropriate SMEs, e.g. Defence Commercial, MODSAP, International Policy & Planning, and UK embassy or consulate staff.

Assessing the commercial viability of a proposal
20.41. A viable proposal is one which manages the risks to obtain the best possible return for the Department, ensuring that the price charged covers costs and profit, and suitably incentivises both parties to deliver their obligations to each other. Ideally the external body will be left wanting to conduct more business with the Department in the future.

20.42. Commercial exploitation of an asset should consider the following:

- **Irrecoverable Spare Capacity** - can the asset be disposed of completely or is it genuinely irrecoverable capacity?
- **Return on Investment** - can the effort involved be justified by the benefits?
- **Capacity and Operational Impact** - is there sufficient capacity to deliver the activity without operational impact?
- **Reputation** - is the activity likely to damage MOD’s reputation or look incongruous in relation to our core business?
- **Safe and Secure** - are any safety or security hazards involved? Take advice from the appropriate SMEs.
- **Insurance** - will the external body be able to obtain insurance cover for the activity? If insurance cover is unobtainable or only available at a prohibitive cost, this would suggest the activity is very high risk and might best be avoided.
- **Commercial Risk Assessment** - what other foreseeable risks might be involved? Will this impact on another contract – or a tender in progress for example?
- **Information** - what information or documentation is intended to be supplied. How will it be used? Who owns the intellectual property rights?
- **Commercial arrangements** - what sort of contractual agreement will be needed? Consult Defence Commercial, DIO and DIPR and make sure you give them as much notice as possible. Contracts and licences generally require time to enable MOD to negotiate appropriate terms and conditions.
- **Market** - is there a sufficient market appetite for the activity to sustain it over the longer term, or are you content to view the proposal as a one-off?
- **Asset Ownership** - is the TLB empowered to exploit the asset in question, or do other parties (other TLBs, landlords, contractors) need to be consulted? Consider which assets are to be used and make sure you know who owns them.
- **Knock on Effect** - might there be an impact on other areas of MOD business if you proceed? Conversely, might the proposal represent an opportunity for another part of the Department? If you cannot benefit, could another TLB get something out of it? Or could you offer a more comprehensive service by adding another TLB’s assets, thereby creating a greater return?
- **Opportunity Cost** - are there any implications for the longer-term lease of land, buildings and/or facilities?
- **SMEs** - what range of expertise is required, and is it available to you?
- **Investment** - will any up-front expenditure be required and will this be justified and approved?
• **Is there time?** - to what timetable do actions need to be completed?

• **Lessons Learned** - what lessons can be learned from previous activities to ensure a smoother transaction and potentially realise a greater return in future?

• **Joint Venture/Partnership** - are we being asked to enter into a partnership with a third party or form a Joint Venture Company? This might be achievable, but care is needed, so take commercial and/or legal advice.

• **Event Licensing** - the Licensing Act 2003 relates to the sale of alcohol, provision of regulated entertainment, sale of late night refreshment, etc. De-risk by placing the onus on the other party to obtain this and any other licences and consents required.

• **Use of MOD vehicles** - are MOD’s vehicles suitable for the proposed use and the people being carried in them? How will this affect insurance requirements?

• **Import/Export Duty** - does the activity require the movement of assets across international borders, e.g. when assisting Industry in defence exports? Will duty become payable?

• **Arms export controls** - in connection with the supply of any military equipment or related documentation (even just within the UK): are there any restrictions from the country of origin, for example under the US International Traffic in Arms Regulations (ITAR)?

It is important to ‘walk through’ every step of the proposition and consider each in turn, asking ‘what if?’ questions to ensure all eventualities are taken into account.

**Legal position of MOD personnel**

20.43. The importance of meeting individual and corporate duty of care responsibilities cannot be overstated.

20.44. MOD civilian staff and Service personnel are deemed to be on official duty when undertaking Income Generation activity, provided that the activity has been officially sanctioned. Official duty is defined in terms of the tasks an employee has been instructed to carry out by his or her line management or chain of command. The question of whether the activity is deemed to be ‘core’ or ‘non-core’ does not then arise, as Income Generation activity would fall within the wider ‘official duty’ definition.

**Standard of conduct and behaviour**

20.45. All civilian staff who become involved in Income Generation activity are reminded that their conduct in this capacity is covered by:

Civil Service Code


Civil Service Management Code

20.46. In this respect, staff must avoid activities which might conflict with the interests of the Department, charges of impropriety to be brought against them which might bring discredit on the Crown.

Remuneration or reward

20.47. This is particularly relevant in the event that an external body offers MOD civilian staff or Service personnel any form of remuneration or reward in return for supporting the activity. Such offers should be declined. Any cases of doubt should be referred to the conduct team in People-Civ HR-Policy for civil servants; or to the Commanding Officer for Service personnel.
Annex 1  Engagement with the NAO - Step by Step Process  (Part 1, Chapter 2 - The National Audit Office and Committee of Public Accounts)

**Project Initiation**

- The NAO proposes a programme of MOD NAO Value for Money studies.
- C&AG and PUS agree a forward programme of studies.
- The NAO initiates a study.
- FMPA Fin Pol identifies Departmental Study Coordinator at 2* level.
- PUS issues a letter formally appointing MOD Study Coordinator.
- The NAO, MOD Study Coordinator and DG Fin agree the scope of the study. This should be cleared by DG Fin initially with PUS providing final sign-off.

**NAO Report Production**

- The NAO undertakes fieldwork.
- NAO provides a list of interviewees as part of the fieldwork, which is reviewed by key Head Office personnel to ensure sufficient depth and breadth of staff covered.
- The NAO drafts its study report and submits the draft report, called the ‘Finance Director (FD) version’, to MOD.
- FMPA Fin Pol commissions the Study Coordinator to review the report with key stakeholders and to produce a clearance submission to DG Fin.
- DG Fin and NAO correspond to resolve outstanding issues.
- The Study Coordinator arranges a meeting with the NAO to discuss key issues relating to the FD version prior to C&AG issuing the draft Accounting Officer (AO) version of the report.
- The NAO submits the AO draft and press notice for PUS’ approval with a publication date for the report.
- As with the FD draft, FMPA Fin Pol commissions the Study Coordinator to review the AO draft of the report and to provide a clearance submission to PUS’ outer office.
NAO Report Production (Contd.)

- The Coordinator produces an MOD press brief, including a statement for the relevant Minister to make on the day of publication (cleared by 1* in business area or Coordinator, Directorate of Defence Communications (DDC) and the relevant Minister’s office). This statement must be in accordance with the Osmotherly Rules, specifically Paragraph 65(b) of the guidance. Q&A should be prepared for use by the press office in the event of follow up media questions.
- The Coordinator submits material for Prime Minister’s Questions to SofS’ office (cleared by 1* in business area). Advice should be sought from the SofS’ office on specific timings. In addition, the Coordinator submits material for Business Questions. Advice should be sought from the Parliamentary Clerk on specific timings.
- The NAO report is published.
- The Department responds to the report via the relevant Minister’s press statement.
- Announcements relating to Departmental business cutting across NAO reports must not be issued at the same time as a VfM report.

PAC Hearing

- The NAO/PAC Clerk advises whether the PAC wishes to take the report.
- If not, DG Fin will write to Study Coordinator setting out reporting requirements on the follow up of NAO recommendations.
- If the PAC decides to hold a hearing the witnesses - selected by the Committee - should where possible undertake Civil Service Learning training which can be arranged through FMPA-FinPol-1a.
- The Coordinator produces briefing material for PUS and the supporting witnesses for the PAC hearing in consultation with outer offices.
- FMPA Fin Pol liaises with the outer offices to schedule the witness briefings, commissioning the study team to produce a written briefing in advance of the first meeting. The meetings are attended by the witnesses and key officials, as well as the designated Treasury Officer of Accounts.
- PAC hearing takes place.
- PAC issues transcript for correction and commissions supplementary notes which the witnesses undertook to provide at the hearing.
- FMPA Fin Pol coordinates the draft response from PUS to the PAC.
- Revised transcript and supplementary notes are cleared by PUS’ office and submitted to the PAC.
PAC Report

- The PAC produces its report, taking anywhere between 6 weeks and 6 months.
- The PAC Clerk notifies FMPA-Fin Pol of the report’s publication date.
- The PAC gives the Department an embargoed copy of the report, usually 24 hours before publication (this may include weekends).
- The Coordinator produces the MOD press brief, including a statement for the relevant Minister to make (cleared by 1* in business area or Coordinator, plus DDC and Minister’s office). This statement must be in accordance with the Osmotherly Rules, specifically Paragraph 65(b) of the guidance. Q&A should be prepared for use by the Press Office in the event of follow up media questions.
- The Coordinator produces material for Parliamentary Questions and submits to SoS’ office (cleared by 1* in business area). Advice should be sought from SoS’ outer office on specific timings. In addition, the Coordinator submits material for Business Questions. Advice should be sought from Parliamentary Clerk on specific timings.
- The PAC publishes its report
- The Department responds to the report via the relevant Minister’s press statement.
- Announcements relating to Departmental business cutting across NAO/PAC reports must not be issued at the same time as a report.

HM Treasury Minute

- HM Treasury commissions the Treasury Minute usually between 1 and 8 weeks of PAC report and gives between 4-6 weeks for returns.
- The Treasury Minute is cleared by DG Fin in the first instance, then PUS and the appropriate Minister. It also must be agreed with the HM Treasury.
- HM Treasury publishes the Treasury Minute, normally alongside a number of other Government Departments’ responses.

Progress Made on Recommendations Agreed in Treasury Minute

- Occasionally PUS is required to appear before the PAC to give evidence on recommendations agreed in Treasury Minutes that have been laid before Parliament in the previous 6 months.
- The Coordinator drafts briefing for PUS.
**Implementation of Recommendations**

- The Coordinator puts in place system for implementing *PAC recommendations* where it is appropriate.
- The Coordinator reports against progress made in implementing recommendations in the bi-annual publication by the HM Treasury - referred to as ‘Treasury Minutes - progress on implementing recommendations’. These are usually published in January and July each year.
- The Coordinator drafts the Treasury Minute and this is cleared by DG Fin in the first instance, then PUS and the appropriate Minister.
- FMPA Fin Pol will advise the Study Coordinator which publication their Treasury Minute will fall in.
- The Department tracks implementation of *NAO recommendations* internally and reports progress to the Defence Audit Committee (DAC).
STEPHEN LOVEGROVE

MINISTRY OF DEFENCE
FLOOR 5, ZONE D, MAIN BUILDING, WHITEHALL
LONDON SW1A 2HB

Telephone: 020-7218 7975
Fax: 020-7218 3048
E-mail: PUS-PrivateOffice@mod.uk

PERMANENT UNDER-SECRETARY OF STATE

D/PUS/11/7/1 (134)

Dear Barry,

NAO STUDY INTO REFORMING DEFENCE ACQUISITION

All organisations, however efficient and effective, need the benefit of professional, impartial and well informed audit. As Accounting Officer I attach particular importance to ensuring that our business with the National Audit Office, and the Committee of Public Accounts, is conducted well, in the interest of the taxpayer, the public service as well as the Department. We need the stimulus that the NAO can provide.

This letter confirms your appointment as the Department’s Coordinator for the NAO study into “Reforming Defence Acquisition”. As the Study Coordinator, you are personally responsible to me for ensuring the delivery of a high quality NAO report that has been carefully staffed, is factually correct, and presented in a fair and balanced way. By ‘balanced’, I mean that the report should not only record criticisms where they are justified but also recognise and give credit for occasions where we have performed well. I look to you to take a personal interest in the development of the report at each stage of its evolution and to keep Julie Taylor informed when NAO interest touches on the corporate client side of arrangements.

Attached to this letter is Chapter 2 of JSP 462, which deals with the process from now to the end requirement which is for you to set in place a system to track PAC recommendations with which the Department ultimately agrees. I recommend that you read the document carefully. In the course of a study many issues of principle or procedure may arise on which you may require supplementary advice; in this instance Head of Financial Management Policy & Accounting and her staff in particular Christine Nwosu, who will provide assistance and advice on the process end to end.
I should also like you to keep in touch with DG Finance who is responsible to me for the
management of the programme of NAO value for money studies relating to Defence and
who also plays a formal part as MOD’s DG Finance in the clearance of NAO reports.

Yours sincerely,

STEPHEN LOVEGROVE
Delegated Authority for the Ministry of Defence

I am writing to set out the Ministry of Defence’s (MoD) delegated spending authorities. This supersedes all previous communication on delegated authorities, and includes the arrangements for approving:

- new policy proposals and announcements;
- internal funding allocations to TLBs; and
- projects and programmes.

The delegated authorities set out in this letter give the MoD standing authorisation to commit resources or incur expenditure from money voted by Parliament without specific prior approval from the Treasury. Details of these authorities are set out in Annex A, including a list of the categories of spending which override any delegated authority and always require Treasury approval. These include proposals which are novel and contentious, could cause significant repercussions for others or set a potentially precedent.

Delegations remain the same with the exception of ICT. From today we are revising up the MoD’s delegated authority for Information and Communications Technology (ICT) spending to £250m, with the exception of Labyrinth, all Sonata programmes and the new deployed ICT system, recently renamed from OpIS to New Style of IT (Deployed). This recognises the improved GDS and CO involvement in ICT spending. The Treasury will be given sight of all programmes being added to the core Equipment Programme (EP).

New policy proposals and announcements

New policy proposals and announcement with financial implications must be cleared with the Treasury when:

- they are outside the department’s delegated authorities; and/or
- they are to be submitted to the Cabinet or a Ministerial committee for collective approval.

Cost estimates must be provided to the Treasury with an identification of how the costs will be met, including costs on other departments. Departments are expected to submit a business case using the rigorous Green Book techniques, including cost-benefit analysis, to appraise and evaluate policy announcements and proposals, as well as projects and programmes.

Where proposals with financial implications are to be submitted to the Cabinet or a Ministerial committee for collective approval, Treasury approval should be obtained well in advance. Where the department proposing the policy and the Treasury cannot agree in advance, any proposal for collective Ministerial consideration
must record the Treasury position in terms which are acceptable to the Treasury. The Cabinet Committees will not sign off policy proposals with public expenditure implications unless Treasury Ministers are content. If necessary, issues will be referred to the Prime Minister, or, if he so decides, Cabinet for decision.

Internal funding allocations

The MoD must obtain Treasury approval for internal funding allocations before any public announcement or commitment of resources, when these allocations fall outside the delegated authorities set out in Annex A. The current internal delegations for equipment procurement from the MoD Head Office to the TLBs are set at £250m. The Treasury spending team should be involved in any future decisions around these internal funding delegations.

Project and programme spending

When approval is required

Projects and programmes require Treasury approval where they exceed, or are likely to exceed, the department’s delegated authorities. As well as new projects and programmes, the need for Treasury approval also extends to the renewal of existing projects and programmes where significant changes are being proposed. It also includes the projects and programmes of the MoD’s executive agencies, non-departmental public bodies or other sponsored bodies.

As previously agreed, the MoD has an exemption from the 5 case model and uses the Initial Gate Business Case and Main Gate Business Case instead. Where expenditure is or is likely to be beyond the department’s delegated authorities, Treasury approval must be given at a minimum at each key stage of the project or programme:

- initial approval at the Strategic Outline Case (SOC) phase (i.e. Project Initiation);
- approval at the Outline Business Case (OBC) phase, before going out to the market, for example before issue of an Official Journal of the European Union (OJEU) notice (i.e. Initial Gate); and
- approval at the Full Business Case (FBC) phase before any spending is committed (i.e. Main Gate), in the case of projects and programmes procured under the competitive dialogue process, approval is required before close of dialogue; further approval is then required at the FBC stage for any substantive changes since close of dialogue.

Additionally:

- the Treasury will normally agree with the department a set of milestones in addition to these key stages where approval must be sought for each project or programme. The Treasury reserves the right to add further approval milestones where necessary;
- the department must continue to provide the Treasury and the Infrastructure & Projects Authority (IPA) with details of projects and programmes after FBC approval until the project or programme is operational, including on project performance, cost and time envelope, on a quarterly basis. This information will be collected via the IPA’s Government Major Project Portfolio (GMPP); and
- the department is required to share its post-implementation review for each project with the Treasury.

Before Treasury approval can be given, the Treasury will normally expect the expenditure to have undergone the appropriate IPA assurance processes. Core guidance on major projects approvals and assurance is available at www.gov.uk/government/publications/major-projects-authority-assurance-toolkit.

Project reporting

The MoD will continue to provide a quarterly report on the affordability of the Equipment Plan as per our previous agreement as set out in your settlement letter.

Quarterly sessions will be linked to key in-year decision points i.e. prior to the finalisation of the MoD’s annual planning round (April) and ahead of Autumn Statement (November) with additional sessions in between. The data specified below will need to be shared in advance of each session:


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Annex 3 PUS’ Letter of Delegation
(Part 1, Chapter 3 - Financial Delegations and the Role of Directors of Resources, Budget Holders and Managers)

- Additions or changes to the programme and an indication of the impact on ESP costs, including any EP ‘re-profiling’ as well as significant changes to project Control Totals;
- Forecast levels of over-programming, underspend, carry-forward and efficiency targets. Plus any other risk held against (or between) EPP and ESP;
- In addition to the core EP, an updated record of programmes with funding for development but not post-Main Gate delivery.

These revised arrangements are also conditional on receipt of regular monthly information sharing on the overall MoD budget via OSCAR and also through the agreed Treasury in-year spending tracker, including a TLB spending breakdown and an in-year risk log. This should also include routine sharing of financial management papers for the Defence Board either prior to Board discussion where possible, or immediately afterwards.

In addition to setting delegated limits, we are also maintaining lower disclosure thresholds for projects and programmes as set out in Annex A.

To facilitate effective Treasury oversight and knowledge of departmental spending, and Cabinet Office oversight of delivery risk and capability, the MoD is required, on a quarterly basis, to provide the Treasury spending team, and relevant IPA contact, with information on projects whose whole life costs fall outside, or are likely to fall outside, delegated authorities or exceed disclosure thresholds. The quarterly GMPP process provides the primary means of collecting the information, which includes:

- project summary;
- the lifecycle stage, the next significant milestone and when that is likely to take place;
- annual project costs and whole life costs, in government budgeting terms;
- where appropriate, the NPV of the project or programme;
- delivery confidence;
- the relative priority of the project in the department’s project portfolio;
- the future timetable; and
- where applicable, the date and amount of any existing approval from the Treasury.

The Treasury will normally only approve projects and programmes outside delegated authorities where departments comply with this and associated processes to prioritise and rank their portfolio(s).

This process includes all initiatives outside delegated authorities or above disclosure thresholds, including:

- those that are identified within your department as in development, as well as serious options where project or programme initiation is envisaged; and
- the projects and programmes of the MoD’s executive agencies, non-departmental public bodies or other sponsored bodies.

For any new initiative which:

- is likely to fall outside the relevant delegated authorities;
- requires specific functional input or technical expertise (e.g. finance; digital; infrastructure; construction etc); or
- is novel, contentious or is expected to lead to ministerial announcement.

You are asked to engage the relevant treasury spending team and IPA contact at the outset to determine the degree of challenge and whether the initiative and proposed delivery approach would benefit from Major Project status or IPA support. IPA and Treasury engagement in an initiative’s transition from policy to delivery should be as early as possible and should not rely on the more formal quarterly cycle.

In addition, the Treasury requests to be kept informed on a regular basis of details of planned savings measures, especially where they are novel or contentious. These include the specific savings programmes such as the Single Source Regulation Office (SSRO) and those outlined in the MoD’s Spending Review settlement letter. This includes progress on delivering the efficiencies agreed during the spending review.
Spending commitments beyond Spending Review settlement

In line with Managing Public Money, any new spending proposal which would entail contractual commitments to significant levels of spending in future years for which plans have not been set must be approved by the Treasury. Your settlement letter sets out planning assumptions for the 10 year EP.

In addition, the Treasury requires departments to report on a quarterly basis on the total amount of spending which has been committed per financial year beyond the current Spending Review settlement. This applies to non-ringfenced resource spending beyond 2019-20, and capital spending beyond 2020-21. If the Treasury has concerns about the level of commitments that have built up, it may require all spending proposals committing money beyond 2020-21 to have Treasury approval, regardless of the level of spending involved.

Process for obtaining approval

Before any expenditure outside the delegated authorities is submitted by the department to the Treasury for formal approval, it should already have passed the highest level of scrutiny within the department, which as a minimum will require sign-off by the Principal Accounting Officer, Finance Director, or other official with full delegated powers. Expenditure submitted to the Treasury for approval should also have been signed-off by the relevant minister within the department (excepting cases related to special payments).

Policy proposals and projects

Application for approval should be submitted to the spending team, who will then advise you in writing as to whether approval has been granted.

Projects outside delegated authority will be scrutinised through the Treasury Approval Point process or the Major Projects Review Group for Government’s largest and riskiest projects and programmes. You will normally receive a response within 28 days of the business case formally being received.

Cabinet Office controls

The Cabinet Office will continue to operate a subset of spending controls on behalf of the Treasury, including:

- Advertising, marketing and communications;
- Strategic supplier management, including disputes;
- Digital and technology, including ID assurance;
- Consultancy;
- Property, including facilities management (FM);
- Commercial Models;
- Redundancy and compensation;
- External recruitment; and
- Learning and development (Civil Service Learning).

Detailed guidance on their operation and requirements is available at: https://www.gov.uk/government/publications/cabinet-office-controls

Departments also need to seek Treasury approval for redundancy schemes where these fall outside delegated authorities, including where this involves a request to draw down funding ring-fenced for redundancy costs in the Spending Review. The Treasury and Cabinet Office are jointly reviewing the operation of these controls and will set out findings in due course.

In addition, please also note the Cabinet Office Guidance on the use of Settlement Agreements, Special Severance Payments and Confidentiality Clauses on Termination of Employment. From 1 February 2015 Accounting Officers must seek the prior approval of the Department’s Minister for any use of a confidentiality clause and then the approval of the Minister for the cabinet Office in specified criteria, one of which is a proposed payment of £100,000 or more (at any grade).1

1 Detailed guidance is available at: https://www.gov.uk/government/publications/civil-service-settlement-agreements-special-
Special payments

Certain categories of transaction require distinct treatment, including special payments, overpayments, losses & write-offs, gifts and remedy payments. Annexes 4.10 to 4.14 of Managing Public Money contain guidance on these categories and the circumstances under which Treasury approval should be sought. You should note that all severance payments require Treasury approval, and unless separately agreed with the Treasury Officer of Accounts (TOA), any consolatory payment of above £500 also requires Treasury approval (further detail set out in Annex B).

In addition, all payments, regardless of value, require Treasury approval if they are novel, contentious or potentially repercussive (paragraph 2.3.4 of MPM). Annex A of this letter contains further detail on the delegations relating to special payments, overpayments, losses & write-offs, gifts and remedy payments that apply to your department.

Delegated authorities for Arm’s Length Bodies

The delegated authorities to the MoD’s executive agencies, non-departmental public bodies or other sponsored bodies are set out in the relevant financial memoranda of the bodies concerned. These should be reviewed regularly and shared with the Treasury. The MoD may approve without reference to the Treasury any expenditure proposal from the body which falls outside the body’s own delegated authority provided it does not fall outside the MoD’s own delegated authority. The Treasury reserves the right to satisfy itself about the adequacy and scope of the MoD’s internal financial control arrangements for handling expenditure within these delegated authorities.

Review of delegated authorities

The MoD’s delegated authorities will be reviewed annually in March or when requested by either department. Notwithstanding these regular reviews, the Treasury reserves the right to withdraw or reduce or amend these delegated authorities. Before doing this, the Treasury will set out its reasons for making the changes and give the MoD the opportunity to comment.

Yours sincerely

Tom Wipperman

Acting Deputy Director, Defence Diplomacy and Intelligence

Annex 3 PUS’ Letter of Delegation
(Part 1, Chapter 3 - Financial Delegations and the Role of Directors of Resources, Budget Holders and Managers)

Annex A: Detail of the MoD’s delegated authorities
The MoD’s delegated authorities are set out below. Notwithstanding these delegations, certain categories of spending proposal override any delegated authority and must be submitted to the Treasury. These are proposals which:

- could create pressures leading to a breach in Departmental Expenditure Limits, administration costs limits, or Estimates provision;
- would entail contractual commitments to significant levels of spending in future years for which plans have not been set;
- could set a potentially expensive precedent;
- could cause significant repercussions for others;
- require primary legislation;
- are novel and contentious; or
- where Treasury consent is a statutory requirement.

In addition:
- The MoD will act at all times within the rules of Managing Public Money.
- The department will abide by any specific agreements reached with Treasury Ministers or officials during Spending Review discussions or otherwise.
- If spending falls under more than one category of delegation, the lower delegated limit applies.

The delegated authorities for the MoD are set out in the following table:

<table>
<thead>
<tr>
<th>Nature of delegation</th>
<th>Delegated limit</th>
<th>Disclosure threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>All projects and programmes; and announcements and policy proposals with a defined lifetime</td>
<td>Procurement – equipment, equipment support, PFI/PPP £600m (forecast outturn costs) or £400m (forecast outturn RDEL)</td>
<td>N/A</td>
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<tr>
<td></td>
<td>Procurement - estates £100m</td>
<td>N/A</td>
</tr>
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<td></td>
<td>Procurement - ICT £250m</td>
<td>N/A</td>
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<tr>
<td>Announcements and policy proposals creating ongoing expenditure</td>
<td>Procurement – equipment, equipment support, PFI/PPP £600m (forecast outturn costs) or £400m (forecast outturn RDEL)</td>
<td>N/A</td>
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<tr>
<td></td>
<td>Procurement – estates, defence reform £100m</td>
<td></td>
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<td></td>
<td>Procurement - ICT £250m</td>
<td></td>
</tr>
<tr>
<td>Internal funding allocations</td>
<td>Resource and capital £250m</td>
<td>N/A</td>
</tr>
<tr>
<td>Stock Write-Offs and Impairments</td>
<td>Equipment, SOSP, IS/IT, etc. £100m</td>
<td>£1m</td>
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<tr>
<td>Claims waived or abandoned</td>
<td>Any £250,000</td>
<td>N/A</td>
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</table>
### Nature of delegation

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<thead>
<tr>
<th>Nature of delegation</th>
<th>Delegated limit</th>
<th>Disclosure threshold</th>
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<tbody>
<tr>
<td><strong>Special Payments</strong></td>
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<tr>
<td>Extra-contractual payments involving de-</td>
<td>£1m</td>
<td>N/A</td>
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<td>partmental default and made on appro-</td>
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<td>priate legal or other professional ad-</td>
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<td>vice.</td>
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<td>Ex-gratia payments, compensation pay-</td>
<td>£250,000</td>
<td>N/A</td>
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<td>ments made on legal or other professional</td>
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<td>advice, extra statutory and extra-regu-</td>
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<td>latory payments</td>
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<tr>
<td>Ex-gratia payments made to individuals</td>
<td>£500 (unless se-</td>
<td>N/A</td>
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<td>which do not involve financial loss, e.g.</td>
<td>arately agreed</td>
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<td>stress, inconvenience, embarrassmen-</td>
<td>with TOA)</td>
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<td>**Special severance payments outside of</td>
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<td>normal statutory or contractual require-</td>
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<td>ments**</td>
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<td><strong>Abatement of Costs</strong></td>
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<tr>
<td>Abatement of costs as a public subsidy</td>
<td>£1m</td>
<td>N/A</td>
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<td>for activities where there is a clear</td>
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<td>tangible benefit to defence from the</td>
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<td>activity or where the activity con-</td>
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<td>tributes towards defence core outputs.</td>
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<td>**Targeted Financial Retention Incenti-</td>
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<td>ves**</td>
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<tr>
<td>Incentives targeted to address manning</td>
<td>£3m (per annum</td>
<td>N/A</td>
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<td>pinch points, by Principle Personnel</td>
<td>on any measure)</td>
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<tr>
<td>Officers</td>
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<tr>
<td><strong>Military Assistance</strong></td>
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<tr>
<td>Expenditure on Military Assistance pro-</td>
<td>Full delegation</td>
<td>N/A</td>
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<td>vided from spare capacity, subject to</td>
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<td>recovery of full costs</td>
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Annex 3 PUS’ Letter of Delegation
(Part 1, Chapter 3 - Financial Delegations and the Role of Directors of Resources, Budget Holders and Managers)

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</thead>
<tbody>
<tr>
<td>Defence Sales</td>
<td>Sales of stores, equipment and capital items, including the provision of support for defence sales.</td>
<td>Full delegation (The Treasury must be consulted about any government to government sales of new equipment and any asset sales or disposal relevant to the SR15 savings plans)</td>
</tr>
</tbody>
</table>

In addition, certain other types of spending always require Treasury approval:

- there is no delegation to the MoD to waive Commercial Exploitation Levy (CEL) entirely without Treasury approval. The MoD can negotiate an abatement of the standard levy rates in respect of sales less than £15 million value if the normal rates would raise the contractor’s selling price to a level that would frustrate commercial sales or result in unrealistically low profit. In this case, a profit sharing agreement may be negotiated if the MoD has adequate confidence in the contractor’s cost accounting system;
- any single change to Armed Forces pay and allowances which results in expenditure increase in excess of £5 million or change in pay which exceeds the most recent AFPRB pay award percentage for the targeted pay group must be referred to the Treasury unless it is:
  - a change to LOA resulting purely from exchange rate fluctuations;
  - already permitted by the strict application of a Treasury-agreed formula;
  - or approved within the most recent AFPRB pay award.
- changes to the status of any MoD owned corporate asset;
- new revenue grants paid to local government. In line with the Government’s commitment to greater financial freedoms for local government, these would need to be un-ringfenced and have no restrictive conditions;
- spend on public private partnerships, which generally creates commitments beyond the current Spending Review period and requires complex contracting which is considered novel or contentious; and
- spend on a complex or non-standard commercial model (e.g. joint venture) for a service or Business Process Outsourcing is considered as novel or contentious spend and any negotiations or legal disputes with government’ strategic suppliers is considered as spending that could cause repercussions elsewhere in the public sector;
- spend which is considered novel or contentious. Under the new ICT delegation these are specified as: Labyrinth, Sonata and OpIS/NSOIT(D) programmes. The Treasury has ongoing interest in the development of Secret and Above Secret ICT systems and the department must continue to keep the Treasury appraised of all relevant projects in this area.

Notes:
1. Approval is required if spending falls outside one or more of the applicable delegated limits. Spending should be measured on a whole life cost basis except where this is not sensible, for example for ongoing annual commitments.
2. This includes all new projects and proposals/announcements, even when they are part of a larger programme or payment that was provided for as part of a Spending Review or other Treasury written approval and that are not covered by prior written approval from the Treasury.
3. This also includes renewal of existing projects and programmes where significant changes are being proposed.
4. Costs are on current net present value accruals basis.
5. The cost is the sum of all payments committed to a body, organisation or individual from a single programme over its lifetime (i.e. costs should not be ‘unbundled’ to fall below the delegation).
Annex B: Explanatory note on Treasury approval in respect of consolatory payments

Summary

Treasury approval is required for any consolatory payment which is over £500 or which is novel, contentious, or repercussive, or which is outside the delegated authority limit for ex-gratia payments agreed with Treasury. There are some exceptions, which are given below.

Definition

Consolatory payments are ex gratia payments made to individuals by organisations in respect of incidents which do not involve financial loss e.g. stress, inconvenience, embarrassment etc. They are a form of special payment, as defined by Managing Public Money (Annex 4.13 – Special Payments).

Guidelines

Due to the size of the amounts involved, Treasury approval is not required for any payment up to £500, which is not novel, contentious or repercussive, and which is within the delegated authority limit for ex-gratia payments.

Given that there is no measure of financial loss in assessing consolatory payments, any such payment over £500 is liable to be novel and contentious by its nature and as such would require Treasury approval in most cases, even if the level of payment is within the delegated authority limit for ex gratia payments for the department or agency concerned.

Exceptions

The following exceptions to these guidelines apply if and only if the proposed payment is not novel, contentious or repercussive, and is within the delegated authority limit for ex gratia payments for the department or agency concerned.

- Treasury approval is not required if a department is in a position to offer to settle a case which would otherwise be determined by the courts (e.g. a personal injury case), and the legal assessment is that the department is likely to lose the case and the proposed consolatory payment is less than the amount the court is likely to award.
- Treasury approval is not required for cases where an arbiter which has legal authority has made a recommendation for payment. The Parliamentary and Health Service Ombudsman (PHSO) is an example of such an arbiter.
- Treasury approval is not required if the proposed payment is above £500 but below a limit agreed bilaterally between the department and the Treasury in the context of an independent case examiner (ICE) within the department having made a formal determination of the appropriate level of compensatory payment.

An example of this is the Department for Work and Pensions, which has an ICE which carries out this role. The Treasury has agreed a threshold of £1,000 with the Department for consolatory payments assessed by the ICE.

Process

Submissions for Treasury approval in respect of consolatory payments should be made through the usual departmental contacts in Treasury spending teams, who will, as appropriate, consult the Treasury Officer of Accounts team (TOA).

We would normally expect a fairly short business case, setting out the circumstances of the maladministration, the level of payment proposed, and justification for the level of payment.

Principles
Annex 3 PUS’ Letter of Delegation
(Part 1, Chapter 3 - Financial Delegations and the Role of Directors of Resources, Budget Holders
and Managers)

Given the absence of measurable financial loss in such cases, the Treasury seeks to strike a balance be-
 tween ensuring appropriate levels of scrutiny and avoiding disproportionately heavy clearance procedures
for very low value cases.

In accordance with Managing Public Money, Treasury approval is required for any payment which is novel,
contentious or repercussive, or which is outside the delegated authority limit for ex gratia payments agreed
with Treasury.
Annex 4  Role of In-Theatre Policy Advisors (POLADs) and Civil Secretaries (Part 1, Chapter 6 - Operations)

THE ROLE OF IN-THEATRE POLICY ADVISORS (POLADs) AND CIVIL SECRETARIES

Reporting

1. The in-theatre POLAD/Civ Sec reports to Commander British Forces (COMBRITFOR), but is also functionally responsible to Cmd Sec, PJHQ for the operation’s financial and secretariat matters. A handbook of procedural guidance will be provided for use in-theatre.

2. The POLAD/Civ Sec must:
   a. alert PJHQ without delay to any developments likely to require the notification of Ministers or the seeking of Ministerial decisions;
   b. provide Comd Sec PJHQ with a monthly submission report, highlighting forthcoming issues.

Policy Advice

3. The POLAD/Civ Sec must provide advice to COMBRITFOR on:
   a. current Defence policy and to support the development of new policy;
   b. local, national, international and UK political implications on operational decisions;

and support PJHQ and the Operations Directorate in providing accurate, timely and relevant information to Ministers.

Financial Concurrence

4. The POLAD’s/Civ Sec’s powers of financial concurrence are delegated by Comd Sec PJHQ. Purchases must not be split to remain within this financial limit. Any requirement above delegated authority must be referred to the Comd Sec PJHQ for prior approval.

Contracting Authority

5. Contracting authority is distinct from financial authority. The POLAD/Civ Sec does not have contracting authority, but will be supported by Commercial Officers.

Stores Accounting

6. Responsibility for stores accounting lies with the owner of the asset. Independent oversight of the accounting activity is the responsibility of the appropriate Supporting Command HQ staff. This is achieved by a range of inspections carried out at regular intervals by both UK and in-theatre HQ staff. The POLAD/Civ Sec must ensure that inspections are conducted regularly, and are achieving adequate and effective coverage of the stores accounting function.
Civilian Management

7. The POLAD/Civ Sec has line management responsibility for all MOD civilian staff and locally employed civilians within the Secretariat. Where staffs have a separate chain of delegated authority, they will have the right of direct access up that chain where questions of financial regularity and propriety arise which may affect their delegated authority.

Claims against British Forces

8. The POLAD/Civ Sec must ensure that all claims against UK Forces are dealt with promptly and on the basis of legal liability:

   a. no acceptance of liability must be given before a full and thorough assessment has been completed;

   b. to assist with resolving potential claims arising from the use of land or hired equipment, adequate condition surveys (in/out) are to be conducted and formally recorded;

   c. the POLAD/Civ Sec will normally be supported by a claims officer. When such support is not available, the advice of the MOD Chief Claims Officer (CCO) is to be sought. The CCO will set out POLAD/Civ Sec responsibilities more fully. These responsibilities should be discharged through the deployed claims officer;

   d. a monthly report of claims settled should be provided to the CCO.

Disposals by Sale

9. The POLAD/Civ Sec must ensure that full consideration is given to the disposal of all surplus stores and equipment. Any decision to proceed with local disposal must be supported by a financial appraisal and the interests of the Accounting Officer safeguarded at all times. Even where the disposal falls within the level of delegation set out in the letter issued to the POLAD/Civ Sec by CE/DSA, the POLAD/Civ Sec must consult DSA staff, case by case, before any decision is taken.

10. Disposal can present difficulties in determining the most cost-effective solution and setting a reasonable target sale price. Particular issues are likely to be:

   a. the formula used to depreciate equipment. Guidance on assessing the residual value of stores and equipment is in preparation by the equipment managers; Comd Sec PJHQ and FMPA-Finance Policy can offer assistance;

   b. the process (i.e. financial appraisal), to establish whether disposal in-theatre represents the most cost-effective option.

11. The POLAD/Civ Sec must provide DSA with a quarterly report on sales, copied to PJHQ J8.

Gifting

12. FMPA-Finance Policy will confirm the authority delegated by the POLAD/PJHQ-J8 Fin/Ops to gift stores and equipment. This must be done in accordance with Chapter 12.

13. Auditable records of gifts made under such authority must be kept and reported to the FMPA Accounting and Treasury Management (A&TM) team for inclusion in the note on Gifts in the MOD’s Annual Accounts.
Write-Off

14. Write-off powers are delegated from CJO and the supporting Commanders-In-Chief to COMBRITFOR, who is encouraged to sub-delegate this authority to the appropriate level. COMBRITFOR will issue a separate letter of delegation to the POLAD/Civ Sec:

a. it is the POLAD/Civ Sec’s responsibility to ensure that delegated powers are exercised properly, that all write-off cases are thoroughly staffed and that appropriate remedial action is taken to avoid recurrence;

b. a write-off register must be maintained and submitted to PJHQ-J8 Fin/Ops quarterly. The register must distinguish between writes-off exercised on behalf of CJO and those exercised on behalf of the supporting Commanders-In-Chief;

c. all writes-off in excess of COMBRITFOR’s delegated powers must be staffed in-theatre and submitted to the appropriate UK HQ for action.

Duties

15. As POLAD, the POLAD must:

a. provide advice to COMBRITFOR and the HQ on political aspects of the operation;

b. ensure that political aspects of the operation are reflected in advice to the COMBRITFOR from other deployed elements of the General Staff;

c. maintain close links with international organisations, non-government organisations, other HQs in-theatre (through POLADs), PJHQ and MOD HQ;

d. contribute to PJHQ and MOD HQ staffing of national UK issues, keeping both HQs informed of work in hand;

e. represent COMBRITFOR at meetings with local politicians and authorities as required.

16. As Civ Sec, the Civ Sec must:

a. exercise, on behalf of the JFC and Comd Sec, PJHQ requirement and financial scrutiny over all in-theatre requirements related to the operation and to ensure regularity and propriety are observed at all times;

b. exercise financial control over all in-theatre expenditure, and establish procedures and systems to ensure proper control and monitoring. In conjunction with the Commander SPS, advise COMBRITFOR on cash management in-theatre;

c. advise the JFC on the handling of UORs/USRs and provide advice to the relevant SFOs and MOD staffs as required;

d. provide financial information, as required, on costs incurred in-theatre and the value of goods, services and facilities provided free to UK Forces by other nations;

e. arrange reimbursement to or from other nations, international organisations or agencies for goods and services, either provided to or by the UK;
f. advise PJHQ on the observance of stores accounting procedures in-theatre, and any requirement for further guidance or instruction;

g. act on COMBRITFOR’s behalf in exercising his/her delegated powers of write-off;

h. settle claims in accordance with specific delegated authority issued by the Directorate of Business Resilience - Common Law Claims and Policy;

i. dispose of surplus goods and equipment in accordance with specific delegated authority issued by DSA. All proposed disposals are to be supported by an appraisal covering both financial and operational aspects. Disposals in excess of the DSA level of delegation should be, in parallel with reference to the DSA, referred to DCS PJHQ for financial concurrence. The authority of ACDS (Log Ops) must be sought in all instances where equipment may be considered to be War Maintenance Reserve;

j. oversee the gifting of goods and equipment in accordance with the provisions of Chapter 12 under specific delegation from FMPA-FinPol-DHd;

k. advise COMBRITFOR on the application of the Department’s rules on gifts, rewards and hospitality and ensure that hospitality books are subject to periodic checks;

l. ensure that proper records are kept and that a clear audit trail, including financial appraisals, is maintained for all decisions. On completion of the operation, or at an agreed time before, all Secretariat files and other records are to be returned to PJHQ for retention;

m. ensure that any requests for national funding from UK personnel serving in NATO posts in-theatre are referred back to PJHQ/FMPA-Finance Policy.
Annex 5 Sponsorship Process Flow Chart (Part 1, Chapter 7 - Sponsorship)

External Sponsor or Sponsorship Organiser (S.O) identifies activity for sponsorship or approach from external party.

S.O prepares Business Case (B.C) consulting interested Parties as required

S.O sends B.C to TLB Director of Resources and the TLB Sponsorship Focal Point

Sponsorship approved

Identify potential sponsors

Access suitability of sponsors

Negotiate and draft sponsorship agreement

Implement the sponsorship agreement

Record the sponsorship agreement

Report sponsorship of core activity with a value greater of £5,000 or greater

Review sponsorship agreements as appropriate

Sponsorship not approved

Notify proposer of decision (external approach) or no sponsorship sought
# Annex 6  Sponsorship Checklist

(Part 1, Chapter 7 - Sponsorship)

## SPONSORSHIP CHECKLIST

<table>
<thead>
<tr>
<th>Name of Sponsor</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of the sponsored project</td>
<td></td>
</tr>
<tr>
<td>Start/End date of the sponsorship period</td>
<td></td>
</tr>
<tr>
<td>Duration of the sponsorship</td>
<td></td>
</tr>
<tr>
<td>Total cost of the project</td>
<td></td>
</tr>
<tr>
<td>Total amount contributed by the Sponsor</td>
<td></td>
</tr>
<tr>
<td>How the sponsorship was awarded</td>
<td></td>
</tr>
<tr>
<td>Date and reference of the written sponsorship arrangement</td>
<td></td>
</tr>
<tr>
<td>Lead branch contact details</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Will the Sponsor benefit? If so indicate how.</th>
<th>Y/N</th>
<th>Details:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there any procurement decisions or issues pending with the MOD or the UK Government, which could lead to a potential conflict? If yes, please give details. (The TLB Sponsorship Focal Point or TLB Assurance Cell should be consulted before proceeding)</td>
<td>Y/N</td>
<td>Details:</td>
</tr>
<tr>
<td>Are any MOD personnel actively involved in the promotion of the company or its product?</td>
<td>Y/N</td>
<td>Details:</td>
</tr>
<tr>
<td>Applicable VAT has been treated in accordance with VAT instructions.</td>
<td>Y/N</td>
<td>Details:</td>
</tr>
</tbody>
</table>

If the sponsorship covers provision of vehicles, please also answer the following questions:

<table>
<thead>
<tr>
<th>Is insurance offered by Sponsor as part of the loan agreement?</th>
<th>Y/N</th>
<th>Details:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has an Insurance Certificate and/or letter of indemnity been lodged with the MOD?</td>
<td>Y/N</td>
<td>Details:</td>
</tr>
<tr>
<td>Have you received full vehicle details including registration number? If yes, please give details.</td>
<td>Y/N</td>
<td>Details:</td>
</tr>
<tr>
<td>If the loaned vehicle is for an extended period, who is responsible for the vehicle during the load period? Please give Name, Rank and full contact details.</td>
<td>Y/N</td>
<td>Details:</td>
</tr>
<tr>
<td>Will only standard logos be used? It should not be emblazoned with the company's identity.</td>
<td>Y/N</td>
<td>Details:</td>
</tr>
</tbody>
</table>
Annex 7 Sponsorship Business Case Template  
(Part 1, Chapter 7 - Sponsorship)  

SPONSORSHIP BUSINESS CASE TEMPLATE

1. **Issue** - A statement of the requirement and/or a brief summary of the proposal.

2. **Timing** - This will normally be routine. If a shorter turnaround time is required (e.g. urgent or immediate), a clear explanation should be given.

3. **Recommendation** - This must include a clear statement of what the approving authority is being asked to approve and what they are merely being asked to note. It should take the form of a bulleted list, with one aspect of the proposal per bullet.

4. **Background** - This must include a brief history of the project to date, explain the proposal and the departmental/financial/political/commercial implications of proceeding or not proceeding. It must guide the reader to your conclusions in a logical structured way and should include/explain:

   - the nature and duration of the activity;
   - a list of suitable potential Sponsors;
   - what has prompted the sponsorship offer;
   - how the Sponsor will benefit;
   - a clear explanation of the benefits to the MOD, including an estimated value of the sponsorship being sought;
   - the implications for MOD business if the sponsorship is not authorised;
   - an assessment of effect on MOD’s reputation and public relations;
   - any potential conflicts of interest;
   - whether the potential Sponsors have been approached before and, if so, why they are being approached again;
   - confirmation that MOD personnel will not be actively involved in the promotion of the company;
   - whether the project will proceed regardless of commercial sponsorship;
   - the MOD’s, and the Sponsor’s, liabilities in the event that the activity is cancelled;
   - any up-front costs to the MOD;
   - what will happen at the end of the sponsorship/project, including how any residual assets (irrespective of value) are to be treated/accounted for;
   - any Intellectual Property Rights, staff or security issues;
   - the degree of risk (e.g. insurance implications, health and safety, withdrawal of support from Sponsor and its associated costs included in the business case);
   - any issues relating to the provision of MOD resources/assets, e.g. vehicles;
   - details of consultations with other interested parties, including confirmation that the TLB Sponsorship Focal Point has been informed of the offer.
5. **Financial Data** - This must provide a clear breakdown of project costs and show the split between MOD and Sponsor funding streams over the whole life of the project. Where MOD contributions are necessary, confirmation of affordability is required.
Annex 8  Reporting Sponsorship Agreements  
(Part 1, Chapter 7 - Sponsorship)

COMMERCIAL SPONSORSHIP RETURN
(Please read the notes on the following page before completing this record)

Serial 1  TLB:

Serial 2  Contact Details (See Note 1)

- Name
- Post
- Full Address
- Phone
- Fax
- E-mail address

Serial 3  Name of Commercial Sponsor (See Note 2)

Serial 4  Nature of MOD Project/Activity/Campaign Sponsored (See Note 3)

Serial 5  Duration of Commercial Sponsorship (See Note 4)

- Start Date:
- End Date:

Serial 6  Total Cost of MOD Project/Activity/Campaign to Defence Funds (£K including VAT)

Serial 7  Commercial Sponsor’s Contribution

- Money (£K excluding VAT)
- Value of Goods/Services (£K excluding VAT)
- Nature of Goods/Services

Serial 8  Sponsor Selection Method
(See Note 5)

- Open Competition
- Sponsor Approach
- MOD Selected

Serial 9  A copy of the Sponsorship Agreement
Date of written sponsorship agreement
(See Note 6)

Serial 10  A copy of the Sponsorship Business Case (if not included with the Sponsorship Agreement.)
NOTES

1. This should be an individual who can answer detailed questions about the sponsorship arrangements covered in the record.

2. A separate record should be completed for each Sponsor.

3. A short description of the project/activity/campaign is required. Any abbreviations used for the first time should be spelled out.

4. If the duration of the sponsorship does not correspond to the duration of the project/activity/campaign under sponsorship please provide a short explanation as to why. If the sponsorship has been in existence for longer than 2 years please briefly explain the basis for this.

5. If other than open competition please provide a short explanation and briefly outline the benefits of the arrangement for the Sponsor.

6. If the date of the written agreement is after the date the sponsorship commenced please provide a short explanation of why.
Annex 9  Cash Feeder Transaction Coding Errors and Corrective Action
(Part 1, Chapter 10 - Cash Feeder Processes)

The table below details some examples of the different types of Cash Feeder transaction coding errors which may require corrective action.

<table>
<thead>
<tr>
<th>Error</th>
<th>Correction Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorrect RAC-DBS Fin-IR transaction</td>
<td>For contract payments raise DF57A to change RAC from this point on. For miscellaneous payments raise MOD Form 1100 and forwarded the completed form to: DBS-Fin-IR-AMI-2 Accounting, Zone C, 1st Floor, Walker House Exchange Flags, Liverpool L2 3Y.</td>
</tr>
<tr>
<td>Invalid RAC/VAT Code/UIN - Cash feeder transaction (except CRUISE - Cash Office feeder)</td>
<td>As all Feeders validate coding before submitting files to the PORTAL, they will redirect transactions containing invalid RAC and VAT transactions to Corrupt Ledger Heading Suspense Account and invalid UIN transactions to Feeder Suspense Budget. Should a Feeder miss an invalid code the PORTAL will catch it and post the transaction to the relevant feeder CLHSA. However the transaction arrives at CLHSA or FSB, the originating feeder is responsible for investigating the correct coding and clearing the transactions within one month.</td>
</tr>
<tr>
<td>Invalid RAC/VAT Code/UIN – Cash Office (CRUISE Feeder only) Trans-</td>
<td>Invalid coding on a Cash Office transaction will result in the transaction being directed, by CRUISE, to RAC ELL000. The MG which owns the offending Cash Office is responsible for ensuring that erroneous transactions are cleared from ELL000 by instructed Cash Office personnel to raise a TE on the Cash Office system to redirect the transaction using valid codes.</td>
</tr>
<tr>
<td>Error</td>
<td>Correction Method</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Incorrect RAC/VAT Code/UIN/LPC - Cash Office CRUISE Feeder only</td>
<td>A transaction can be posted to a valid but incorrect code: this is known as a mis-booking. In these instances, correction can be made through the CRUISE Feeder by the owning MG using their own facility for raising a CRUISE compliant file or using the electronic facility supplied by the DBS SDS Input Team (previously known as the CRUISE Accounting Team). A MG will also require a Source code and set of batch numbers (issued by DBS-SDS Input Team to achieve this).</td>
</tr>
<tr>
<td>Incorrect VAT Code (except CRUISE Feeder)</td>
<td>Transfer Entry by MOD Form 1100 to originating Feeder that will reverse out original transaction and re-post to correct VAT code. For contract payments raise DF57A to change VAT code from this point on.</td>
</tr>
<tr>
<td>Omission of Type 2 LPC (Feeder supported-FMI LPC)</td>
<td>Opt 1) MOD Form 1100 to originating feeder (except CRUISE). Opt 2) Manual Journal (GL009) the LPC onto the transaction in General Ledger. For contract payments raise DF57A to add the LPC to the contract cluster from this point on. For CRUISE Feeder - raise electronic TE at MG level.</td>
</tr>
<tr>
<td>Omission of Type 3 LPC (SPMC) (Highly likely that transaction has gone to wrong UIN/MG)</td>
<td>TE action on MOD Form 1100, reverse out original transaction and re-post to LPC and correct VAT and RA Code. For contract payments raise DF57A to add the LPC to the contract cluster from this point on.</td>
</tr>
<tr>
<td>Invalid LPC</td>
<td>Will result in the LPC being removed from the transaction and the LPC field being reverted to spaces. The transaction will be processed to the consuming UIN. Corrective action should be taken, dependent on whether the intended LPC was a type 2 or type 3 as detailed above. For contract payments raise DF57A to correct the LPC on contract cluster.</td>
</tr>
<tr>
<td>Error</td>
<td>Correction Method</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Incorrect UIN</td>
<td>Check that this is not due to omission of a Single Point Management Code. If it is, follow instructions above for Omissions of Type 3 LPC (SPMC). If incorrect UIN, raise a TE request on MOD Form 1100, reversing out original transaction and re-posting to correct UIN.</td>
</tr>
</tbody>
</table>
## Annex 10 Steps in the Decision-Making Aspects of the Recovery Process

(Part 1, Chapter 11 - Debt Management)

<table>
<thead>
<tr>
<th>STEPS</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q U E S T I O N</td>
<td>Was the payment of a type subject to later adjustment</td>
<td>Did the recipient receive the overpayment in good faith</td>
<td>Is it already clear that it would not be cost-effective to invite recovery</td>
<td>Does the recipient agree, albeit reluctantly, to repay the amount due</td>
<td>Does the recipient allege a valid defence</td>
<td>Has hardship been claimed and would recovery cause genuine hardship to the recipient or his/her family</td>
<td>Is it now clear that it would not be cost-effective to pursue recovery</td>
<td>All feasible attempts should be made to recover an overpayment, including set-off against subsequent payments or other monies owed by the government to the recipient. This includes, if necessary, legal action.</td>
</tr>
<tr>
<td>If Answer is YES</td>
<td>Recover by deduction from later payments. Recipient to be informed, in advance if possible, of adjustment. If automatic adjustment not appropriate or feasible, recover by other means.</td>
<td>If recipient acted in bad faith, all efforts to be made to recover full amount (including from pension benefits or set-off against other sums due from government). MOD should also consider whether matter to be regarded as fraud, with prosecution or disciplinary action being taken.</td>
<td>Waive recovery. The presumption is that recovery action should be pursued in all cases. MOD should only make a decision not to invite repayment, at the outset, if it is satisfied that recovery action would not be cost-effective.</td>
<td>Where the recipient agrees to refund an overpayment, it should be recovered, applying set-off if necessary.</td>
<td>Where recipient claims to have a valid defence, legal advice should be taken before proceeding. Note: it is possible that defence will only be raised at step G.</td>
<td>Repayment may be waived in part or whole if genuine hardship would be caused.</td>
<td>Waive recovery. The presumption is that recovery action should be pursued in all cases. MOD should only make a decision not to invite repayment at the outset if they are satisfied that recovery action would not be cost-effective.</td>
<td></td>
</tr>
<tr>
<td>If NO</td>
<td>Go to B &gt;</td>
<td>Go to C &gt;</td>
<td>Go to D &gt;</td>
<td>Go to E &gt;</td>
<td>Go to F &gt;</td>
<td>Go to G &gt;</td>
<td>Go to H &gt;</td>
<td></td>
</tr>
</tbody>
</table>
Annex 11 Defences Against Repayment  
(Part 1, Chapter 11 - Debt Management)

DEFENCES AGAINST REPAYMENT

Change of Position

1. Where the debtor has in good faith, without notice of the overpayment and without having contributed to its being made, changed position in reliance upon it such that it would be inequitable to require the recipient to repay the money in whole or in part, this is a defensible position.

2. The onus is on the debtor to show that he/she has changed position in such a way that it would be unfair to repay the money. If the evidence is flimsy, unreliable or anecdotal, it should be treated accordingly.

3. If the debtor spent the money honestly but without giving adequate thought to whether or not he/she was entitled to it, then the larger the sum and more unusual the circumstances of payment, the stronger the argument that the debtor ought to have surmised that he/she was not entitled to it and should have repaid it.

4. The court may have sympathy with debtors who can show that they have not spent the money on anything in particular but have nevertheless spent it, e.g. on a better cut of meat or something extra from the supermarket.

5. A court is likely to consider a recipient making a cursory inquiry over the telephone of a very junior official as being unreasonable person that a much more thorough enquiry was necessary.

6. The mere fact that the recipient has spent the money does not of itself render it inequitable that the recipient should be called upon to repay. The recipient must, at the very best, show that he/she has altered his/her mode of living or undertaken commitments which he/she would not otherwise have done.

Estoppel

7. Estoppel is a rule of evidence which prevents the payer from claiming back an overpayment if the following conditions are met:

   a. the payer must generally have made a representation of fact which led the payee to believe that he or she was entitled to treat the money as his or her own;

   b. the payee must have changed his or her position in good faith, for instance by spending the money such that lifestyle was altered; and

   c. the payment must not have been caused primarily by the fault of the payee.

8. A mistaken payment will not of itself constitute a representation that the payee can keep it. There must be some further indication of the recipient's supposed title other than
the fact of payment. However, a representation may be implicit in the light of surrounding circumstances.

9. The paying authority can be prevented from recovery even where it has made no positive statement to the payee that the latter is entitled to the money. If MOD writes a person demanding repayment of money and the person writes back stating reasons why repayment should not be made, then silence from MOD in the face of that letter would entitle the person to conclude that the reply was satisfactory.

10. Whether or not the representation was sufficiently authoritative depends on the facts, but any part of the payment chain which makes inaccurate representations risks undermining the case for recovery.

Key Differences Between Change of Position and Estoppel

11. Change of position does not depend on a representation of fact, whereas estoppel does. The key requirement for the change-of-position defence is: ‘Is it unfair to require repayment?’ By contrast, the estoppel defence asks: ‘Did the payer represent to the payee that the payee could keep the money?’ In practice, many recipients of overpayments will argue change of position rather than estoppel so that they do not have to jump the ‘representation’ hurdle.

12. Change of position is a more sophisticated defence than estoppel in one respect. If MOD pays £2,000 by mistake, of which £500 is spent, then the whole £2,000 may be kept (including the £1,500 not spent) if estoppel can be successfully invoked. If the payee relies instead on the defence of change of position, a court is entitled to say that, in fairness, MOD can recover the unspent £1,500. In some cases, therefore, continued reliance on estoppel (albeit with its extra hurdle of having to show a representation) may be to the payee’s advantage.

13. MOD should seek legal advice where necessary.

Payments Made Under Mistake of Law or Fact with Parliamentary Authority

14. In general, overpayments, whether made under a mistake of fact or a mistake of law, are legally recoverable, subject to the provisions of the Limitation Act (see Annex 12). A Mistake of Law generally arises from misinterpretation of regulations, instructions or comparable documents. It also applies where the error arose as a result of mistake or ambiguity in such documents, or if the person responsible for making the error did so because of ignorance of such documents. If the overpayment arose from a mistake of law, no further attempts at recovery shall be made where the individual has refused to repay.

15. A Mistake of Fact arises when an action taken, which results in an overpayment, is at odds with the factual situation, such as arithmetical errors; input of incorrect data from correct source documents; clerical errors and errors of omission due to forgetfulness. If the overpayment arises from a mistake of fact, then the recipient may well be liable at law for its repayment. Providing MOD has a good case in law, recovery shall be pursued with the individual.
The Length of Time Since the Overpayment Was Made

16. In England and Wales, a defendant might plead that a claim is time-barred under the provisions of the Limitation Acts.

Good Consideration

17. This is where the payee gives something in return for the payment - as when the payment is made to discharge a debt owed by the payer to the payee, or where the payment is made in submission to, or is part of a compromise of, an honest claim.

Hardship

18. In cases where overpayment has been received in good faith, repayment may be waived in whole, or in part, if it would cause hardship to the debtor’s family, but hardship must not be confused with inconvenience. Having to pay back money to which there was no entitlement does not, in itself, represent hardship, especially if the overpayment was discovered without undue delay. The test of hardship should therefore be real.

19. To be acceptable, a plea of hardship must be supported by reasonable evidence (supporting financial statements and documentary evidence) that the recovery action proposed by MOD would be detrimental to the welfare of the debtor or the debtor’s family. However, if the overpayment has been received in bad faith, this will not be acceptable, and therefore all practicable effort will be made to recover the overpayment.

20. Welfare Officers are experienced in providing the sort of information required to support a plea of hardship and people should be advised to seek advice from them if they are uncertain about what is required.

21. If individuals have been asked to submit a plea of hardship but are reluctant to provide the necessary supporting evidence, no pressure should be applied. They should simply be informed that, of course, MOD cannot insist that they provide any documentary evidence but that unless they do so we will not be able to consider any plea of hardship and will be obliged to pursue recovery of the overpayment in the normal way.
Annex 12  The Limitation Act  (Part 1, Chapter 11 - Debt Management)

THE LIMITATION ACT

1. The Limitation Act is are complicated and this Annex gives only general idea of their effect. Separate legislation applies in Scotland, where any obligation to repay is extinguished 5 years after the payment was made.

2. Proceedings must be instituted within 6 years of money becoming due (12 years if the claimant is relying on an instrument which was executed under seal) or acknowledgement of the fact that it is due by the debtor. 12 years is also the period in respect of the recovery of the proceeds of the sale of land or money secured by mortgage or charge. A payment of part of the debt has the same effect as an acknowledgment – time runs from the date of part-payment. If proceedings are not instituted within the relevant period, the claim is 'statute barred'.

3. Time only starts to run from the date on which the claimant discovers, or could with reasonable diligence have discovered:
   a. his own mistake;
   b. any fraud on the part of the recipient; or
   c. any concealment of relevant facts by the recipient.

4. Where the action is to recover stolen money or money held in trust (including implied and constructive trusts), there is no limitation period.

5. The standard of diligence the claimant needs to prove is high. In order to prove that a person might have discovered a mistake, fraud or concealment with reasonable diligence at a particular time, it is not sufficient to show that he or she might have discovered it by pursuing an inquiry in respect of the matter itself, and that if inquiry had been made then it would have led to the discovery of the facts. If, however, a considerable interval of time has elapsed between the alleged fraud, concealment or mistake and its discovery, it might not be unreasonable to infer that it might, with appropriate diligence, have been discovered much earlier.

6. It should be noted that where a written reminder is given to a payee about the non-encashment of a payment instrument, the 6 year period runs from the date of that reminder, not from the issue date of the instrument.

7. On receiving a claim which is out of time, as a first step, MOD should inform the claimant that the claim is statute-barred. The claim should, however, be examined on its merits, and if MOD concludes that the payment should be made *ex gratia*, Treasury authority should be obtained where the amount involved is outside the MOD's delegated powers. (See Chapter 3 – Financial Delegations and the Role of Directors of Resources, Budget Holders and Managers).

8. If the claim relates to a payable order or other payment instrument which is more than 6 years old. MOD should not shelter behind the statutes if accounting records are available to prove that the original instrument was neither replaced nor encashed. Any payment must, however, be regarded as *ex-gratia*.
9. If the claim is by a government employee for an alleged underpayment, and records prove the accuracy of the claim, should not be regarded as time-barred unless there is evidence that the claimant was unreasonably dilatory in making the claim.

10. If MOD make a claim against a private person and the claim is ignored or disputed by the debtor, MOD should ensure that legal advice as to the desirability of proceedings for recovery is taken in good time, to avoid the claim becoming time-barred.
ANNEX 13 UK DEFENCE ASSET GIFTING
PROCESS FLOW (Part 1, Chapter 12 - Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

Every gift must have a SPONSOR; someone within the Department who takes the lead in progressing a proposal or intent to make a gift of a MOD asset, and takes responsibility for writing the Business Case and fulfilling the staffing, completion, reporting and accounting requirements.

Who is the Gift intended for? *(For permitted recipients see JSP 462, Pt 1, Ch 12, para 15)*

What is the Purpose/Motivation for making the Gift?

A response to a request, or initiated? *(see JSP 462, Pt 1, para 12.5)*

Does making it contribute to Defence Core Objectives?

Is there benefit gained by Defence in making it, and if so what is it? *(see JSP 462, Pt 1, para 12.36)*

What will be used to make the Gift?

Existing MOD owned and funded assets

OR

Assets purchased specifically

Sponsor writes and submits Business Case to their Budget Holder (BH) for authorisation that their funds may be used in this way and are satisfied that this accords with the terms governing the funds to be used. BH must refer the case to Defence Resources where required *(see JSP 462, Part 1, para 12.37.)*

If the Gift is being made to a non-UK recipient, Sponsor to obtain export licence approval from Global Issues - Export Control Policy

*Where making the Gift will involve transportation of the item(s), details (including delivery timeframe) must be provided to Defence Logistics Policy, Movements and Transport Team in order that a cost can be given. Where the item(s) is destined for a location outside the European Union they must be notified to arrange a Full Export Declaration to be made to HMRC. Transportation cost(s) must be included as part of the total value of the Gift.*

Financial Approval Required

Decision notified to Sponsor.

Sponsor organises transfer of title and liability to indemnify MoD.

Sponsor fulfils Completion, Reporting and Accounting requirements *(JSP 462, Pt 1, Ch 12, paragraphs 45 - 47)*
Annex 14 Example Departmental Minute

(DEPARTMENTAL MINUTE DATED 04 MARCH 2008 CONCERNING THE GIFTING OF EQUIPMENT TO THE GOVERNMENT OF AFGHANISTAN)

1. It is the normal practice when a government department proposes to make a gift of a value exceeding £250,000, for the department concerned to present to the House of Commons a Minute giving particulars of the gift and explaining the circumstances; and to refrain from making the gift until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.

2. The gift in this case is to the Government of Afghanistan (GoA). The equipment being gifted will comprise 25 field ambulances. The provision of this equipment is a direct response to a request from the NATO Training and Equipment Co-ordination Group (NTECG) who made a broad appeal to the International Community in October 2006 for assistance in equipping the Afghan National Army (ANA). Specific requirements have recently been affirmed by the US Combined Security Transition Command – Afghanistan who are co-ordinating the equipment donations on the ground on NATO’s behalf. The field ambulances are a component part of a long term requirement of 500.

3. The proposed UK contribution will provide the ANA with an initial and greater logistical capability in support of their engagement in security and operational tasks. The GoA, NTECG and Combined Security Transition Command-Afghanistan are lobbying other nations to make similar contributions in order to fulfil the overall requirement of equipment for the ANA.

4. The total cost of the proposed UK package is £1,516,320 comprising: the cost of the vehicles, and the transportation to theatre – the latter element a specific requirement of donors from NATO. The equipment will be purchased using funds from the Global Conflict Prevention Pool which is managed jointly by the FCO, MOD and DFID.

5. The UK is committed to assisting the GoA, and security sector development, in this case building the capacity of the Afghan National Army, is a key objective of the Afghanistan Global Conflict Prevention Pool strategy.
6. All proposals to gift military equipment to foreign Governments or entities are assessed against the Consolidated EU and National Arms Export Licensing Criteria. This assessment has been made and raises no concerns (this paragraph is not relevant to the example submission but may be required for other submissions).

7. The Treasury has approved the proposal in principle. If, during the period of fourteen parliamentary sitting days beginning on the date on which this Minute was laid before the House of Commons, a Member signifies an objection by giving notice of a Parliamentary Question or of a Motion relating to the Minute, or by otherwise raising the matter in the House, final approval of the gift will be withheld pending an examination of the objection.
Annex 15 Example Letter Seeking HM Treasury Approval  
(Part 1, Chapter 12 - Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

DRAFT

To:

Defence Diplomacy and Intelligence Team
HM Treasury
1 Horse Guards Road
London SW1P 2HQ

PROPOSED GIFTING OF £1.52 MILLION WORTH OF EQUIPMENT TO THE GOVERNMENT OF AFGHANISTAN

The UK is looking to assist the broader NATO effort in developing the capabilities of the Afghan National Army. This objective fits within the current Afghanistan Global Conflict Prevention Pool strategy, where security sector development and capacity building is held as a key element of achieving post conflict stability.

NATO staffs have, in consultation with the Government of Afghanistan, identified a comprehensive list of the equipment needs of the Afghan Army in order to develop capacity in order that they take a more forward leaning role in the security and stabilisation work in country and be a visible indigenous presence. The UK is looking to provide twenty five field ambulances that will provide the Afghan Army with a valuable logistical capability to support their engagement in operational tasks. The UK donations will be targeted towards the ANA in Task Force Helmand.

Approval has been given by the Afghan GCPP strategy that, subject to further additional required financial and political authorisations, funds could be deployed from the current GCPP allocation to provide the stated equipment to the ANA. This proposal is complementary to the recently approved application to supply, from GCPP, 15 HMMWV patrol vehicles to the ANA.
As the value of this gift is £1,516,320.00, which exceeds MOD’s delegated authority, Treasury and Parliamentary approval is required. I have therefore attached a draft Departmental Minute and would be grateful for your approval to our laying this before Parliament.
Annex 16  Example Ministerial Submission  (Part 1, Chapter 12 - Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

DJC/Global/PCC/Afghanistan

Day Month Year

APS/SofS

Copy to:
PS/Minister(AF)      DDC Special Advisers
PS/Minister(DES)     ACP
DPSO/CDS             D News      (Note: You will need to add any other senior
PS/PUS               FMPA-FinPol parties with an interest in the gift.)
PS/DG Finance       
DFinStrat

GIFTING OF EQUIPMENT TO THE AFGHAN NATIONAL ARMY

Issue
1. The gifting of £1.52 Million worth of equipment to the Afghan National Army (ANA).

Recommendation
2. SofS is invited to agree
   a. The gifting of 25 field ambulances

   And to note

   b. The associated Departmental Minute to be laid before Parliament (at Annex A).

Timing
3. Priority. Routine

Background
4. The UK is looking to assist the broader NATO effort in developing the capabilities of the Afghan National Army. This objective is deemed an essential component of the
Security Sector Reform element of the current Afghanistan Global Conflict Prevention Pool (GCPP) strategy, where such capacity building is key to helping to achieve post conflict stability.

5. In June 06, Afghan Defence Minister Wardak conducted a series of meetings with NATO officials. He requested NATO support for equipping of the Afghan Army stating that the soldiers lacked essential equipment and that existing equipment holdings were of poor quality. Following the Minister’s appeal, CSTC – A was invited to brief NATO HQ and, as a result of that briefing, COMISAF was asked to provide a full equipment review for SACEUR. CSTC-A is the key focal point in theatre. However, international support and donations – from NATO and non-NATO countries – falls to the NATO Training and Equipment Co-ordination Group (NTECG) who made a broad appeal to the International Community for assistance in October 2006.

6. The US, through CSTC-A is leading in theatre on development of the ANA: manning, training, equipping and sustainment. In conference with Afghan stakeholders, CSTC-A constructed a plan to provide robust, easy to use equipment that the Afghans are either familiar with, or that is relatively easy to train on and maintain. The field ambulances has been identified recently by CSTC-A as being a priority requirement. The prime interest for UK is to assist the development of ANA capacity via provision of equipment to enable the ANA to take a more forward leaning role in the security operations and be a visible indigenous presence in-country.

7. The field ambulances – a donation towards CSTC-A’s long term target of 500 units for Afghanistan, will provide an initial and valuable logistics capability on which the Afghan may build. This is a component part of a further package of UK proposed assistance to the ANA. The UK has asked that equipment funded from our donation be deployed where practical with the ANA’s 3 Brigade 205 Corps Task Force Helmand. CSTC-A is happy to comply with our request, welcoming our prospective gift as making a meaningful impact on the drive to equip the Afghan Army.

8. On 5 February 08, the Afghan GCPP strategy agreed that, subject to Ministerial and parliamentary approval, funds could be deployed from the current GCPP allocation to provide funding to cover the stated package of equipment to the ANA.

9. This proposal is complementary to the recent successful application to provide, at a cost of £1.62M, fifteen up-armoured High Mobility Multi Wheeled Vehicles (HMMWVs) to the Afghan Army that are due to arrive later in 2008. GCPP is also being used to provide, in the shorter term, 390 sets of night vision goggles (the full requirement stated by CSTC-A) for the ANA to provide them with an enhanced interdiction capability. The UK has already supported the first of four airlifts of refurbished Czech MI17 helicopter air-frames to Afghanistan.

10. All proposals to gift military/security equipment to foreign Governments or entities are assessed against the Consolidated EU and National Arms Export Licensing Criteria. This assessment has been made and raises no concerns.

**Funding**

11. The cost of this package, including transportation to theatre, will not exceed £1,516,320, with funding being made available from the Afghanistan GCPP.
**Presentation**

12. The gifting of the field ambulances is unlikely to attract adverse media attention. DJC has liaised with the MOD Media team who perceives that there are good news stories concerning the capabilities that the ANA will develop with the field ambulances. We will explore opportunities through the British Embassy and NATO to give visibility of the UK contribution as an indicator of our firm commitment to the wider international partnership on development of the Afghan Army. Internal publicity may also be appropriate once the Afghan Army are up and running with the UK donated kit.

**Departmental Minute**

13. As the value of the gift exceeds MOD’s gifting delegation, we must obtain Parliamentary approval through the Departmental Minute (DM) process. I attach a draft DM, which has been approved by the Treasury, together with a draft Written Ministerial Statement. I would be grateful if action could be taken to present the Written Ministerial Statement and lay the Minute in the House of Commons, with copies of the correspondence provided to this office.

Sponsor’s Name
Sponsor’s Branch
Building and Floor.Zone.Desk ID
Tel (Mil) 9621 8XXXX
Annex 17  Example Written Ministerial Statement  (Part 1, Chapter 12 - Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

MINISTRY OF DEFENCE

Government Profit Formula

The Parliamentary Under-Secretary of State for Defence (Peter Luff): I announced to the House on 26 January 2011 that I had asked my noble Friend Lord Currie of Marylebone to undertake a fundamental review of the Government’s single source pricing regulations, which include the Government Profit Formula (GPF) overseen by the review board for Government contracts. In the announcement I said that the review board has been asked to maintain the existing arrangements pending the outcome of Lord Currie’s review (which is due to report in July 2011), and to complete their 2011 annual review of the GPF.

The Government have subsequently considered and accepted the review board’s recommendations in their 2011 annual review, and all changes have been agreed with industry. This will reduce the profit and capital servicing allowances payable by the Ministry of Defence (MOD) on new single source work that is placed after 1 April 2011. An agreed change to the GPF methodology will be of benefit to small and medium-sized enterprises; and agreed changes to Government accounting conventions setting out the treatment of costs in single source pricing will improve the MOD’s negotiating position. The board’s recommendations will be implemented in accordance with arrangements subsequently agreed with the industry side and recorded in an addendum to the published report. I will be placing a copy of the report in the Library of the House. The recommendations will be implemented for new single source work with effect from 1 April 2011.

Day Date Month Year
Annex 18 Application to Gift Surplus Assets with Guidance Notes for completing the Application (Part 1, Chapter 12 - Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

Note: Gifting policy and process is published in JSP 462, Chapter 12, Parts 1 & 2. The MOD Sponsor is responsible for staffing ALL parts of this Application to its completion.

**PART 1 – WHO IS THE INTENDED RECIPIENT OF THE GIFT?** (MOD Sponsor to complete this Part on behalf of the recipient)

| A. Name of the individual or the Point of Contact: |  |
| Address: |  |
| Telephone No: | E-mail Address: |

| B. Brief Description of the item(s) and Quantity requested, including NATO stock numbers if applicable: |  |

| C. Is an Official headed letter from the **Intended Recipient** requesting the item(s) attached? | YES/NO |

**PART 2 – MOD SPONSOR DETAILS**

| A. Name: |  |
| Post Title/Appointment: |  |
| Address: |  |
| Telephone No: | E-mail Address: |

**PART 3 – ITEM(S) OWNER’S DECLARATION**

| A. Name of Point of Contact: |  |
| Post Title/Appointment: |  |
| Address: |  |
| Telephone No: | E-mail Address: |

| B. Is the item(s): | YES/NO |
| Wholly MoD-owned and been funded from its core budget? or; | YES/NO |
| Sourced from Urgent Capability Requirement funding or Conflict, Stability and Security Fund? | YES/NO |
C. Has the item(s) requested been declared surplus to MOD requirements?
   If NO, explain why (non-surplus items should not be used for gifting unless under full replacement terms):

<table>
<thead>
<tr>
<th>YES/NO</th>
</tr>
</thead>
</table>

D. Are there any restrictions that apply e.g. availability?
   If YES, provide details:

<table>
<thead>
<tr>
<th>YES/NO</th>
</tr>
</thead>
</table>

E. Are there any known hazards or Health & Safety factors (including risks) involved in the removal, transportation or display of the item(s)? (If YES, a ‘Notification of Risks’ Form must be completed and attached to this Application):

<table>
<thead>
<tr>
<th>YES/NO</th>
</tr>
</thead>
</table>

F. Is the item(s) the subject of or included within an existing agreement e.g. MOU or treaty?
   If YES, does it allow for a transfer or loan within its terms?

<table>
<thead>
<tr>
<th>YES/NO</th>
</tr>
</thead>
</table>

G. Do any National, International or Foreign Export Control Regulations apply to any of the equipment requested e.g. International Traffic in Arms Regulations (ITAR), US Export Administration Regulations (EAR), Missile Technology Control Regime, UK Military List etc.?
   If YES, have the required licences and permissions been applied for?

<table>
<thead>
<tr>
<th>YES/NO</th>
</tr>
</thead>
</table>

H. Is the item(s) under Customs Supervision?

   If YES, provide:
   - NATO Stock Number (NSN):
   - Description and value at point of original procurement (For the United Kingdom Customs Compliance Team (UKCCT) to allocate an appropriate Customs Commodity Code (CCC)):

<table>
<thead>
<tr>
<th>YES/NO</th>
</tr>
</thead>
</table>

I. I verify that I am authorising / I am refusing * release of the item(s) for gifting, and further confirm that I will / I will not * forgo any receipt that may otherwise be due from sale or disposal. (*Delete as appropriate)

   Signature:    Date:

PART 4 – To be completed by DEFENCE EQUIPMENT SALES AUTHORITY (DESA)

A. Value of each Item to be gifted:

B. Valued by:

C. I confirm the DESA valuation of the Item(s) to be gifted:
   Name & Appointment:

   Signature:    Date:
**PART 5 – To be completed by GLOBAL ISSUES – EXPORT CONTROL POLICY (where the intended recipient is non-UK)**

A. Name of Point of Contact:
   Post Title/Appointment:
   Address:

   Telephone No:                                E-mail Address:

B. I confirm that I have contacted by the Sponsor and the appropriate advice and/or confirmation has been given concerning approval or otherwise for the item(s) notified in this Application

   Signature:                         Date:

**PART 6 – To be completed by Defence Movements and Transport**

A. I confirm that DefLog-Strat-Pol has been contacted by the Sponsor and/or item(s) owner to obtain information for inclusion in the sponsor’s Business Case, including:

   - Transportation requirements and cost(s), including delivery timeframe *(any movement to a destination outside the EU for which a Full Export Declaration will need to be arranged with the item(s) Owner)*
   - Air Waybill number and a copy of the VITAL Package ID associated with the movement of the gift have been passed to the Customs Compliance Team for any item to be gifted to a country outside the EU

If you have NOT been contacted, return this form to the Sponsor (see PART 2) to address the points above.

   Point of Contact:
   Post title/appointment:
   Address:

   Telephone No:                                E-Mail Address:

   Signature:                         Date:

**PART 7 – To be completed by the appropriate SERVICE HERITAGE BRANCH (for a gift being made on heritage and/or preservation grounds to a Museum, Local Authority, Trust etc.)**

Please provide your assessment of the heritage and/or preservation merits and strengths of this gift proposal, and whether you recommend its approval:

   Point of Contact:
   Post title/appointment:

   Telephone No:                                E-Mail Address:

   Signature:                         Date:
### PART 8 – To be completed by the ITEM(S) OWNER’s TLB GIFTING FOCAL POINT (see guidance notes)

In accordance with current policy I have examined this request and the associated papers and verify the appropriate authorities within this TLB will / will not * release the item(s) for gifting, and will / will not * forgo any receipt that may otherwise be due.

(*Delete as appropriate)

Name:
Address:

Telephone No: E-mail Address:

Signature: Date:

### PART 9 – To be completed by the SPONSOR’s TLB GIFTING FOCAL POINT (see guidance notes)

In accordance with current policy I have examined and noted this request and the obligations that the sponsor must fulfil. I have obtained from within this TLB the necessary verification that any costs appropriate to making this gift shall be met, and therefore confirm this TLB will sponsor this gift and ensure the reporting requirements for it are met:

Name of Point of Contact:
Post title/appointment & TLB:
Address:

Telephone No: E-Mail Address:

Signature: Date: 

---

**APPLICATION TO GIFT DEFENCE ASSETS - GUIDANCE NOTES**

**IMPORTANT INFORMATION**

The purpose of these notes is to aid correct completion of the Application and thereby enabling correct handling of the request and approval consideration in accordance with MOD Policy on gifting contained in [JSP 462, Ch 12](https://www.mod.uk) which MUST be read in advance of completing the Application.

TLBs hold delegated authority to approve individual gifts of a value up to £50,000.00 provided they are neither novel and/or contentious. Gifts of a novel and/or contentious nature and those with an official valuation above £50,000.00 must be referred to DFinStrat-FMPA-Finance Policy-Gifting for approval.

A supporting Business Case is needed in addition to completion of the 'Application to Gift Defence Assets'.

**PART 1**

This should be completed by the intended recipient of the gift, or else by the MOD SPONSOR on their behalf.
A) The name and contact details must be those of the recipient, not the MOD Sponsor.

B) This should state the item(s) and quantity to be gifted, including NATO Stock Number(s); it should not merely refer to the Business Case.

C) An official letter from the intended recipient whether an Individual/ Organisation /Country is required detailing the reason for the request, and must include:

- A full description of the material and quantities requested
- Confirmation of whether MOD has gifted this type of materiel or similar item(s) to the requester previously. Note: A check shall be made against held records
- An English translation stamped ‘a certified copy’ must be attached if the original request is not in English (requests will not be accepted without these letters).

**PART 2**

To be completed by the MOD SPONSOR. This is a person from within MOD who takes the lead in progressing the proposal and assumes responsibility for writing the Business Case to gift item(s). The role of Sponsor means they must also fulfil the staffing, reporting, accounting and completion requirements for the gift as described in the JSP 462 chapter on gifting.

**PART 3**

**For completion by the ITEM(s) OWNER**

A) The item(s) owner or their representative’s contact details. Front Line Commands have responsibility for equipment ownership and thus can determine whether an asset is needed or can be declared surplus to their requirements. They also retain any receipt generated from items disposed of. The day-to-day management of assets will be carried out by the appropriate project team to whom the asset has been assigned, and information should be sought from them regarding the item owner details.

B) The questions asked in this part are to assist determining whether MOD has complete jurisdiction over the item(s), or whether approval e.g. from Defence Resources Operations or through them HM Treasury needs to be sought to permit the item(s) to be gifted (the Sponsor is responsible for seeking and obtaining such approval).

C) Confirmation of whether the item(s) are surplus to Defence needs is required to determine whether and on what basis the gift can be authorised. An explanation must be provided where the item(s) are not assessed by their owner to be surplus. Any gift made using non-surplus items can only be approved on the basis that the item(s) has been released conditional upon replacement being made. The value of a gift made in such circumstances must reflect full replacement at current market prices.

D) Confirm whether there are any restrictions regarding availability or movement of the item(s), and provide appropriate details where this is the case.

E) Any known hazards or Health and Safety factors (including risks) must be identified and documented using the ‘Notification of Risks’ form. These may include those relating to removal, transportation, use and/or display of the item(s).
F) Confirmation of whether the item(s) is the subject of or included within an existing agreement or treaty with another Government/ Country/ Department /Organisation, and, if it is, whether it allows a transfer or loan within its terms.

G) As the equipment owner you are required to state whether any National, International or Foreign Export Control Regulations apply to the item(s) to be gifted e.g. International Traffic in Arms Regulation (ITAR), US Export Administration Regulations (EAR), Missile Technology Control Regime, UK Military List.

H) Confirmation that you have checked to see if Customs Supervision applies to the gift. Be aware that any item still subject to end use controls may be liable to payment of duty suspended at the point of original import on procurement. (If unsure what this is please contact DSCOM).

I) Confirmation that you have the authority to release the equipment.

PART 4

Completed by the DEFENCE EQUIPMENT SALES AUTHORITY (DESA)

DESA’s responsibility within the gifting process is to provide an official valuation that reflects the assessed current worth of the item(s) if they were offered for sale on the open market or otherwise disposed of by their contractors. The valuation will be based upon a range of factors such as condition, age, history, rarity or attractiveness to collectors and enthusiasts.

PART 5

For completion by GLOBAL ISSUES – EXPORT CONTROL POLICY where the gift is being made to a non-UK recipient, MOD Sponsor to obtain export licence approval from Global Issues, utilising this part of the application as a line-check to ensure this important aspect is not overlooked.

PART 6

This section is for completion by DEFENCE MOVEMENTS and TRANSPORT POLICY to confirm the MOD Sponsor has made them aware of the intent to gift the item(s), and has requested any transport costs or transport requirements (including delivery timeframe) for inclusion in their Business Case. If not, the form is to be returned to the MOD Sponsor (see PART 2) un-signed. The DMTP PoC is also to ensure that when the movement solution for a gift destined for a location outside the EU is finalized, they are to notify the relevant DMTP PoC so that appropriate arrangements can be made for a Full Export Declaration to be made to HMRC.

PART 7

To be completed by the appropriate SERVICE HERITAGE BRANCH where the gift being made is on heritage and/or preservation grounds and the recipient is a Museum, Local Authority, Trust, Group or Charity. As a subject matter expert, the Heritage Branch’s assessment and view of the proposal provides a key contribution towards gauging its overall worth and benefits, and helps guide and assist those charged with responsibility for the approval decision.

PART 8

To be completed by the ITEM(s) OWNER’s TLB GIFTING FOCAL POINT to verify that the item(s) for which the TLB is responsible can or cannot be released and whether it is content to forgo any
receipts that may have been due if the equipment had been sold.

<table>
<thead>
<tr>
<th>TLB</th>
<th>E-mail</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air</td>
<td>Air-DResFin-CG-PRSec-C2c</td>
<td>95221 6911</td>
</tr>
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<tr>
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</tr>
<tr>
<td>NAVY</td>
<td>NAVY SEC-1 Charities and Heritage</td>
<td>93832 5251</td>
</tr>
<tr>
<td>War Pensions</td>
<td><a href="mailto:jayne.an-drews174@mod.gov.uk">jayne.an-drews174@mod.gov.uk</a></td>
<td>01253 841126</td>
</tr>
</tbody>
</table>

PART 9

To be completed by the SPONSOR’s TLB GIFTING FOCAL POINT (where different to the Item Owner’s TLB Gifting Focal Point).

As the TLB sponsoring the making of a gift, the obligations that fall to the Sponsor must be carried out. The Sponsoring TLB Gifting Focal Point is required therefore to ensure those obligations are clearly understood by the Sponsor, and verification is further obtained if not already present – this should be evident in the Business Case with the inclusion of an appropriate statement - that any costs appropriate to making the gift will be met. These may, for example, be those when a gift is made using non-surplus items that have been released conditional upon the cost of their replacement at current market prices being made to the owner.

The Sponsoring TLB Gifting Focal Point should note the gift will require reporting and make the appropriate arrangements to ensure the Gift Sponsor provides them with necessary information at the appropriate time.
Annex 19 (BLANK)
Annex 20 Notification of Risks  (Part 1, Chapter 12 - Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

<table>
<thead>
<tr>
<th>Risk</th>
<th>Likelihood and Impact</th>
<th>Response</th>
<th>Actions to be Taken</th>
<th>By Whom</th>
<th>Action by Date</th>
<th>Next Review Date</th>
</tr>
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<tbody>
<tr>
<td>1</td>
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</tbody>
</table>

Notes to Columns:
1. Detail the risk identified.
2. What is the likelihood of the risk occurring (High, Medium or Low)? What will be the impact of the risk if it occurs (High, Medium or Low)?
3. Responses to risk can be divided into four categories:
   a. **Transfer.** For some risks the best response may be to transfer them. This might be done for example by having conventional insurance to protect against the risk.
   b. **Tolerate.** Ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained.
   c. **Treat.** By far the greater number of risks will belong to this category. The purpose of treatment is not necessarily to remove the risk, but more likely to contain the risk to an acceptable level.
   d. **Terminate.** Some risks will only be treatable or containable to acceptable levels by termination of the risk.
4. Insert the details of any actions that must be taken to control (or treat) the risk to an acceptable level.
5. State who is to complete the ‘Action to be Taken’.
6. State by when the ‘Action to be Taken’ is to be completed. For Example, this could be before the Equipment is issued to the Museum (if action is to be completed by the Donor Branch) or before it is put on Public Display (if the action is to be completed by the Museum).
7. State date of when the Museum should review the risk stated.
Annex 21 Example Exceptional Gifting Authority Form  (Part 1, Chapter 12 - Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

EXCEPTIONAL AUTHORITY FOR A NON-ENTITLED OFFICER TO PRESENT CEREMONIAL GIFTS WHEN REPRESENTING A SENIOR ENTITLED OFFICER

1. I confirm that I hold delegated authority to present Ceremonial gifts.

2. I authorise the following officer exceptionally to present ceremonial gifts on my behalf when they represent me personally at the stated event:

   Name: ______________________________________________________
   Rank: ______________________________________________________
   Post: ______________________________________________________
   Event/date: __________________________________________________

3. Such gifting must be in accordance with the rules set out in JSP 462 Chapter 12.

4. This authorisation is valid for the stated event only.

   Signed: ________________________
   Name: ________________________
   Rank: ________________________
   Post: ________________________
Annex 22 Template Form of Agreement to Pay a Grant  (Part 1, Chapter 13 - Grants and Grant in Aid)

AGREEMENT TO COVER PAYMENT OF A GRANT

The text in italics is not part of the standard document but denotes that either guidance or information is to be inserted. It should be stressed that this not a model for every case, as each agreement is likely to be quite different, but Agreements should always include coverage of the Who? What? When? Where? and How Much? aspects.

This agreement is between the Ministry of Defence (MOD) and [insert supplier title].

All reference in this document to the MOD may be taken as referring to [insert details of MOD sponsor, which may include address information].

All reference in this document to [insert supplier title] may be taken as referring to [insert full title and address information].

Goods or Service to be provided

Insert details of goods or services to be provided. This should include sufficient detail to identify major items or stages, especially if these are to be linked to payments. If there is an initial set-up stage for a service this should be separately identified.

Timing of Goods or Service to be provided

Insert details of when goods or services are to be provided. This must include details of stage completion schedule if appropriate.

Timing of Payment for Goods or Service provided

Insert full details of when payments are due. This must include details of any stage payments due or any initial deposit payable.

Invoicing Requirements

Insert details of where invoices are to be sent for authorisation.

Signature

This agreement is made this [insert day] day of [insert month] [insert year]

Signed
For [insert MOD sponsor title]

Signed
For [insert supplier title]
STANDARD FORM FOR FINANCIAL FRAMEWORK TO COVER PAYMENT OF A GRANT IN AID

General Points

1. This Financial Framework (FF) document has been adapted from the framework document in www.GOV.UK/government/publications/Managing Public Money/Annex 7.2 and approved by Treasury.

2. It is to be used only for Registered or Exempt Charities:
   a. charities are already subject to regulation through the Charity Commission, the Charities Act 2006, the Charities (Accounts and Reports) Regulations 2005, the Statement of Recommended Practice and the Trustees Act 2000, which all have force of law. The Charity and Trustee Acts define the independence of charities from the State, and the need for trustees to act purely in the interest of the charity;
   b. these aspects enable a simplified FF document to be used which does not seek to place direct control on the recipient body but only to define the purposes for which the Grant in Aid is provided, to limit its use where appropriate and to identify any special conditions;
   c. where there is legislation covering the management of a body to be funded by Grants in Aid, this should be clearly identified in the FF document. Aspects already covered in the legislation need not be included in the FF document;
   d. the form provides the same level of management and financial controls that would apply to a Government Department. Not all the aspects will be applicable to every organisation and non-applicable paragraphs can be deleted, after careful consideration.

3. For Non Departmental Public Bodies that are not charities the FF document in Annex 7.2 of Managing Public Money should be used.

---

6 Some charities are exempt from charity commission supervision because they are considered to be adequately supervised by, or accountable to, some other body or authority (CC23).
INTRODUCTION

1. This Framework sets out an arrangement between the Ministry of Defence (MOD) and the [insert Title of Body] (the Body) of [insert registered address] on the conditions governing payment and expenditure of the Grants in Aid (GIA) made by the MOD to the Body. The sum of the GIA will be (£ - please state the amount of the GIA) the dates will cover (e.g. 1st Aug 2011 – ).

2. The Body is a [company, trust, incorporated association etc] established by [full title of statute/constitutional document]. Under the powers contained in this the objects of the Body are [insert detail or refer to Charter/Deed of Trust attached as Annex]. The Body is a [registered/excepted] charity (insert number) and regulated by the [Charities Act 2006 (as amended)/Charities and Trustee Investment (Scotland) Act 2005 (as amended)].

3. This Framework shall be reviewed by the MOD, with the assistance of the Body, at [3 or 5 yearly - please state the dates the GIA will cover] intervals, when the body appoints a new Chief Executive (CE), or earlier if necessary. Amendments may be proposed for mutual consideration whenever either party considers this necessary.

OBJECT OF THE GRANT IN AID

4. A GIA is provided to the Body for:

   This must specify exactly what the funding is for and should include details of any limitations on its use, as well as agreed aims and objectives.

   This section should be in sufficient detail to provide a full understanding of the purpose of the funding and limitations on its use. It may cross-refer to other Paragraphs or Annexes, if required, and must do so if later Paragraphs or Annexes place limitations on use. If the GIA covers funding provided for multiple discrete purposes which may have different limitations then this should also be made clear here.

   Although TLBs should not be too prescriptive on how the GIA is spent, TLBs should satisfy themselves that the charity does not make any long term financial commitments that might fall outside of the term of the GIA without prior approval from the TLB (or sponsor Department). A note to this effect should be included, together with the requirement for annual reporting of related liabilities, if appropriate.
Example:

This GIA is provided to the Body in three parts, the first is a contribution towards the running costs of the Body, the second is for the purchase of artefacts and the third is a contribution towards statutory minimum redundancy provision and winding-up costs.

The running cost element may be used for any purpose apart from the following: new-build capital projects; fund-raising activities; investment for the purpose of generating additional funds; making loans, grants or gifts and development of business activities.

The artefacts element may be carried over from one year to another to enable the purchase of larger items and could be placed in an interest-bearing account to maintain the value of the funding.

The statutory redundancy and winding-up costs element should be limited to this purpose only and should be placed in an interest bearing account to cover inflation.

Other terms and conditions could be detailed in other paragraphs which would be referred to here.

RELATIONSHIP WITH MOD

5. For the purposes of day-to-day dealings, all reference in this document to MOD may be taken as referring to [insert MOD Sponsor detail]. Payment of the GIA is subject to the MOD being satisfied that the conditions set out in this document are being met, except where some variation in these has been agreed between the parties in writing.

6. At the start of each Financial Year (FY) the MOD will send to the Body a formal statement of the GIA approved for that FY and a statement of any planned changes in policies affecting the organisation. The amount notified will be subject to Parliamentary approval and represent a cash limit.

Payment of GIA

7. Payments will be authorised by the MOD on the basis of spend against the GIA and in accordance with need.

Details of any agreed payment programme should be inserted here, or included in an Annex. A larger GIA will need to be paid in instalments and should be profiled to meet planned expenditure or actual profile for prior years.

8. The in-year GIA allocation not issued to the Body by the end of the FY shall lapse. Any GIA already issued but not spent by the Body may be carried over to the next FY. Any excess carried over may be taken into account in the following year’s GIA, where appropriate.

Inspection and Review
9. The MOD may carry out, with the agreement of the Trustees, such periodic inspections or reviews of the Body’s management or other internal controls, in relation to GIA funds, if it deems it necessary. The Body will cooperate with such inspections or reviews where such agreement has been given.

*Audit of Charities is controlled by the Charity Commission under the terms of the Charities Act. The Body is legally independent and this access cannot be imposed but would need to be agreed with the Trustees. Access should be agreed as a condition of the Gia funding (See paragraph 25).*

**Aims, Objectives and Performance Indicators**

10. The MOD and the Body shall agree appropriate aims, objectives and measurable performance indicators in respect of the GIA.

*Details of any agreed indicators should be inserted here or included in an annex. Care must be taken to ensure that such indicators do not appear to insert MOD control over the way individual charities are run. Where possible the indicators should be the same as used by the body to reflect their overall performance against all funds. If the charity is an NDPB, the sponsor department should be advised periodically how well the NDPB is achieving its strategic objectives.*

**Example**

*Objective: Improve value for money in terms of GIA expenditure
Performance Indicator: Increase visitor numbers per £1000 of GIA*

**Accountability**

11. MOD is accountable through its Principal Accounting Officer (PUS) to Parliament for the following:

a. determination and payment of the GIA in accordance with the rules of Managing Public Money;

b. the conditions attaching to the GIA;

c. monitoring the Body’s observance of the conditions;

d. the TLBs sponsor Department on behalf of the TLB will decide what performance indicators are used and how the organisation should report against them.

**THE ROLE & RESPONSIBILITIES OF THE CHIEF EXECUTIVE (CE) (or equivalent)**

12. The CE is responsible to the Board/Council for the proper conduct of the Body’s business in accordance with [Charter/Deed of Trust] and accounting for all the funds of the charity in accordance with the Charity Commission Statement of Recommended Practice (SORP). The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for day-to-day operations and management of the [named Body]. In addition, he or she should ensure that the [named Body] as a whole is run on the basis of the standards, in terms of governance, decision
making and financial management that are set out in Box 3.1 to www.GOV.UK/government/publications/Managing Public Money/Chapter 3.

13. The accountabilities include:

The appointment of the Accounting Officer will need to be agreed with the Board/Council. The CE is an employee of the charity, which is a legally independent entity, not the MOD, and it is for the Board/Council to define the role and responsibilities.

a. the administration of and proper accounting for the GIA, so that all resources are used economically, efficiently and effectively;

b. the maintenance of adequate internal expenditure controls in relation to GIA funds;

c. the provision of advice to the Board/Council so that financial issues affecting GIA are considered fully at all stages in framing and reaching decisions and in their execution;

d. observance of the conditions attaching to the GIA;

e. the maintenance of adequate systems of financial control to prevent theft or fraud in relation to GIA funds;

f. the signature of the accounts and ensuring that proper records are kept relating to the accounts;

g. write-off of losses from GIA funds;

h. ensuring that the GIA is used only for the purposes detailed in this agreement and is not used for investment or speculation with the intent of generating additional income;

i. a Charity that is an NDPB should follow the standards and guidance set out in reporting any exceptions to its sponsor Department.

14. In the event that the CE receives instructions which he/she regards as conflicting with this framework, in relation to the GIA, he/she should make appropriate written representation to the Chairman (with a copy to the MOD).

15. The CE may delegate day-to-day duties (with the exception of his/her personal authority to write off losses) to an executive Director of Finance or equivalent.

16. The responsibilities of the Accounting Officer are detailed in Chapter 3 of www.GOV.UK/government/publications/Managing Public Money.

THE PLANNING FRAMEWORK

17. By [insert date] each year the Body will provide the MOD with a projection of the expenditure to be met from the GIA in the coming FY, together with any receipts (if
appropriate) and an outline projection of the funding likely to be required over the 4-year planning period. The MOD will agree with the Body a format for the projection which will contain sufficient detail to enable the MOD to fulfil the requirements of public accountability.

Ideally the format of the required report should be included as an Annex.

18. In addition, the Body will provide information on how it plans to utilise the GIA funding, this should ideally be via a formal management plan. This should include a restatement of the aims, objectives and performance targets detailed at Paragraph 10.

This should include full details of the planning framework agreed between MOD and the Body; coverage should include dates for submission of plans.

19. The plan should also contain details of any capital projects, whether funded through GIA or other sources, which may have a future impact on the requirement for GIA funding.

This should include full details of the planning framework agreed between MOD and the Body; coverage should include dates for submission of plans.

20. Payments and receipts shall be closely monitored by the body at all times during the FY so that timely action can be taken to ensure that the cash limit of the GIA is not exceeded. The MOD is to be advised immediately if any overspend or under spend of the approved GIA is forecast so that appropriate action can be taken.

This section should include details of any reports that are required by MOD and the timeframe for submission.

21. The Body will provide the MOD with a copy of the annual audited account by [insert date] each year, produced in accordance with the Charity Commission SORP, and such management information as may be necessary to allow the MOD to discharge its responsibilities as set out in Paragraph 11 of this document.

It should be noted that charities where gross income or total expenditure is less than £250K per annum do not require a formal audit but would be subject of an independent examination. In the unlikely event that a Body in receipt of GIA from the MOD falls into this category, this Paragraph will need to be modified accordingly.

The Charities Act 2006 requires submission of the accounts, along with the annual report, within 10 months of the end of the FY.

Under the Government Resources and Accounts Act 2000 (as amended) a Body in receipt of significant public funding may be designated, by HM Treasury, to have their accounts audited and laid before Parliament by the National Audit Office.

FINANCIAL CONTROLS AND FINANCIAL AUTHORITIES

22. The Body has the authority to vire funds between cost headings without recourse to the MOD provided that this does not breach the terms of Paragraph Error! Reference source not found. or result in any increase to the GIA not previously agreed by the MOD.
23. In respect of the GIA, the Body will:

a. maintain to the MOD’s satisfaction an appropriate system of financial management;

b. maintain adequate records, covering the last five financial years, of payments and receipts made against the GIA to meet National Audit Office external audit needs;

c. ensure that the GIA is accounted for and managed separately from any other funds managed by the body;

This does not mean that such funds must be held in a separate bank account from other funds of the Body.

d. Maintain the minimum level of cash balances and reserves consistent with the efficient conduct of business.

MANAGEMENT AND DISPOSAL OF ASSETS

24. The Body is accountable to MOD for the safe keeping of all assets obtained through the GIA, including maintenance of inventories or other records, as agreed with the MOD.

The policy relating to the disposal of GIA funded assets should be inserted here, in a separate Paragraph if appropriate.

Example

Where assets, procured from GIA, are no longer required and are sold the Body may retain the sale value, providing this is used for the acquisition of other assets and the value does not exceed £1M. Where the value exceeds £1M the Body must consult the MOD with regard to the Parliamentary accounting requirements.

ACCOUNTING ARRANGEMENTS

25. The accounts shall be produced in accordance with the current SORP. If the charity is also an NDPB then the accounts should also be prepared in accordance with the Government Financial Reporting Manual (FReM).

AUDIT

26. The Body’s accounts shall be audited by an independent auditor appointed by the Trustees. The annual audited accounts will be signed by the Chairman and the CE after acceptance by the Board.
This paragraph should reflect the actual arrangements detailed in the charter or deed of trust of the Body.

It should be noted that charities where gross income or total expenditure is less than £250K per annum do not require a formal audit but would be subject of an independent examination.

In the unlikely event that a Body in receipt of GIA from the MOD falls into this category, this Paragraph will need to be modified accordingly.

27. The auditor shall also examine the economy, efficiency and effectiveness with which the Body has used its resources to carry out the tasks at Paragraph 4 and the procedures adopted to comply with the principles of Managing Public Money and for the prevention of fraud.

28. Defence Internal Audit may also examine any or all of these same aspects, in relation to GIA funds, at the request of the MOD, the Body or its CE. The Body accepts this requirement for access as a condition of GIA payment.

29. The Body should comply with Government Internal Audit standards (GIAS) in order that the Departmental Accounting Officer may receive an annual assurance on risk management, governance and control. This assurance can be provided by the Director of Defence Internal Audit (DIA) or alternatively by an external organisation. If an external organisation is chosen, the Accounting Officer requires DIA to ensure periodically that the service provided meets the requirements of GIAS. The Body accepts this requirement for access as a condition of GIA payment.

There should be explicit agreement between MOD and the Body that access for audit purposes is a condition of payment of GIA. Only the Charity Commission has the power to impose audit conditions on a charity. However, under the Charities Act 2006, the MOD can stipulate access as a condition of payment and can enforce compliance with this requirement in the interests of safeguarding public funds.

The accounts of the Body may be subject to audit by the NAO if so designated by HM Treasury under the terms of the Government Resources and Accounts Act 2000. TLB should satisfy themselves of the corporate governance and audit arrangements of the charity. This will depend on the size of the GIA being made.

INSURANCE

30. The Body is responsible for its own insurance.

This should reflect the current situation, if the MOD is currently providing an indemnity this should be stated. Please refer to LegacyDefenceIntranet/Organisations/HOCS/DSPO/DJEP/Common Law Claims and Policy website.

DURATION

31. This Framework will remain in effect for [maximum of 5] years from the date of signature unless a new CE is appointed or either party requests termination or amendment before that date. The agreement may be terminated by either party following 12 months notice, unless both parties agree to a shorter time scale. Amendments may
be proposed by either party at any time but amendments may be implemented only by agreement.

To be signed by the Chairman and Chief Executive (or equivalent), on behalf of the Body, and the Funding Budget Holder, on behalf of the MOD.

Please see example below; you must clearly state who the signatories are; full name, title, date and signature:

MOD Signatures:

Name of Funding Budget Holder:

Title:

Date:

Signed:

(On behalf of the [Department name])

Name of Director of Resources:

Title:

Date:

Signed:

(On behalf of the [Department name])

Body Signatures:

Name of Chief Executive (or equivalent):
The CE is an employee of the charity, not the MOD.

Title:

Date:

Signed:
(On behalf of the [Body name])

Name of Chairman:

Title:

Signed:
Date:

(On behalf of the [Body name])
Annex 24  Model Letter of Appointment - Accounting Officer  (Part 1, Chapter 13 - Grants and Grant in Aid)

ACCOUNTING OFFICER APPOINTMENT LETTER

FOR USE BY ACCOUNTING OFFICERS OF NON-DEPARTMENT PUBLIC BODIES (NDPB) AND EXECUTIVE AGENCIES

[Appointee]  
[Department / Agency]  
[Address]  
[Town / City]  
[Postcode]  

(Interim) Accounting Officer for [Name of NDPB / Executive Agency]

Your appointment as (Acting) Chief Executive (or other title) carries with it the responsibility of (Interim) Accounting Officer for the [Name of NDPB / Executive Agency].

I am therefore appointing you as (Interim) Accounting Officer, in succession to [Name of previous Accounting Officer], with effect from [Day, Month, Year] for the [Name of NDPB / Executive Agency] accounts.

As Principal Accounting Officer, I am accountable in respect of the [Name of Department] Account. This includes the monies paid from that resource in respect of the [Name of NDPB / Executive Agency]. I must satisfy myself that the resources authorised by Parliament are used for the purposes intended by Parliament and that these funds, and any receipts, are properly accounted for. I rely on your assurances for [Name of NDPB / Executive Agency] to carry out this role.

As Accounting Officer, you are responsible for the [Name of NDPB / Executive Agency] use of resources in carrying out its functions as set out in the Framework Document. Chapter 3 of Managing Public Money sets out the responsibilities of
an Accounting Officer. As Accounting Officer, you are personally responsible for safeguarding the public funds for which you have charge; for ensuring propriety and regularity in the handling of public funds; and for the day-to-day operations and management of the [Name of NDPB / Executive Agency]. In addition, you should ensure that the [Name of NDPB / Executive Agency] as a whole is run in accordance with the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of *Managing Public Money*.

You will wish to note the circumstances set out in sections 3.8.5 – 3.8.6 of the Memorandum in the event that you were to be overruled by your Board on a matter of propriety, regularity or value for money. You should inform me of any such issues in the first instance. But in the event of a written direction from the Board, you will of course need to inform the Comptroller & Auditor General.

In essence, as an Accounting Officer, you must be able to assure Parliament and the public of high standards of probity in the management of public funds. This will include your organisation’s governance, decision-making and financial management assurances when considering, promoting and safeguarding regularity, propriety, affordability, sustainability, risk, and value for money across the public sector; and accounting accurately and transparently, for your organisation’s financial position and transactions. It is important that you appreciate that if you do not meet the standards required of Accounting Officers, your designation can be withdrawn.

Your accountability will be subject to my overall responsibilities for the organisation and management of the Department. As part of these responsibilities, the Committee of Public Accounts (PAC) may invite you to attend as a witness to give evidence at a Committee hearing. Appearing as a witness before the Committee is not optional. It is only with specific agreement from the Committee Chair that an Accounting Officer may defer their attendance or send a substitute.

You should also look at the Treasury handbook on ‘*Regularity, Propriety and Value for Money*’

In order to carry out your Accounting Officer responsibilities effectively, you will be required to have a thorough understanding of propriety and regularity issues, as they affect those in public service. You should attend the Civil Service Learning (CSL) training: *Introduction to Accounting Officer Responsibilities*, which covers these issues. Please contact Jane Dupres (jane.dupres@cslearning.gsi.gov.uk) to arrange this training.

Additionally, I have asked [Name] Finance Director to talk to you about your role as Accounting Officer and discuss any concerns you may have. As standard practice, newly designated Accounting Officers should also have a discussion with staff at the National Audit Office.

I am copying this letter to the Comptroller and Auditor General, the Clerk of the Committee of Public Accounts, Chairman of the [Name of NDPB / Executive Agency], the Treasury Officer of Accounts, and Jerry Arnott and Jane Dupres in Civil Service Learning.

[Signed]
MIXING OF PUBLIC AND NON-PUBLIC FUNDS ON THE DEFENCE ESTATE

1. 2007DIN09-012 was issued in an attempt to clarify the financial policy relating to the use of public and non-public funds on Defence Estates (now under Defence Infrastructure Organisation (DIO) with effect 1 April 2011) projects. However, the policy in the DIN could be interpreted in an unduly restrict way and, as a result, it has been decided to issue this supplementary guidance for finance and budget staff. This guidance complies with the principles set out by the Government in the Compact on Relations Between Government and the Voluntary and Community Sector in England. It replaces the guidance in 2007DIN09-012.

2. MOD’s financial management policy must follow that set out by HM Treasury. That policy neither precludes the consideration of innovative proposals, best practices or new delivery methods nor prohibits their authorisation provided that authorisation is based on a full examination of all the implications and is given at an appropriate level, including consultation with FMPA-Finance Policy and the Treasury where necessary.

3. It is an accepted principle that there are circumstances in which non-public funds can be used to provide or enhance facilities and infrastructure on the Defence Estate. Where these facilities meet a valid Defence requirement it may be possible to contribute to their costs with public funds. Where no such requirement exists or can be established, all whole-life funding must be via non-public funds.

4. Before accepting non public funding to meet or contribute to the costs of a facility which would normally be publicly funded, recipients should consider whether any conditions attached to the funding constitute a contingent liability. This is most likely to occur when funding is provided for a specific purpose and the donor seeks indemnities requiring the money to be repaid if the funded project does not go ahead or if subsequently the facility/equipment for which funding was provided stops being used and/or is disposed of. Charities, particularly when they have raised monies through a specific appeal, are likely to require some form of indemnity, since donors may request money is returned to them if it is not used for the purpose for which it was raised. If, when discussing a donation to the MOD, indemnities are mentioned then guidance should be sought from FMPA-Accounting Policy regarding whether these indemnities would create a contingent liability. For further guidance on contingent liabilities see JSP 472, the Financial Accounting and Reporting Manual. This is important since contingent liabilities over £300K must be reported to Parliament before they are accepted. The Treasury has ruled that contingent liabilities accepted in the above circumstances cannot be regarded as liabilities arising in the normal course of business.

5. The existence of a clear Defence requirement is, therefore, a key determinant of the funding position. In this respect, scales such as those set out in JSP 315, the Service Accommodation Code, may sometimes be more useful as a guide than a definitive statement which covers all situations. Separate action is being undertaken to ensure that the scales in JSP 315 are examined to ensure that they represent current needs. Scales
should therefore be interpreted sensibly, in consultation with the appropriate TLB Director of Resources, and in line with the overarching principles outlined above. For example, where a facility met a Defence requirement and therefore attracted public funding but where (for example) the site has subsequently changed its role, the facility should normally continue to be regarded as a scaled item for the purposes of ongoing maintenance or appropriate refurbishment. Equally, as the Defence Estate is rationalised and modernised to meet evolving welfare and personnel policies, scales may not provide a complete answer to which facilities or elements of a conjoined facility are appropriate for public or non-public funding. A pragmatic approach may therefore be required.

6. For any facility or enhancement which is deemed to meet a Defence requirement and is therefore eligible for funding from the Defence budget, the normal financial rules apply. Whenever public funding (or non-public funding which is to be treated as public funding in accordance with the Treasury concession referred to in Paragraph 3) is involved, a business case must be produced and be available for audit if required which demonstrates:

a. that the rules of regularity and propriety set out in this chapter have been clearly adhered to;

b. that expenditure meets a Defence requirement and passes the Financial Scrutiny tests set out in this chapter;

c. that value for money is being achieved, and;

d. that the expenditure is affordable within the TLB’s Resource Control Totals.

7. If, however, the facilities in question are not judged to meet a Defence requirement then it is not acceptable to use public funding to make a contribution towards capital costs, to meet operating costs or to maintain the facility in future. TLBs must in such circumstances ensure that the non-public body sponsoring the project has sufficient funds to meet the total capital costs of construction and the future liability for the through life maintenance and running costs of the facility. The use of funds voted by Parliament for Defence purposes, to meet an unendorsed requirement, would be viewed by HM Treasury and the National Audit Office as irregular expenditure.

8. The above highlights the need to apply sensible judgement to decisions on the funding of facilities on the Defence Estate, whilst maintaining financial regularity and propriety at all times. Where application of the principles does not indicate a clear way forward, the case should be carefully considered by the TLB finance staff and guidance sought from FMPA-Finance Policy where necessary, to ensure that the principles are being correctly and appropriately applied.

9. Any proposal which departs from the principles set out in this guidance is, by definition, contentious. If such proposals are to be pursued they would need specific Treasury authority which should be sought, as in all cases of novel and contentious expenditure, by TLB finance staff, consulting FMPA-Finance Policy.
Annex 26  The Bribery Act 2010  
(Part 1, Chapter 14 - Regularity and Propriety in Public Expenditure)

THE BRIBERY ACT 2010 (to replace 2011DIN05-031)

1. The Bribery Act 2010 modernised the law on bribery and came into force on 1 July 2011. The Act is potentially relevant to Service and Civilian personnel who have contact with external bodies, including commercial organisations and foreign governments.

2. The Act sets out four types of criminal offence:
   a. offences of bribing another person;
   b. offences relating to being bribed;
   c. bribery of a foreign public official;
   d. failure of a commercial organisation to prevent bribery.

3. Very generally, bribery means giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having done so.

Scope

4. The Bribery Act and the policy outlined in this Annex apply to all of MOD’s activities (in UK, overseas and on operations) and cover all Service and Civilian Personnel (of all levels and grades), permanent staff, temporary and agency staff, contractors, non-executives, agents, volunteers and consultants.

5. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this Annex.

Ministry of Defence Policy Statement - Anti-Bribery

6. Bribery undermines democracy and the rule of law, leads to violations of human rights, distorts markets, and allows crime and terrorism to flourish.

7. We do not, and we will not, pay bribes or offer improper inducements to anyone for any purpose. Nor do we, or will we, use a third party as a conduit to channel bribes to others. Nor do we, or will we, accept bribes or improper inducements.

8. We are committed to the prevention, deterrence and detection of bribery. We have a ‘zero-tolerance’ approach to bribery. Anti-bribery compliance is ‘business as usual’.

The Bribery Act 2010

9. The Bribery Act 2010 sets out four types of offence:
a. offences of bribing another person (offering, promising or giving a financial or other advantage in return for the improper performance of a function or activity) (section 1);

b. offences relating to being bribed (requesting, agreeing to receive or accepting a financial or other advantage in return for the improper performance of a function or activity) (section 2);

c. bribery of a foreign public official with the intention of influencing the recipient in the performance of his or her functions as a public official and with the intention of obtaining or retaining business or a business advantage (section 6);

d. failure to prevent bribery (section 7). This offence can only be committed by a ‘relevant commercial organisation’. The MOD does not fall within this definition. However, as a matter of policy, MOD will ensure that it has in place adequate procedures to prevent bribery which reflect current best practice.

10. Offences under the bullet points above may be committed if any of the actions in question take place in the UK. In addition, these offences may be committed even if all the actions in question take place outside the UK if the person performing them is a British national or ordinarily resident in the UK, a body incorporated in the UK or a Scottish partnership. For the purposes of an offence under the last bullet point above, it is immaterial where the actions in question take place.


12. Any offence under the Act committed by an individual under sections 1, 2 or 6 is punishable either by a fine or imprisonment for up to 10 years, or both. A person guilty of an offence under section 7 is liable on conviction to a fine.

13. The Act provides a specific defence for members of the armed forces who are engaged on active service and civilians subject to service discipline working in support of them. (See Paragraph 15 below.)

Procedures within the MOD

14. The MOD is committed to preventing bribery and to maintaining a culture in which bribery is not acceptable. To this end, it already has in place a robust system of reporting and monitoring for bribery and for fraud of all types. Wider MOD fraud policy is detailed in the MOD Policy on Fraud, Theft, Corruption, Bribery and Irregularity (2011 DIN05-040 and Fraud Defence) which details the reporting and monitoring system, including the contact details of the MOD Fraud Incident and Irregularity Reporting Unit (FIIRU) - the Fraud and Waste Hotline (UK: 0800 161 3665 or Overseas +44 1371 85 4881).

15. Regarding persons engaged on active service - Section 13 of the Bribery Act contains a defence which applies to conduct which is ‘necessary for the proper exercise of any function of the Armed Forces when engaged on active service’. A specific guidance document entitled ‘Guidance to Service Personnel and Civilians Deployed in Support of Military Operations on the Bribery Act 2010’ has been produced for personnel engaged on active service. It will be briefed to appropriate personnel and will be included in training and awareness activities. For further information please contact PJHQ J8.
Gifts and Hospitality

16. The policy contained in this Annex is supplementary to the requirements of MOD’s existing policy on the acceptance and offering of gifts and hospitality. In some respects, MOD policy is stricter than the Act itself. For example, although the Act does not prohibit genuine hospitality, such as providing business clients with tickets to sporting events in certain circumstances, the acceptance of such offers is contrary to MOD policy and is therefore not permitted. It should be noted that acceptance of any gifts or hospitality contrary to MOD rules could constitute an offence under the Bribery Act.

Raising a Concern

17. The MOD is committed to ensuring that all of us have a safe, reliable and confidential way of reporting any suspicious activity. We want each and every member of staff to know they can raise concerns.

18. We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up - your information and assistance will help. The sooner you act, the sooner it can be resolved.

19. There are multiple channels to help you raise concerns. Please refer to the ‘Whistleblowing and Raising a Concern Policy’ material included within the Fraud Defence intranet site.
Annex 27  Conflict of Interest
(Part 1, Chapter 14 - Regularity and Propriety in Public Expenditure)

CONFLICT OF INTEREST (to replace 2009DIN01-133)

1. This Annex deals with the potential conflict of interest or loyalty for those who hold formal positions, such as a Trustee in Charities, Non Departmental Public Bodies (NDPBs) and Not For Profit Organisations including all Service Unit-Based Charitable Activities and Service and Civilian Sporting Associations. The issue arises most obviously when a charity which provides benefits to the Armed Forces or Civil Service or has close contact with the Departmental seeks financial assistance or funding from the Department or privileged access to publicly owned assets. The guidance in this Annex reflects the Charity Commission’s guidance on Conflicts of Interest for Charity Trustees.

2. Service Personnel and Civilian Staff who hold appointments (in either a private life or official MOD/Service capacity) in outside organisations, including charities, should avoid placing themselves in a position where a conflict of interest might arise, or be perceived to arise, by:
   a. ensuring that any conflict of interest or loyalty is declared and included in the outside organisation’s register of interests;
   b. taking no part in discussions where a conflict of interest or loyalty exists or might be perceived to exist. For example, Service Personnel and Civilian Staff should not take part in discussions about MOD funding for the organisation, about the privileged use of public assets or services or about the provision of some other benefit from the MOD to the organisation;
   c. ensuring that they are not party to any decision by the Department to respond to a request for funding or other benefit from the organisation in which they hold an appointment.

3. Where outside activities could lead to actual or perceived conflicts of interest, personnel must alert their Chain of Command or Line Managers so that a decision can be taken on whether the outside appointment is consistent with their official position. When the post holder and his/her immediate Commanding Officer/Line Manager are unable to agree on the acceptability of an outside appointment, the post holder may appeal to his/her next highest authority, and normal Service/Civilian Grievance Procedures may also be used.

4. Charity Commission Guidance makes it clear that the overriding duty of a trustee is to act in the best interests of their charity and that trustees appointed by an external organisation (such as MOD) must act independently of the organisation which appointed them and act only in the best interests of the charity. Failure to do so may make the trustee personally (and financially) liable to the charity for a breach of trust. There is no guarantee that the MOD would stand behind the trustee in such circumstances.

5. All trustees are strongly encouraged to familiarise themselves with the Charity Commission Guidance for Trustees. At the same time. Service and Civilian Personnel also have a responsibility to Defence (and the taxpayer) to ensure that their professional role is not influenced by their charity role in a manner that would be inappropriate.
6. In most cases, following the processes outlined in Paragraph 2 above will be adequate to manage any conflict of interest or loyalty appropriately. In a few cases, it might be found that an individual's official responsibilities in respect of MOD's relationship with the outside organisation render their position as trustee of the organisation untenable. In such circumstances, the best solution will be to replace the trustee with another appointee whose official duties do not impinge directly on MOD's relationship with the outside organisation.

7. Service and Civilian Personnel should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties; and they must not use their official position or information acquired in the course of their official duties to further their private interests or those of others. This includes not only avoiding actual or potential conflicts of interest but also any suspicion that such conflicts might exist.
Annex 28

Ministry of Defence Policy – Fraud, Theft, Bribery, Corruption, Value for Money and Related Irregularities
(MOD Fraud Policy)

(Part 1, Chapter 14 – Regularity and Propriety in Public Expenditure)

Introduction

1. Defence\(^1\) prides itself on having a strong ethical culture. Fraud and other unethical behaviour within Defence is unacceptable. Those who abuse the system are not only defrauding taxpayers but also impacting on military capability, reducing vital resources that would otherwise be available for the front line.

2. Defence has a zero tolerance approach to fraud and expects all staff to act in accordance with the Civil Service Code and the Values and Standards of the Single Services\(^2\), to stand up against unethical behaviour, protect assets and personnel. In return, Defence will investigate all reported suspicions and will apply appropriate sanctions, based on the evidence available, through administrative, disciplinary, civil or criminal procedures.

3. This policy applies to all Defence Personnel\(^3\). There is a clear process for reporting and investigating concerns and all members of Defence have an obligation to speak up when they witness wrongdoing.

4. In this document the term ‘fraud’ includes fraud, theft, bribery and corruption as well as unethical behaviour, value for money concerns and related irregularity.

Ownership

5. As Accounting Officer, the Permanent Secretary is responsible for ensuring that the Department has an effective counter fraud policy in place. Director General Finance is the Senior Responsible Owner of this policy. Fraud Defence has the strategic lead for fraud across Defence and is responsible for representing the MOD as the victim of fraud and driving the MOD’s coordinated response to fraud.

6. Each Top Level Budget Holder (TLB), Defence Authority, Arm’s Length Body (ALB) and Agency is responsible for owning and managing the fraud risks within their own area. Fraud Defence will support the risk owners to provide SME expertise to enable them to identify their fraud risks. Fraud Defence also coordinates the Fraud Focal Points within the TLBs who assist in delivering the MOD’s Counter Fraud Strategy.

How to raise a concern

\(^1\) Defence includes all MOD TLBs, ALB, Agencies and personnel employed by the Department including contractors and temporary workers.

\(^2\) The Naval Service Core Values; The Values and Standards of the British Army; The Royal Air Force Ethos; Core Values and Standards.

\(^3\) MOD Crown Servants, Service and civilian, staff employed by contractors at our premises and other contractors with whom we do business.
7. All instances and suspicions of fraud, theft, bribery and corruption must be reported to the Confidential Hotline:

![CONFIDENTIAL HOTLINE](image)

For more information on Fraud Defence please refer to the following: defnet/HOCS/Pages/Fraud-Defence.

To Report a Concern please refer to the following: defnet/HOCS/Pages/Fraud-Defence - Reporting Form.

   a. you must report suspicions involving Service or civilian personnel, contractors or other external bodies to your Chain of Command / Line Management / Confidential Hotline without delay.

   b. if you receive a report of detected or suspected fraud in your command or line management capacity, you must immediately report the matter to the Confidential Hotline.

   c. if you feel unable to inform the Chain of Command / Line Management, or prefer to contact the Confidential Hotline directly, for whatever reason, you may do so (this includes Service personnel and civilian workers).

   d. the Confidential Hotline staff will treat all calls and correspondence in strict confidence. You do not have to provide your contact details; it will be more difficult to resolve a case if we cannot clarify details with you or ask follow up questions.

   e. when the case is allocated to an independent authority for investigation – (Fraud Defence, Service Police Authorities, Ministry Defence Police, or Home Office Police/External Agencies) – your contact details (where provided and where your consent is given), will be passed to them to allow enquiries to be progressed properly. These authorities will also maintain the strict levels of confidentiality that the law requires.

**Guiding Principles for this Policy**

8. Defence is committed to reducing the harm from fraud through effective detection and prevention activity. Defence will:

9. **Sanctions & redress**

   a. work to the expectation that all staff guilty of committing fraud will be dismissed from the service, be placed on the Government Internal Fraud Database\(^4\) and may be prosecuted.

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\(^4\) [defnet/DINSpersonnel/2017DIN01-056 - Misconduct & Recruitment - The Cross Government Internal Fraud Initiative](link)
b. impose appropriate sanctions through administrative, disciplinary, civil and legal action in all other misconduct matters.

c. investigate whether there has been a failure in supervision and, where appropriate, take administrative or disciplinary action where supervisory failures occur; and

d. prioritise the recovery of misappropriated funds to reduce the financial and material impact of fraud on Defence. This redress may include recovery from salary, directly from individuals through civil procedures or through the criminal courts.

10. **Prevention and awareness**

a. identify fraud risk and empower fraud risk owners to understand and actively manage the risk that will benefit most from targeted interventions. Fraud Defence will support the risk maturity with each respective TLB by focusing on their risk culture, processes and application so that TLB’s can sustainably contribute to the delivery of their business objectives.

b. develop and maintain effective controls to prevent, deter and detect unethical behaviour from internal and external threats.

c. minimise the risk of fraud by developing a strong ethical and positive challenge culture.

d. ensure that all fraud and unethical behaviour is dealt with appropriately and in a timely manner.

e. learn from the lessons of past cases to review culture, systems, processes and procedures to prevent similar frauds; and

f. record and report outcomes of all identified cases of fraud to the Confidential Hotline to enable cross Government reporting.

**Responsibilities**

11. All Defence Personnel have a role to play in creating an anti-fraud culture which underpins the work undertaken to detect and prevent fraud.

**Managers (including process and policy owners)**

12. The detection and prevention of fraud is a core management responsibility. Management at all levels, both Service and Civilian, are responsible for:

a. identifying the risks to which their systems and procedures are exposed.

b. challenging processes, systems, culture and actions of self and others that put Defence at risk of loss.

c. raising concerns in a timely manner.

d. developing and maintaining effective controls to prevent, deter and detect fraud.

e. ensuring that controls, policies and procedures are complied with.
f. dealing with all fraud perpetrated by their staff in accordance with both Defence’s zero tolerance approach and the Service and Civilian personnel policies in a consistent manner, regardless of rank or grade.

g. applying appropriate sanctions and rendering all assistance required to investigating bodies; and

h. ensuring that all concerns are recorded with the Confidential Hotline.

All Staff

13. All members of staff, Service and Civilian, are responsible for:

   a. acting with propriety in the use of official resources and in the handling and use of funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers.

   b. reporting details immediately to their Chain of Command, Line Management, or the Confidential Hotline if they suspect that a fraud has been committed or see any suspicious acts or events; and

   c. rendering assistance to all investigation bodies in the investigation of any suspected fraud.

Investigation Authorities and Case Management

14. To enable there to be one full Departmental record to be kept, any Investigation Body, Chain of Command/line manager receiving allegations of fraud are required to immediately provide the Confidential/line manager receiving allegations of fraud are required to immediately provide the Confidential Hotline with the necessary information to manage the central reporting service.

15. The investigation body is responsible for informing the Confidential Hotline of all details of closure for a case, this includes the outcome, sanctions imposed, and recoveries made, prevented loss figures and where appropriate a copy of the final report.

Confidential Hotline

16. The Confidential Hotline Case Management System provides the single authoritative source of information on fraud within Defence. Through this Fraud Defence provides the Defence’s counter-fraud performance reporting to the Cabinet Office and Defence Fraud Board.

17. The Confidential Hotline has been established for staff to report any fraud or whistleblowing concerns without fear of victimisation.

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5 An investigation body is: Ministry of Defence Police, Service Police, Fraud Defence Investigations, Chain of Command/Line Management, Governance and assurance teams, DBS and Anyone who has carried out a review/investigation into an irregularity.

6 Whistleblowing is a disclosure made by anyone to Defence where they genuinely believe wrongdoing has taken place. A whistleblowing disclosure should be made in accordance with the Whistleblowing and Raising a Concern Policy.
a. the Confidential Hotline records all incidents on to a Case Management System, which contains details of allegations, investigations and outcomes.

b. the Confidential Hotline assesses and allocates allegations of fraud for investigation, where appropriate, by appointed members of staff which includes but is not limited to: Chain of Command / Line Managers, Fraud Defence, the Service Police Authorities or the Ministry of Defence Police; and

c. following completion of investigations, Defence will impose appropriate sanctions, through administrative, disciplinary and legal action, against all individuals, both Service and Civilian, or organisations found to be committing fraud or other unethical behaviour.

18. Reports are treated in strict confidence and whistleblowers are protected in accordance with the Whistleblowing and Raising a Concern Policy.

Other Related Policies

<table>
<thead>
<tr>
<th>The Civil Service Code</th>
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<tbody>
<tr>
<td>MOD's Whistleblowing and Raising a Concern Policy</td>
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<tr>
<td>The Naval Service Core Values</td>
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<tr>
<td>The Values and Standards of the British Army</td>
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<tr>
<td>The Royal Air Force Ethos, Core Values and Standards</td>
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<tr>
<td>Misconduct Policy</td>
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<td>Gifts, Rewards and Hospitality Policy</td>
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<td>Conflicts of Interest Policy</td>
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<td>MOD Corporate Standards Guide</td>
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<td>Business Travel Guide</td>
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<td>Chilcot Challenge Guide</td>
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<td>2017DIN01-056 - Misconduct &amp; Recruitment - The Cross Government Internal Fraud Initiative</td>
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<td>TLB Fraud Focal Point List</td>
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<tr>
<td>Other Fraud Policy - ASSO</td>
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</tbody>
</table>
## Annex 29  Defence Activity that may be supported by Official Hospitality  
(Part 1, Chapter 15 – Official Hospitality (OH))

<table>
<thead>
<tr>
<th>Ser</th>
<th>Occasion/ Activity</th>
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<tbody>
<tr>
<td>1</td>
<td>Hosting visits by overseas dignitaries/officials</td>
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<tr>
<td></td>
<td>1. As mentioned in JSP 462 Part 1 Chap 15 Paragraph 15.46, hospitality arrangements for the guests of Ministers, PUS, CDS and VCDS are managed by MOD Protocol Office under OH rules issued by FMPA-Fin Pol; the visit programmes will be managed by DG Sec Pol.</td>
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<td></td>
<td>2. Senior Service and civilian representatives of overseas governments, members of overseas Armed Forces and international Treaty organisations (e.g. NATO, UN) can be hosted as part of their official programme.</td>
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<td></td>
<td>3. Officers representing overseas Armed Forces are not to be hosted at public expense more than twice in a financial year.</td>
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<td></td>
<td>4. HM Ships visiting foreign ports will host local dignitaries in line with their routine visit programme as appropriate.</td>
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<tr>
<td>2</td>
<td>Hosting visits of UK Dignitaries/Officials</td>
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<tr>
<td></td>
<td>1. Members of the British Royal Family and accompanying staff on official visits, (as opposed to representative visits like visiting as a Colonel-in-Chief of a Regt) may be hosted as need arises. As a guiding principle, the cost of hosting such visits should not exceed the indicative rates.</td>
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<td></td>
<td>2. Official visits to units or formations by British Ministers, Members of Parliament or Parliamentary Committees may be hosted if programme necessitates.</td>
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<td></td>
<td>3. The official visit of a senior military officer or MOD Civil Servant of 2* level or above or a senior military officer of equivalent rank. Regardless of the number of visits to a given location, these personnel may only receive OH there once per year.</td>
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<td></td>
<td>4. Gatherings associated with an important event, such as the commissioning of an RN vessel or launch of major MOD initiative. OH under this category must have clear defence benefit to the Department.</td>
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<td></td>
<td>5. People who are prominent in the local civilian community e.g. Councillors, Clergy, Police Chiefs etc., or whose assistance is essential for the smooth operation of bases and units, may be hosted once per financial year. Co-located units should ensure that invitations to such local dignitaries are coordinated to deliver best VFM.</td>
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</table>
### Unit Cohesiveness

1. **Unit Cohesiveness events are restricted to frontline operational units only.**

2. Defence Personnel may not receive OH more than once a year.

3. Definition of Front Line:

   “Front Line (FL) Force elements (which can include Non-formed Unit personnel) are those that directly deliver military effect. Thus, only those Defence Personnel serving in or contributing to the Force Elements (Ships, Submarines, Brigades, Battalions and Squadrons etc.) articulated in the Defence Plan (DP) and who deliver military effect are attributed to the FL.” Front Line personnel can include both civilian and military staff.

   FLCs will be responsible for the application of this definition and, as with any type of OH, require D Res delegated authority to fund the event.

4. The aim of Unit Cohesiveness Events is to promote an effective working environment and contribute to the effective delivery of defence outputs through the instilling of esprit de corps.

5. The recipients of such hospitality cannot claim individual subsistence expenses or allowances against any aspect of the OH already provided at public expense.

6. Travel expenses associated with the activity will be for the guest(s) to claim as appropriate in accordance with travel and subsistence rules.

7. Hosts must take into account the regularity and propriety of any proposed event and consider alternative approaches that may also enhance unit cohesion. Formal dinners are unlikely to be a justifiable form of OH in this regard.

### Reward and Recognition

1. Examples are Ministerial and other Departmental Award ceremonies, presentations and commendations, Passing-out Parades and PUS reception for returning POLADs.

2. Modest OH may be provided to recipients (and their families if invited) at the discretion of budget holders. This might be the provision of light refreshments, a working lunch or finger buffet.

3. Alcohol is not normally appropriate. D Res approval must be secured in advance if this is to be offered.
**Annex 30 Types of Hospitality**  
(Part 1, Chapter 15 – Official Hospitality (OH))

**NB:** Individual claims for subsistence expenses or allowances by Defence Personnel attending are not admissible in relation to items publicly funded as part of the OH activity.

<table>
<thead>
<tr>
<th>Ser</th>
<th>Type of Function</th>
<th>Detail of what’s funded and what’s not</th>
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</table>
| (a) | Light refreshments  
(e.g. Passing-out Parades or Official MOD Award ceremonies). | Tea/coffee/soft drink, biscuits.  
Preparation and delivery costs (if applicable).  
Alcohol is not normally to be served at public expense. |
| 1   | Breakfast  
(This can include official/formal guests who necessarily stay overnight and need to be provided with breakfast the following morning). | Cooked or continental style, tea/coffee and soft drink.  
Preparation and delivery costs (if applicable).  
Alcohol is not to be served at public expense. |
| 2   | Lunch  
(e.g. Hosting dignitaries or officials who have a working relationship with MOD, or HM Ships’ Commanding Officers hosting lunches for local dignitaries whilst docked in foreign ports). | Costs must come within a £226 ceiling for an informal event and £340 for a formal event, to include:  
Food (maximum 2 courses), soft drinks.  
Preparation costs or service charge, as appropriate.  
Alcohol is not normally to be served at public expense, but circumstances may dictate (e.g. a Ship’s Captain hosting a lunch in a foreign port of call may consider it appropriate to offer alcohol, least offence be caused).  
Where alcohol is authorised, the budget holder must provide a letter of delegation.  
This will indicate the amount of alcohol permitted. As a guide this should be three units ‘per person (hosts and guests) or 30% of the function costs, whichever is less. |
| 4 | **Formal Dinner**  
(e.g. as part of hosting visits by overseas dignitaries/officials). | Costs must come within a £400 ceiling, to include:  
Service provided at the table and formal attire worn (e.g. black tie).  
Food, tea/coffee, drinks (alcoholic and soft).  
Preparation costs or service charge, as appropriate.  
Alcohol can be served (included in overall cost) and should not exceed three units\(^1\) per person (host and guests) or 30% of the function, cost whichever is less. |
| 5 | **Informal dinner or supper**  
(e.g. as part of hosting UK dignitaries/officials during an official visit). | Maximum cost overall is £266 to include:  
Food and drink (alcoholic and soft).  
Alcohol provision is not to exceed three units\(^1\) per person (hosts and guests) or 20% of the function cost, whichever is less.  
Preparation costs or service charge, as appropriate. |
| 6 | **Official Reception**  
(e.g. evening drinks or cocktail party as part of hosting visiting UK and overseas dignitaries/officials). | Costs must come within a £2000 overall ceiling to include:  
Preparation costs or service charge, as appropriate.  
Snack or finger buffet type food.  
Alcoholic and soft drinks.  
Alcohol provision is not to exceed three units\(^1\) per person (hosts and guests) or 60% of the function cost, whichever is less. |

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\(^1\) A unit of alcohol is defined as a 125ml glass of wine, a half pint of beer or lager or a 25ml measure of spirits.
Annex 31  What can be offered to support a Working Function  (Part 1, Chapter 15 – Official Hospitality (OH))

NB: Individual claims for subsistence expenses or allowances by Defence Personnel attending are not admissible in relation to items publicly funded as part of the Working Function.

<table>
<thead>
<tr>
<th>Ser</th>
<th>Type of Function</th>
<th>Detail of what’s funded and what’s not</th>
<th>Criteria to be met</th>
</tr>
</thead>
</table>
| 1   | Light Refreshments       | Tea/coffee, soft drinks, biscuits.  
Alcohol is not to be served at public expense.  
Preparation and delivery costs (if applicable). | 1. To support a meeting or other activity held to achieve defence and/or departmental business objectives.  
2. At least some personnel are required to travel to attend at a separate establishment from their normal place of work.  
and/or  
3. A number of those attending are not Defence Personnel. |
| 2   | Working breakfast        | Cooked or continental style, tea/coffee and soft drink.  
Alcohol is not appropriate.  
Preparation and delivery costs (if applicable). | 1. To support an early meeting or other activity held to achieve defence and/or departmental business objectives.  
2. At least some personnel are required to travel to attend at a separate establishment from their normal place of work.  
and/or  
3. A number of those attending are not Defence Personnel.  
4. A clear VFM justification that the timing (and therefore public expense) is unavoidable or arranged in order to be beneficial to delivering official business outcomes. |
| 3 | Working lunch | Sandwiches or finger buffet, tea/coffee, soft drinks.  
Alcohol is not to be served at public expense, in the context of a Working Function, unless exceptional circumstances can be demonstrated. A case for exception must be submitted for consideration to D Res.  
Preparation and delivery costs (if applicable). |
|---|---|---|
| 1. | To support a meeting or other activity held to achieve defence and/or departmental business objectives.  
2. | At least some personnel are required to travel to attend at a separate establishment from their normal place of work.  
and/or  
3. | A number of those attending are not Defence Personnel.  
4. | A clear VFM justification that the timing (and therefore public expense) is unavoidable or arranged in order to be beneficial to delivering official business outcomes.  
5. | Alcohol, if approved, should not exceed 1 unit per person (hosts and guests) or 10% of the function cost, whichever is less. |

| 4 | Working dinner | Maximum cost overall is £266 to include:  
Food and drink (alcoholic and soft).  
Alcohol provision is not to be served at public expense, in the context of a Working Function, unless exceptional circumstances can be demonstrated.  
Preparation costs or service charge, as appropriate. |
|---|---|---|
| 1. | To support conferences, seminars and other activities held to achieve defence and/or departmental business objectives.  
2. | At least some personnel are required to travel to attend at a separate establishment from their normal place of work.  
and/or  
3. | A number of those attending are not Defence Personnel.  
4. | A clear VFM justification that the additional public expense is beneficial to delivering official business outcomes (including need for overnight stays if that results from the activity/dinner).  
5. | Alcohol provision is not to exceed three units per person (hosts and guests) or 20% of the function cost, whichever is less. |

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1 A unit of alcohol is defined as a 125ml glass of wine, a half pint of beer or lager or a 25ml measure of spirits
Annex 32  Official Hospitality and Working Functions Indicative Rates as at Feb 2017  (Part 1, Chapter 15 – Official Hospitality (OH))

**OFFICIAL HOSPITALITY INDICATIVE RATES**

<table>
<thead>
<tr>
<th>Commercial Restaurant Rates</th>
<th>London (defined as being within the M25)</th>
<th>Elsewhere</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>£14.19</td>
<td>£10.19</td>
</tr>
<tr>
<td>Luncheon (formal)</td>
<td>£49.33</td>
<td>£21.95</td>
</tr>
<tr>
<td>Luncheon (informal)</td>
<td>£33.04</td>
<td>£14.52</td>
</tr>
<tr>
<td>Formal Dinner (silver service or black tie occasion)</td>
<td>£58.00</td>
<td>£34.82</td>
</tr>
<tr>
<td>Supper or Informal Dinner (for a meal less formal than a Formal Dinner)</td>
<td>£38.81</td>
<td>£23.28</td>
</tr>
<tr>
<td>Reception</td>
<td>£12.31</td>
<td>£12.31</td>
</tr>
</tbody>
</table>

**Departmental Mess Location Rates**

| Breakfast                   | £4.43                     |
| Luncheon                    | £7.10                     |
| Dinner (silver service or black tie occasion) | £25.06 |
| Supper (for a meal less formal than a Formal Dinner) | £16.74 |
| Reception                   | £7.20                     |

**Residence (Costed Menu) Rates**

| Breakfast                   | £4.10                     |
| Luncheon                    | £7.43                     |
| Dinner (silver service or black tie occasion) | £25.61 |
| Supper (for a meal less formal than a Formal Dinner) | £17.07 |
| Reception                   | £7.53                     |
Overnight Rate (Bed & Breakfast) | £4.99

**WORKING FUNCTIONS RATES**

<table>
<thead>
<tr>
<th>Light Refreshments</th>
<th>£1.33</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Breakfast</td>
<td>£4.10</td>
</tr>
<tr>
<td>Working Lunch (London - defined as being within the M25)</td>
<td>£8.21</td>
</tr>
<tr>
<td>Working Lunch (Elsewhere)</td>
<td>£7.10</td>
</tr>
<tr>
<td>Working Dinner</td>
<td>£16.74</td>
</tr>
</tbody>
</table>

**NOTE:**
Indicative rates are set by the FMPA Financial Policy Team as owner of this Chapter within JSP 462 based on the average costs of various menu items from a survey of various eating establishments within central London and elsewhere across the UK.
Annex 33  High Level Official Hospital-ity Instructions for use by the Protocol Office  (Part 1, Chapter 15 – Official Hospitality (OH))

Introduction

1. These Instructions are to be used by the Protocol Office when organising High Level Official Hospitality (HLOH) at public expense for inward visits by foreign dignitaries hosted by the Secretary of State (SoS), Ministers, the Chief of the Defence Staff (CDS), the Permanent Secretary (Perm Sec) and the Vice Chief of Defence Staff (VCDS).

2. These Instructions cover the provision of Official Hospitality (OH) during inward visits by foreign dignitaries. They are also to be used where Ministers wish to host small groups of opinion formers or others with an interest in defence who are UK nationals (as opposed to overseas visitors).

3. The Protocol Directorate, Foreign and Commonwealth (FCO) will fund joint Foreign Minister/Defence Minister visits such as the biannual AUKMIN. Most meals hosted by Ministers for senior overseas visitors will be organised by this Directorate, drawing on the Government Hospitality Fund (GHF).

Authority and Exceptions

4. Hd Boards Secretariat as the Top Office Group (TOG) Budget Holder, and DFin-Strat-FMPA-FinPol, as the Department Policy Branch for Official Hospitality are responsible for, and sponsor, these instructions which update previous versions and are effective immediately. Where relevant these instructions reflect:

   a. the general principles governing the conduct of OH which are contained in JSP 462. These Instructions also cover those areas where the rules in JSP 462 have been necessarily modified for HLOH.

   b. the constraints imposed by the annual budget allocated to the Protocol Office.

   c. reciprocation, custom, precedent and the guidelines used by the FCO for VIP visits.

5. Requests for exceptions to the limits/requirements in these instructions should be forwarded through the Head of Protocol to the TOG-Boards Sec Joint Head for approval, or otherwise, by the Hd Boards Secretariat. Where possible, all exceptions should be submitted for approval in advance of commitment. It is, however, recognised that there may be occasions where exceptions arise at very short notice either before or during a visit which are unable to be staffed to Hd Boards Secretariat. In these cases the Head of Protocol has authority to approve or decline as appropriate and is to inform Hd Boards Secretariat.

6. All HLOH must be justified and able to withstand scrutiny by Parliament, the House of Commons Defence Committee (HCDC), the National Audit Office (NAO) and Freedom of Information Act requests. Expenditure on HLOH must be consistent with the nature of
the visit and due consideration is to be given, at all times, to ensure that the expenditure is necessary, appropriate, cost-effective and an admissible charge against the Defence budget.

7. The general principles outlined in these Instructions are to be followed when considering the need for, and the form of, HLOH to be provided at public expense:

   a. **Moderation.** It is important to ensure that the Department is not open to criticism for lack of restraint or moderation when planning and providing any form of hospitality.

   b. **Standards.** The standard of hospitality to be provided should be carefully judged according to the nature of the occasion and the status of the principal guest. No attempt is to be made to compete with or emulate the standards offered by outside organisations or foreign governments.

   c. **Reciprocation.** Reciprocation for past hospitality is not in itself sufficient justification for the provision for HLOH, except where failure to provide reciprocal hospitality would cause offence and thus embarrassment to the Department.

**High Level Official Hospitality for Inward Visits**

8. **Type of Inward Visits.** There are 2 sorts of High Level Inward Visit: a Full Visit and a Partial Visit:

   a. **Full**

      1) **Definition.** A Full Visit is initiated by a formal invitation from a Minister, CDS, Perm Sec or VCDS. The reasons for inviting an overseas VIP may be various but the benefits to the Department must be clear given the high levels of hospitality involved.

      2) **Funding.** The Protocol Office will fund most costs of a Full Visit for the VIP and his/her Official Suite.

      3) **Number.** The Protocol Office budget dictates the number of visits that can be run in a financial year. As a guide the budget allows for a maximum of 30 nights of accommodation with an initial allocation of:

         (a) six nights for visits hosted by SofS or Ministers.

         (b) twenty nights for visits hosted by CDS or Perm Sec.

         (c) four nights for visits hosted by VCDS.

      4) **Duration.** A Full Visit will normally last between 3 and 4 days with a maximum of 3 nights' accommodation.

      5) **Programme.** The programme can include a mix of meetings; visits to headquarters, units and defence industries; and cultural activities. Printed programmes are provided.

      6) **Size of Official Suite.** Where it would not cause diplomatic or political embarrassment the maximum size of the Official Suite to be invited should consist of the VIP and 2 officers/officials (Total 3). The VIP’s spouse/partner should only be invited where appropriate as an additional member of the Official Suite.
b. **Partial**

1) **Definition.** A Partial Visit will normally result from a request by a foreign government's equivalent Minister, CDS, Perm Sec, or VCDS who wishes to visit the UK. The conduct of business is the main feature of a Partial Visit, enhanced by the provision of the limited hospitality and support.

2) **Funding.** The Protocol Office will **not** pay for the accommodation of the VIP and his/her Official Suite. However, it will fund some other costs, when necessary, as shown below.

3) **Number.** No restriction (within budgetary limits).

4) **Duration.** A Partial Visit will normally last 2 working days.

5) **Programme.** The programme will consist of working meetings in London and visits to major headquarters/establishments. Cultural activities do not form part of a Partial Visit. Printed programmes will not normally be provided.

6) **Size of Official Suite.** No restriction.

9. **Funding of Full and Partial Visits.** Funding for both Full and Partial Visits allows for the following:

a. **For Full Visits only**

1) **Accommodation.** Provided for the whole Official Suite.

2) **Spouse's/Partner's Programme.** Where a separate spouse's/partner's programme has been deemed necessary, the provision of hospitality must be kept to the minimum consistent with the demands of the visiting VIP's programme. The provision of a spouse's/partner's programme and the subsequent hospitality should only be arranged when it is considered absolutely essential to the success of the VIP's visit or where to exclude spouses/partners would give offence to the VIP and cause embarrassment to the Department. Consideration should also be given to arranging visits with a defence-related theme (e.g. Hives and wives clubs).

3) **VIP Suite Hospitality at Airports.** Where the Official Suite uses a civilian airport the Protocol Office will pay for the VIP Suite.

4) **Incidental Expenses.** The Protocol Office will fund:

   a) **For the VIP and his/her Spouse/Partner.**

      i. the mini bar.

      ii. laundry, dry cleaning and pressing.

      iii. daily British newspapers.

   b) **For the Whole Official Suite.** All domestic telephone calls and internet access.

b. **For Full Visits and Partial Visits (where required).**

1) **Escort Officers**

   a) **Full.** An escort officer will be provided for the VIP. He/she will stay in the same accommodation as the Official Suite and eat with the Suite
or in an Out Mess. If required, a spouse’s escort officer will also be provided to escort the VIP’s spouse/partner.

(b) **Partial.** An escort officer is only provided within the MOD and in connection with official business.

2) **Transport**

(a) **Full.** Transport is provided in the UK throughout the visit for the whole Official Suite. This includes provision of:
   i. aircraft, in particular helicopters, where necessary.
   ii. a separate car for the spouse’s/partner’s programme.

(b) **Partial.** Transport may be provided on the same basis as for a Full Visit where required.

3) **Interpreters.** A maximum of one interpreter will be provided for the Official Suite. An interpreter may be provided for the spouse’s/partner’s programme.

10. **Unfunded Elements of Inward Visits.** The following elements of an Inward Visit are not funded by the Protocol Office:

   a. **Ceremonial.** The annual allocation of ceremonial support for Full Visits is:
      1) **Guards of Honour (GOH)**
         (a) four GOH for SofS.
         (b) three GOH for CDS.
      2) **Ceremonial Guards (CG)/Step Lining Parties**
         (a) four CG for SofS.
         (b) three CG for CDS.
      3) **RN and RAF Guards.** No restriction.

   b. **Security.** All security costs will be borne by the relevant Police authority.

   c. **Gifts.** The funding of gifts is not covered by the Protocol Office Vote.

**Official Hospitality**

11. The general principles outlined below are to be followed when considering the need for, and the form of, any OH to be provided at public expense during Full and Partial Visits:

   a. **Luncheons, Dinners and Theatre Suppers**
      1) **Full.** OH at public expense during any Full Visit must be limited to a maximum of one major and one lesser function during the course of the visit. This is usually a working luncheon at the start of the programme with a formal dinner/theatre supper later on.
      2) **Partial.** For a Partial Visit, no more than one function (either luncheon or dinner, but not a theatre supper) will be funded at public expense.

   b. **Cultural Events**
1) **Full.** Tickets for cultural, social or sporting events, or to pay for entrance fees to tourist (or similar) attractions, may be purchased from public funds. Theatre tickets may be purchased for the VIP (and their spouse/partner, if invited) on a Full Visit only where it is cost effective and instead of a formal meal at public expense. When selecting which type of cultural, social or sporting event to attend consideration should be given to whether it could lead to media/public criticism.

2) **Partial.** Not provided.

c. **OH of Spouses/Partners.** The spouse/partner of the host should only be invited to functions when the spouse/partner of the host’s opposite number is known to be attending, or if failure to do so would cause offence or serious embarrassment. Under no circumstances may other family members or friends attend, or deputise, in the absence of the host’s spouse/partner.

d. **Host/Guest Ratios**

1) **Ratios.** The choice of guests should be governed by whether their presence is considered essential to the success of the function. As a general rule, the host/guest ratio should not exceed one host (and spouse/partner, if deemed necessary to attend) to one guest (a non-Crown Servant (and spouse/partner, if deemed necessary to attend)) for luncheons and dinners. All Crown Servants attending an OH function should be classed as hosts and their number kept to a minimum.

2) **Total Numbers.** The total numbers for each function are as follows:

   (a) **Luncheon.** The overall numbers for a luncheon should include the Official Suite (less the VIP’s spouse/partner), the Ambassador, the Defence Attaché and other relevant guests (e.g. an RCDS member) and an equivalent number of Crown Servants to match. For example a luncheon hosted by a Minister should not normally exceed 12 – that is 6 on each side.

   (b) **Dinner.** The overall numbers for a dinner should include the Official Suite, the Defence Attaché and an equivalent number of Crown Servants to match. For example a dinner hosted by CDS should not normally exceed 10 – that is 5 on each side.

   (c) **Theatre Supper/Sporting Event.** The overall numbers for a theatre supper/sporting event should not normally exceed 4. For example this would consist of the VIP (Chief of Defence) and his spouse/partner, and the principal host (CDS) and his spouse.

3) **Approval.** Where, exceptionally, the host to guest ratio is exceeded by more than two hosts, then a case must be submitted in line with Para 5.

e. **Rates**

1) **Lunches and Dinners.** To assist with the managing of OH budgets, rates are used; these are based on the sums per head charged by Government Hospitality for meals at Lancaster House. The rates differ depending on the numbers attending. Based on these, appropriate rates for 2016 are:

   (a) Luncheon - £120 per head

   (b) Dinner - £140 per head
These rates will cover the cost of food, drink, incidentals, VAT, service charges and preparation costs. Where the event is held at a commercial venue, the rates should include total room hire apportioned per head.

2) **Cultural Events.** The cost of tickets for a cultural event should not exceed £150 per head.

3) **Approval.** If, exceptionally, it is considered necessary to exceed the rates stated above a case must be submitted in line with Para 5.

f. **Provision of Alcohol.** The Department’s Official Hospitality Regulations state that alcohol at public expense is not appropriate at breakfasts or lunchtime functions. For evening functions alcohol is restricted to 3 units per head. Dispensation has been granted from these limitations in the case of hospitality offered as part of HLOH. However, the provision of alcoholic drinks is still to be in moderation and with due regard to the form of hospitality being provided. Public funds are not to be used for ‘drinks only’ functions, other than at Official Receptions.

g. **Venues.** OH will normally be provided in official venues. For Ministers, this includes other government buildings like Lancaster House and Admiralty House where lunches and dinners are funded by the GHF. Factors that must be taken into account when selecting the choice of location include: cost-effectiveness, security considerations, the objectives of the hospitality and the type of hospitality offered. When a Departmental location is considered inappropriate for hospitality, commercial venues, such as restaurants and hotels, may be considered. The Protocol Office is to ensure that venue charges represent best value for money and are not deemed excessive.
Annex 34 TLB/ALB Consultancy Focal Points Terms of Reference (Part 1, Chapter 18 - Consultancy)

TLB/ALB CONSULTANCY FOCAL POINTS
TERMS OF REFERENCE

Purpose

1. The point of contact for the provision of advice and guidance on Consultancy, managing the various aspects to best meet the TLB/ALB commitments/requirements.

Tasks

2. Provide advice and assistance to Business Case originators on the definition of Consultancy, ensuring that the process requirements and timescales for obtaining the required approvals and re-approvals are met by:
   
   a. verifying the correct Consultancy consultancy category and Resource Accounting Code (RAC) for the assistance;
   
   b. helping prepare a Business Case to obtain the necessary approvals by offering advice, input and guidance as required on the content and layout of Business Cases;
   
   c. providing TLB/ALB endorsement as formal sponsor of the business case by submitting it to DFinStrat-FMPA-Finance Policy on behalf of the case originator for further approval (if required).

3. Provide Consultancy management information for ad hoc requests from DFinStrat-FMPA-Finance Policy and/or Cabinet Office as well as Parliamentary Questions (PQs)/Freedom of Information requests (FOIs).

4. Act as the DFinStrat-FMPA-Finance Policy/TLB/ALB contact point by:
   
   a. co-ordinating policy initiatives and/or changes to Consultancy controls and/or process, and communicating these across your TLB/ALB;
   
   b. representing the TLB/ALB at meetings;
   
   c. identifying any significant findings from Investment Appraisals and Project Evaluations to DFinStrat-FMPA-Finance Policy.

5. Network with other TLB/ALB Focal Points as required, to ensure that good practice and lessons learned are shared across the Department.

6. If appropriate, establish a network of subordinate (e.g. HLB/BLB) Consultancy Focal Points and implement local versions of these Terms of Reference within the TLB/ALB.
Annex 35 Categorisation of Consultancy and Resource Account Codes (Part 1, Chapter 18 - Consultancy)

CATEGORISATION OF CONSULTANCY AND RESOURCE ACCOUNT CODES (RACs)

1. It is fundamentally important that Consultancy is correctly categorised to facilitate proper resource control, and the analysis and reporting of expenditure; both internally and externally.

2. The following table lists each category of Consultancy together with its dedicated RAC. No RAC other than the one applicable to the Consultancy category should be used to record expenditure:

<table>
<thead>
<tr>
<th>CODE</th>
<th>CATEGORY</th>
<th>RAC</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>K</td>
<td>Strategy</td>
<td>NPB020</td>
<td>The provision to management of objective advice and assistance relating to the strategy of an organisation in pursuit of its purposes and objectives. Such advice may include the identification of options with recommendations, the provision of an additional resource and/or the implementation of solutions.</td>
</tr>
<tr>
<td>L1</td>
<td>Financial, Operational and Strategic (Operational) – excluding PPP/PFI</td>
<td>NPB021</td>
<td>The provision of objective advice and assistance relating to corporate financing structures, accountancy, control mechanisms and systems. Advice on risk management and internal control systems including audit arrangements. Advice on commercial viability of Grant recipients, Suppliers and Partners; solvency checks; external audit of companies or transactions.</td>
</tr>
<tr>
<td>L2</td>
<td>Financial, Operational and Strategic (PFI and PPP)</td>
<td>NPB024</td>
<td>The provision of assistance in support of PFI and PPP projects involving the procurement of specialist financial, legal, insurance, or similar advice by a MOD project team pursuing a PFI/PPP procurement strategy.</td>
</tr>
<tr>
<td>CODE</td>
<td>CATEGORY</td>
<td>RAC</td>
<td>DESCRIPTION</td>
</tr>
<tr>
<td>------</td>
<td>----------------------------------</td>
<td>------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>L3</td>
<td>Financial, Operational and Strategic (Partnering)</td>
<td>NPB024</td>
<td>The provision of assistance in support of partnering projects involves the need for specialist advice to a MOD project management team in the form of financial, legal, insurance, or similar advice to develop the arrangement.</td>
</tr>
<tr>
<td>M1</td>
<td>Legal - 1</td>
<td>NPA021</td>
<td>The provision of independent legal advice and guidance, as directed by MOD Legal Services. This may include specialist legal advice in connection with policy formulation, strategy development and claims related issues. Note: PPP/PFI related legal costs should be charged to NPB024. Legal advice supplied by Treasury Solicitor or lawyers from Other Government Departments should not be counted as Consultancy.</td>
</tr>
<tr>
<td>M2</td>
<td>Legal - 2 Compensation</td>
<td>NPA023</td>
<td>Procurement of external legal advice as advised by MOD Legal Services relating to Compensation Payments. Legal advice supplied by Treasury Solicitor or lawyers from Other Government Departments should not be counted as Consultancy.</td>
</tr>
<tr>
<td>N1</td>
<td>HR &amp; Training Service Recruitment</td>
<td>LBW020</td>
<td>Use of specialist recruitment agencies engaged to assist in both the search for and the selection of Service candidates for specific posts. This category should not include routine advertising for MOD recruitment.</td>
</tr>
<tr>
<td>N3</td>
<td>HR &amp; Training Military Training</td>
<td>NGA020</td>
<td>Any new requirement for specialist, non-core military training that cannot be carried out in-house. This category should not include ‘contracted-out’ core training.</td>
</tr>
<tr>
<td>N4</td>
<td>HR &amp; Training Civilian Training/Recruitment</td>
<td>NGB020</td>
<td>Any new requirement for specialist, non-core civilian training that cannot be carried out in-house. This category should not include ‘contracted-out’ core training. Use of specialist recruitment agencies engaged to assist in both the search for and the selection of Civilian candidates for specific posts. This category should not include routine advertising for MOD recruitment.</td>
</tr>
<tr>
<td>CODE</td>
<td>CATEGORY</td>
<td>RAC</td>
<td>DESCRIPTION</td>
</tr>
<tr>
<td>------</td>
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<td>-------------</td>
</tr>
<tr>
<td>O</td>
<td>Organisation and Change Management</td>
<td>NPB026</td>
<td>The provision of independent advice and guidance related to the structure management and operations of an organisation in pursuit of its purposes and objectives. Advice on long-range planning, re-organisation of structure, rationalisation of services, and general business appraisal of organisation. NDPB and other spend is included in this (excluding the Trading Funds) that does not apply to any of the Consultancy RACs (i.e. funding provided through Grant-in-Aid).</td>
</tr>
<tr>
<td>P</td>
<td>Marketing and Communication</td>
<td>NPB027</td>
<td>All costs related to advisory services within communications and marketing, including the provision of objective advice, assistance and support in the development of publicising and the promotion of the Department, including advice on advertising, marketing, publicity, campaigns, design, branding, internal communication and media handling.</td>
</tr>
<tr>
<td>Q</td>
<td>Programme and Project Management</td>
<td>NPB029</td>
<td>The provision of independent advice and guidance, related to management of on-going programmes and projects. Support includes assessing, managing and mitigating the risks involved in a specific initiative and undertaking work to ensure project benefits are realised. It includes independent advice to an IPT on its own PM activities or those of its principal contractors. It includes cases where an external advisor provides tangible products such as Through Life Management Plans (TLMPs), Risk Registers or Business Cases.</td>
</tr>
<tr>
<td>R</td>
<td>Technical (this category of Consultancy is now included within the Framework Agreement for Technical Support (FATS))</td>
<td>NPB030</td>
<td>Independent advice and guidance on how to produce the product, but not production of the product itself i.e. Technical Support. Technical Consultancy includes advice connected with: packages of work in a main equipment development or build contract; technical studies; the construction of prototypes or technical demonstrators; concept development, project and task based technical advice; research. Advice that is Programme and Project Management (PPM) including advice or the production of business cases, through-life management plans, etc, should be reported as PPM consultancy.</td>
</tr>
<tr>
<td>S</td>
<td>IT/IS</td>
<td>NNB020</td>
<td>Expenditure related to IT/IS systems including strategic studies and development of specific projects. Procurement of services for advice on business solutions covering communications and information systems/services, including the definition of, development, introduction and support of communications and information systems throughout their life. The services may be specific to the technical architecture/installation of an information system (IS), or may be in direct support to an IS-enabled Programme or Project.</td>
</tr>
<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
</tr>
<tr>
<td>T1</td>
<td>Property and Construction</td>
<td>NPB023</td>
<td>The provision of independent advice and guidance, related to design, planning and construction, maintenance, tenure, acquisition and disposal strategies, environmental and leasing issues on the defence estate. Also includes advice and support provided by external surveyors and architects.</td>
</tr>
<tr>
<td>T2</td>
<td>Property - Legal</td>
<td>NPA022</td>
<td>Procurement of external legal advice as advised by MOD Legal Services related to all estate matters. Legal advice supplied by Treasury Solicitor or lawyers from Other Government Departments should not be counted as External Assistance (this excludes legal advice on estate PPP/PFIs where costs should be booked to NPA024).</td>
</tr>
<tr>
<td>U</td>
<td>Procurement</td>
<td>NPB028</td>
<td>The provision of independent advice and guidance related to developing procurement strategies.</td>
</tr>
</tbody>
</table>
Annex 36 Activities Not Classed as Consultancy  
(Part 1, Chapter 18 - Consultancy)

ACTIVITIES NOT CLASSED AS CONSULTANCY

Temporary (Non-Payroll) Staff

1. This is the provision of Temporary Staff as Manpower Substitutes to cover business-as-usual or service delivery activities within an organisation. Recruitment of such staff falls under the general description ‘Contingent Labour’. The process for procuring such staff is described in DIN [defnet/Corp/DINSpersonnel/2014DIN01-173]:

<table>
<thead>
<tr>
<th>DBS/Category</th>
<th>Activities</th>
</tr>
</thead>
</table>
| **DBS** Temporary Workers - Admin and Clerical | Admin and Clerical Agency Staff are normally lower grade individuals filling a role within the organisational structure and are ideally used on a short term basis:  
  - Normally engaged on an ad hoc or temporary basis to fulfil requirements within established posts.  
  - Involves providing cover (e.g. for a vacancy, holiday or sickness) or additional resource (e.g. for a seasonal peak in workload).  
  - May be undertaking operational or professional roles. |
| **DBS** Interim Managers           | DBS-People Services/Recruiting Staff/Recruiting Temporary Staff/Obtain a Manpower Substitute.  
  - Interims are normally middle-to-senior grade staff working in an organisation, concerned with the fulfilment of particular professional functional or senior management positions within the organisational structure (usually covering business-as-usual activities or providing cover for a role) and ideally engaged on a short term basis.  
  - May involve providing cover (e.g. for a vacancy, holiday or sickness) or additional resource (e.g. for a new team until someone is recruited, or a seasonal peak in workload).  
  - May include Professional Interim Staff (e.g. senior qualified professionals in areas such as Legal, Finance, Audit) and Interim Managers (including up to the most senior levels of the organisation). |
### DBS Specialist Contractors

Specialists are normally middle to senior grades, used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure and ideally engaged on a short term basis.

- May include sub-categories of Finance, HR, IT, Legal, Logistics, Marketing, Medical, Procurement, Estates, Technical and Other.
- Not staff substitution; specialists are used to provide additional resource, skills and expertise, not to cover vacancies etc.
- Should not include management functions or similar organisational involvement.
- Usually involved in a defined package of work or project rather than covering a day-to-day workload or defined job/role.
- In some instances, may include a degree of organisational involvement (e.g. managing staff, representation at meetings).
- Not always provided through an Agency.

---

2. Further guidance on Temporary (Non-Payroll) staff may be obtained from Defence Business Services (Mil: 93345 7772 or Civ 0800 345 7772).

### Technical Support

3. Technical Support currently sits outside of Consultancy and Contingent Labour. It refers to all support and research that is integral to the product lifecycle:

   a. **Technical Studies** - Research based activity including studies, prototyping and technical demonstrators;

   b. **Technical Project Support** - Project based activities where there is a capability gap, including: manufacturing concepts, assessment, development, in-service, disposals, independent safety activities, independent security activities, reliability modelling;

   c. **Technical Engineering Support** - Task based support including Post Design Support (PDS), calibration, analysis testing and integration.

4. Specifically it includes technical support or research in support of the acquisition of equipment or services at all stages of the CADMID cycle and the delivery of a technical service. (Note that Technical Support meeting the above criteria is not classed as External Assistance or Contingent Labour).
5. The Framework Agreement for Technical Support Team (FATS Team) manages the FATS Framework and should be used for all Technical Support and Technical Service tasks only. **Contingent Labour (Manpower Substitutes) must NOT be procured through FATS.**

6. Further information on FATS, including a detailed Customer Guidance document and FATS team points of contact, may be found at the following link:

Annex 37 Consultancy Business Case Template
(Part 1, Chapter 18 - Consultancy)

BUSINESS CASE TEMPLATE - CONSULTANCY REQUIREMENTS

TLB/ALB: (State TLB or ALB)

Project or Programme: (Short title or description)

Consultancy Category: (Enter the agreed appropriate Code and Category as assessed by your TLB/ALB Consultancy Focal Point)

Cost (net of all recoverable VAT): (Amount of money needed to buy the assistance, which must include Travel and Subsistence costs incurred by the provider where it has been agreed these are necessary and appropriate to the task)

Affordability: (A clear statement of where funding is coming from and who has approved its use for this Consultancy requirement)

Duration: (Time period Consultancy assistance is required - number of weeks or months and intended start and finish dates)

Issue: (A short statement outlining the requirement and whether it is a new request for assistance, or a request to extend an existing Consultancy contract)

Timing: (Routine or Urgent: If Urgent, a statement as to why this is the case)

Background: (To include what the associated project or programme is necessitating use of Consultancy, why the project or programme is needed and what it is intended to achieve, and, if this Business Case is a request to extend an existing Consultancy contract that is supporting the project or programme, what the previous approval reference, timeframe and value of it is)

Description of Consultancy Required: (Outline what specific assistance is needed i.e. knowledge, skill, experience and the proposed tasking approach that will be adopted to undertake and complete the work i.e. Crown Commercial Services Framework details, or another source as applicable. A detailed Statement of Requirement that would be used to contract with a provider and that should include appropriate targets or deadlines that must be met can be attached to this Business Case)
Justification (Including impact of not proceeding and risks): (Explain what steps have been taken to identify whether the consultancy service(s) could be provided in-house, either wholly or in part, in terms of available knowledge, skills, experience and capability - not just in the TLB business area but within MoD, or otherwise from across Government - and provide proof that these have been scoped i.e. in particular whether other TLBs/ALBs have recently engaged Consultants to produce the outcomes you now need, in order to avoid the Department paying more than once for the same thing; options considered for meeting the requirement, including the impact and risk(s) of not proceeding; how provision of consultancy assistance will contribute to the overall project, and what outcomes are expected; for a contract extension, what is the assessment of risk attached to the likelihood of complaint or challenge from industry or other framework providers which, if successful, could result in fines, damages and the contract being found ineffective)

Commercial Rates/Summary of Project Spend: (As appropriate, provide an actual or otherwise an average hourly or per day rate (stating its source) for the assistance needed, and a summary of spend to date on Consultancy assistance provided to the project/programme)

D Res: Approved / Not Approved Date:

Scrutiny and Approval Group Approved / Not Approved Date:

DG Finance: Approved / Not Approved Date:

Decision of the appropriate Minister with portfolio responsibility:

Approved / Not Approved Date:

(Signatories to be amended as required.)
Annex 38 Financial Conditions for a Memorandum of Understanding (MOU) – Minimum Conditions for the Main Body

(Part 1, Chapter 19 - Charging)

If the intention is to detailed conditions (Annex B) into the Implementing Arrangements (IA), Technical Arrangements (T.A), Letter of Arrangement (LoA) etc, the following general conditions should also be added to the main body of the Memorandum Of Understanding.

To avoid the misconception that these conditions can be applied without the correct authorisation, there is reference to the detailed conditions in the Implementing Arrangements (IA), Technical Arrangements (T.A), Letter of Arrangement (LoA) etc:

Full cost charging/Reimbursement

1. The supplying participant will submit invoices to the receiving participant for the cost of supplying the logistic support, supplies, services or resources. Specific details of this condition will be enclosed in the attached Implementing Arrangements (IA), Technical Arrangements (T.A), Letter of Arrangement (LoA) etc.

Reciprocal (Replacement in Kind/Equal value)

2. The Visiting Force will pay the Host Nation in kind by transferring logistic support, supplies or services that are identical or substantially similar to those delivered or performed in value to those provided and which are satisfactory to the Host Nation military authorities. Specific details of this condition will be enclosed in the attached Implementing Arrangements (IA), Technical Arrangements (T.A), Letter of Arrangement (LoA) etc.

Cost-Share/Apportionment

3. Where there is more than one nation receiving services/facilities, the costs of providing these should be apportioned on a basis that all parties agree, e.g. number of personnel per nation. This is particularly useful when dealing with several participating nations whose contributions vary.

Other financial conditions which may be added/amended:

4. In fulfilling their co-ordination role with respect to facilitating supply from commercial sources, the Host Nation will not obtain services or commit to any commercial contracts on behalf of the Visiting Force unless the latter has specifically consented to accept the services or supplies, and has also consented to pay a specified cost for them. All services and supplies from commercial sources will be based upon formal contractual arrangements.

5. Both the Visiting Force and the Host Nation authorities will maintain records of all transactions between the Participants.
6. Invoices for the provision of logistic support, supplies or services may be guided by the form of the Standard NATO Form for Request, Receipt and Return or Invoice, at Annex B of STANAG 2034 and will refer to this Memorandum (or a relevant Implementing Arrangement) as well as to any applicable order number. Invoices will be accompanied by evidence of receipt by the Visiting Force and are to be either settled locally through arrangements detailed in the Implementing Arrangement or sent to the Visiting Force’s military authorities no later than 60 days from the date that the logistic support, supplies or services were provided to those forces. The invoices will itemise the charges for the various logistic support, supplies or services being billed.

7. The Visiting Force will pay for supplies, equipment or services from commercial sources such as food, vehicle hire and laundry prior to departure from the Host Nation’s territory, unless otherwise contractually determined or unless a dispute regarding cost or receipt of services exists. In a case of the latter situation arising, every effort will be made to resolve the dispute as soon as possible in order to expedite settlement of accounts.

8. Subject to availability, the Host Nation will provide Visiting Force personnel with messing and accommodation to the same standard as would be provided to members of the Host Nation’s Armed forces.

9. The Visiting Force will not retransfer logistic support, supplies or services, either temporarily or permanently, to another nation or organisation without written consent of the Host Nation.

10. In so far as existing laws, regulations and international agreements permit, the relevant authorities of the Host Nation will ensure that taxes, customs duties and similar charges will not be imposed in connection with this Memorandum. Where such taxes, customs duties and similar charges are payable, the relevant authorities of the Host Nation will administer them in the manner most favourable to the satisfactory execution of the arrangements described in this Memorandum.
Annex 39 Financial Conditions for a Memorandum of Understanding (MOU) - Additional more detailed conditions (Part 1, Chapter 19 - Charging)

Conditions which should be incorporated in the main body of the Memorandum of Understanding (for a specific task) or alternatively in the separate Implementing Arrangements (IA), Technical Arrangements (T.A), Letter of Arrangement (LoA) etc:

1. For any logistic support, supplies or services which are provided the following methods should be used for payment of the supplier; a “reimbursable transaction”; or a “reciprocal” (“payment in kind/exchange transaction/equal value”). Payment will be made in accordance with the relevant provisions for each type of transaction detailed in the paragraphs below. Nothing in this section is intended to preclude the Visiting Forces authorities contracting directly with Host Nation commercial organisations.

Full cost charging (Reimbursable Transaction)

2. The costs and dates for the provision of any logistic support, supplies or services must be agreed in advance, and will exclude all taxes and duties, which the receiving participant is exempted from paying under applicable binding agreements. Invoices will be submitted and accompanied by the necessary support documentation, and will be paid within 60 days from the date that the logistic support, supplies or services were provided. Payment will be made in the currency of the supplying participant or as otherwise concurred, and may be made in cash or by payment through bank transfer (as specified by the Host Nation).

Reciprocal (Replacement in kind/Equal value)

3. After receiving logistic support, supplies or services the customer will pay the supplier in kind by transferring logistic support, supplies or services that are identical or substantially similar in monetary value to those provided and which are deemed satisfactory by the supplier. If the customer cannot pay reciprocally within 30 days (or by the end of the exercise), the transaction may, by mutual consent, be deemed a reimbursable transaction and charged in accordance with paragraph 2 above), except that the price will be based upon the date on which the payment in kind was due to take place and the following:

   a. no profit or loss should be made by the supplying participant in providing logistic support, supplies and services under this Memorandum of Understanding.

   b. in the case of specific acquisition by the supplying participant from its contractors on behalf of a receiving participant, the price will be no less favourable than the price charged to the military forces by the contractor of the supplying participant for identical items or services, less any amounts such as customs duties etc. which may be excluded by paragraph 4 below. The price charged may take into account differentials due to delivery schedules, points of delivery, and other similar considerations.
c. in the case of transfer from the supplying participant’s own resources, the supplying participant will charge the same price charged to its own military forces for identical logistic support, supplies, services or resources, as at the date delivery or performance occurs, less amounts excluded by paragraph 4 below. In any case; where the supplying participant has not been able to establish a price, or else does not levy charges against its own military forces for the item of logistic support, supplies, services or resources concerned, the participants will concur on a price in advance reflecting reciprocal pricing principles, but excluding charges that are precluded under these same reciprocal pricing principles.

**Establishing the price**

4. This paragraph is to clarify the reciprocal (“Replacement in Kind/Equal value”) pricing principles if logistic support, supplies or services cannot be supplied in return.

   a. the price established for inventory stock materiel will be the supplying participant's stock list price and will include any costs incurred for the packing, crating, handling and transportation;

   b. the price for new procurement will be the same price paid to the contractor or vendor by the supplying participant.

   c. the price for in workshop repair or technical assistance services rendered will be the supplying participant’s standard price, or, if not applicable, the costs directly associated with providing the services.

   d. the price for services rendered by military personnel or government employees in a temporary duty status will be based on the individual’s actual rate per day and transportation costs, plus the cost for civilian labour.

   e. prices charged will exclude all taxes and duties, which the receiving participant is exempted from paying under applicable binding agreements.

   f. upon request the information will be provided to verify that these reciprocal pricing principles have been followed and that prices do not include waived or excluded costs. When a definitive price for the order is not mutually determined in advance – pending agreement on final price, there will be a maximum liability for the participant ordering the logistic support, supplies, services or resources. The participants will then promptly enter into negotiations to establish the final price.

Both Participants will maintain records of all transactions in accordance with their own regulations.

**Cost-Share/Apportionment**

5. Where there is more than one nation receiving services/facilities, the costs of providing these should be apportioned on a basis that all parties agree, e.g. number of personnel per nation. This is particularly useful when dealing with several participating nations whose contributions vary.
Annex 40 Non-News Media Project
Proforma - Customer Proposal Form (Part 1, Chapter 19 - Charging)

This form is to be used for any Income Generation and Non-News Media proposals

<table>
<thead>
<tr>
<th>1) Details of Customer / Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Registered Name(^\text{17}) or Customer Name</td>
</tr>
<tr>
<td>Company Registered Number</td>
</tr>
<tr>
<td>Point of Contact &amp; Position in Organisation</td>
</tr>
<tr>
<td>Full Postal Address</td>
</tr>
<tr>
<td>Tel Number / Mobile Number</td>
</tr>
<tr>
<td>Fax Number</td>
</tr>
<tr>
<td>E-Mail Address</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description of Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Activity (e.g. Filming, Event, Charity)</td>
</tr>
<tr>
<td>Activity Name/Title</td>
</tr>
<tr>
<td>Outline of activity (brief description please include any high risks) All filming proposals will need a Statement of Editorial Intent</td>
</tr>
<tr>
<td>Start Date:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MOD Resources Required:</th>
</tr>
</thead>
<tbody>
<tr>
<td>( a. ) Please Give Details</td>
</tr>
<tr>
<td>Land, buildings, runways, facilities (including any parking)</td>
</tr>
<tr>
<td>Manpower</td>
</tr>
<tr>
<td>Equipment</td>
</tr>
</tbody>
</table>

\(^{17}\) If the potential customer is a company, the registered name, company address and number will allow your Wider Markets Officer to carry out the necessary checks with Companies House to ensure the viability of the company, thereby protecting the MOD’s position.
### Intellectual Property Requirements

Will the activity require the use of MOD owned brands (e.g. Military Insignia, photographs or film footage, literature or technical information)

### Benefits to MOD

Please outline if there are any benefits to the MOD in return for specified resources and/or services provided

### Details of insurance held by the customer *(must include Public Liability of at least £5M)*

*Please be advised that according to the nature of the activity you may need to hold Employers Liability Insurance, Vehicle Insurance and Wet Weather Insurance*

### Does the company have a current written Health and Safety Policy  Yes / No

---

#### 2) Please Return to:

To be completed by MOD point of Contact

<table>
<thead>
<tr>
<th>Name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Point of Contact &amp; Position in Organisation</td>
<td></td>
</tr>
<tr>
<td>Full Postal Address</td>
<td></td>
</tr>
<tr>
<td>Tel Number / Mobile Number</td>
<td></td>
</tr>
<tr>
<td>Fax Number</td>
<td></td>
</tr>
<tr>
<td>E-Mail Address</td>
<td></td>
</tr>
</tbody>
</table>
Annex 41 Non-News Media Project Proforma (Part 1, Chapter 19 - Charging)
(to be completed by Project Manager and Customer)

This form will enable the Ministry of Defence to assess whether it can meet the proposed project’s requirements and will provide initial data which the Ministry of Defence will use to draw up any subsequent contract. This document is without commitment. It does not create rights or obligations enforceable in law, whether of partnership, agency or otherwise and shall not be construed as implying any present or future commitment.

1. Project Details for:

<table>
<thead>
<tr>
<th>Project Title:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Project:</td>
</tr>
<tr>
<td>Non-News Public Relations Project: Yes □ No □</td>
</tr>
<tr>
<td>Wider Markets Project: Yes □ No □</td>
</tr>
<tr>
<td>Community or Charity Event: Yes □ No □</td>
</tr>
<tr>
<td>Type of Activity (select from list):</td>
</tr>
<tr>
<td>NA</td>
</tr>
<tr>
<td>NA</td>
</tr>
<tr>
<td>NA</td>
</tr>
</tbody>
</table>

2a. Project Manager (Overall responsibility for project or delegated focal point)

- Rank/Grade and Name
- Title/Role
- Full Postal Address (inc postcode)
- Telephone Numbers
  - Civ:  
  - Mil:  
  - Mob:  
- Fax Number
  - Civ:  
  - Mil:  
- E-Mail Address
  - External:  
  - Internal:  

2b. Project Officer (Where applicable, responsible for day-to-day running of project)

- Rank/Grade and Name
- Title/Role
- Full Postal Address (inc postcode)
- Telephone Numbers
  - Civ:  
  - Mil:  
  - Mob:  

---

This form will enable the Ministry of Defence to assess whether it can meet the proposed project’s requirements and will provide initial data which the Ministry of Defence will use to draw up any subsequent contract. This document is without commitment. It does not create rights or obligations enforceable in law, whether of partnership, agency or otherwise and shall not be construed as implying any present or future commitment.
3. Details of Customer/Company

- Customer / Registered Company Name
- Company Registration Number and VAT Number (if applicable)
- Name of Point of Contact and Position in Organisation
- Full Postal Address (inc postcode)
- Telephone Number / Mobile
- Fax Number
- E-Mail Address

Public Liability Insurance: Please provide either a confirmation letter from the insurer/broker or a copy of the schedule of insurance (see Section 4 below). Details attached: Yes ❑ No ❑

4. Insurance – It is requirement that both the MOD and the Customer shall be appropriately insured.

a. MOD Insurance

General – The cost of either the commercial insurance premium or the Departmental Insurance Scheme will be included in the price which is charged to the customer.

Existing commercial insurance policies – The MOD has in place a number of annual commercial insurance policies including for example a Third Party Aviation Liability Insurance policy. Practitioners are to check with their respective Director of Resources WM/Governance Focal Points on the insurance charging arrangements for recovery from the customer.

Non-News Media Projects – Flat rate insurance charges will be applied for non-news Public Relations (PR) activity; however, in exceptional circumstances, where a PR activity is inherently dangerous or high risk and sits outside the MOD’s key communications priorities, DBR, Common Law Claims & Policy, Senior Claims Officer (Policy) shall be consulted.

b. Customer Insurance

Public Liability Insurance – Written evidence of public liability insurance (either a confirmation letter from the insurer/broker or a copy of the schedule of insurance) must be provided and must have a limit of liability of not less than £5M per incident and be unlimited as to the total number of incidents it covers. The requirement for the customer to hold the requisite public liability insurance will be a condition of the necessary Defence Estates licence or lease. Higher limits may be required, commensurate with the risk exposures. If MOD aircraft are flown specifically at the request of the customer the limit of liability must be at least £25M and unlimited in total as to the number of incidents covered.

Other Insurance – According to the nature of the activity, other categories of insurance may also be required, including: Employers Liability Insurance, Motor Vehicle Insurance, Event Cancellation and Professional Indemnity.
5. **Statement of Works** - A Statement of Works is a non-legally binding understanding between the MOD and the customer of the objective and methodology of the project prior to the signing of a legally enforceable contract. The level of detail will be commensurate with the scale and complexity of the project; if necessary, a separate document should be attached.

### Location(s)

### Scope of Works

- Objectives of the project and the required deliverables.
- A detailed description of the work and tasks to be performed.
- Deliverables schedule: Milestones and due dates for the deliverables of the project.
- Non-News Media Projects: indicate editorial content, including Key Messages and Target Audience. All Non-News Media Projects must be approved by DPR, who will decide whether a project requires a separate Statement of Proposal, in accordance with JSP 579.
- Training: Provide a nominal list of attendees, including passport details.

### Standards

- Applicable standards: Industry standards or other standards imposed on the project deliverables.
- Acceptance criteria: These would include any quality standards that must be met.
- Specialised requirements: These will include any special qualifications required.

### Terms & Conditions and/or Assumptions & Constraints

- Factors that should appear in the contract/licence.

### Dates - Inclusive start and finish date(s) – dd/mm/yyyy

<table>
<thead>
<tr>
<th>From:</th>
<th>To:</th>
</tr>
</thead>
</table>

6. **Resources** (To inform decision making and to assist accurate cost calculations, details should include where, when, duration, purpose and other relevant information)

- Use of MOD land, building, facilities:  Yes [ ] No [ ]

If yes, provide details (including any proposed alterations):
How many representatives will require access to MOD lands?

How many representatives are under the age of 18?

- Use of MOD/MOD Contractor manpower: [ ] Yes [ ] No
  
  If yes, provide details (rank/grade, specialisation, number) and include what they will do:

- Use of MOD equipment: [ ] Yes [ ] No
  
  If yes, provide details:

- Use of other MOD resources: [ ] Yes [ ] No (eg food, accommodation):
  
  If yes, provide details:

- Will the customer provide any resources? [ ] Yes [ ] No
  
  If yes, provide details (including equipment or vehicles which the Customer wishes to bring onto an MOD site):

- Will the project involve:
  - Animals or Children?: [ ] Yes [ ] No
  - Explosives, Fireworks, Weapons or Lasers?: [ ] Yes [ ] No
  - Adventurous Training, Abseiling, Climbing or Water?: [ ] Yes [ ] No
  - Flying?: [ ] Yes [ ] No
  
  If yes, provide details:

7. Intellectual Property Rights
Details of requirement for the use of MOD owned brands (eg Military Insignia or RN/RM Logo), artistic works (eg photographs or film footage), literature or technical information.

8. Non-Financial Benefits to MOD
Outline of any non-financial benefits to the MOD in return for specified resources and/or services provided.

9. Assessed Impact of Project (to be completed by Project Manager)
  
  On own Unit/Establishment
  On Other Units/Establishments/PPP Partners
  On Commercial Partners/Service Providers

10. Risk and Insurance (to be completed by Project Manager) – Risk Assessments and evidence of insurance are required before contract action can take place.

<table>
<thead>
<tr>
<th>Risk Assessment Completed</th>
<th>Yes/No</th>
<th>Point of Contact</th>
<th>Tel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety</td>
<td>Article II.</td>
<td>No</td>
<td>Article III.</td>
</tr>
<tr>
<td>Security</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Criminal Record Bureau Checks</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Risk Assessment</td>
<td>High</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Yes/No</td>
<td>Details</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Insurance details held</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Insurance purchased</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defence Insurance Scheme</td>
<td>No NA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See PR Ratings below  
See PR Classification below

11. **Defence Public Relations** (Non-News Media Projects only) (to be completed by D Def PR or HQ Media Officers)

<table>
<thead>
<tr>
<th>DPR PR Rating</th>
<th>0 - Nil PR Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPR PR Classification</td>
<td>Nil or Neglible PR (Wider Markets)</td>
</tr>
<tr>
<td>DPR Project Number</td>
<td></td>
</tr>
</tbody>
</table>

**DPR Sponsor Details**

<table>
<thead>
<tr>
<th>Rank/Grade and Name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone Number:</td>
<td>Civ: Mil: Fax:</td>
</tr>
<tr>
<td>E-Mail Address</td>
<td></td>
</tr>
<tr>
<td>DPR Signature</td>
<td></td>
</tr>
</tbody>
</table>

12(a). Application for Abatement (to be completed by Project Manager)

<table>
<thead>
<tr>
<th>Request for Abatement?</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abatement request</td>
<td>NA</td>
</tr>
<tr>
<td>Justification for Abatement, including financial objectives of project</td>
<td></td>
</tr>
</tbody>
</table>

12(b). Abatement Decision (to be completed by Corporate Governance)

<table>
<thead>
<tr>
<th>Command Secretary approval?</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Command Secretary decision</td>
<td></td>
</tr>
<tr>
<td>Command Secretary Signature</td>
<td>Date:</td>
</tr>
</tbody>
</table>

**Budget Manager**

- Rank/Grade & Name
- Telephone Number
- E-Mail Address

**Receipts**

- Description
- UIN
- RAC

14. **Costs** - Resource and Details to be completed by Project Manager. If applicable, indicate when other Director of Resources assets are being utilised. Costs will be calculated by Decision Support.
<table>
<thead>
<tr>
<th>Resource</th>
<th>Details</th>
<th>Full Cost</th>
<th>Marginal Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>Rank/Grade</td>
<td>£0.00</td>
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</tr>
<tr>
<td>Plant, Machinery and Vehicles</td>
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<td>£0.00</td>
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<td>£0.00</td>
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<td></td>
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<td>Sub-Total</td>
<td></td>
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<td>£0.00</td>
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<tr>
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<td></td>
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<td>£0.00</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td>£0.00</td>
<td>£0.00</td>
</tr>
</tbody>
</table>

15. **Contract Action** (to be completed by Commercial Branch)

<table>
<thead>
<tr>
<th>contract Price</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer of Contract accepted?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Contract Placed?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>DAB1 (Request to Invoice) Raised</td>
<td>Yes/No</td>
</tr>
</tbody>
</table>
**NON-NEWS PR RATINGS - DEFINITIONS**

Lead Policy Area: Directorate General Media and Communication (DGMC). This PR Matrix provides a system to evaluate the PR value of a non-news project. The rating will be provided by Media Staff within DGMC or TLB Media Ops. The rating can be used by Command Secretaries and/or the appropriate policy areas when judging the balance between reputation value to the Department and repayment costs. Other staff can see immediately the priority given to any particular project.

<table>
<thead>
<tr>
<th>PR Rating</th>
<th>Definition</th>
<th>Messages</th>
<th>Audience</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Project has outstanding PR value across defence and the Armed Forces. Resources may be made available and charges negotiated to ensure that the opportunity is not lost.</td>
<td>Project is aligned with current defence communication priorities and will relay key defence messages and themes.</td>
<td>Project will reach a wide public audience, including priority target audiences.</td>
<td>• A broadcast (TV/radio) on a national terrestrial station (i.e. BBC/ITV1/Channel4/5) or major satellite/digital channel (i.e. Sky One/TV2) during prime viewing/listening or an: • Article/feature in a national publication or: • Event of national standing which will receive national media coverage or reach a national audience.</td>
</tr>
<tr>
<td>4</td>
<td>Project has excellent PR value across defence or one of the Armed Services. Resources may be made available and charges negotiated to ensure that the opportunity is not lost.</td>
<td>Project is aligned with current defence or Service communication priorities and will relay key messages and themes.</td>
<td>Project will reach a wide public audience, including priority target audiences.</td>
<td>• A broadcast (TV/radio) on a national terrestrial/satellite/digital channel during prime viewing time or an: • Article/feature in a national publication or an: • Event of national standing which will receive national media including TV coverage or reach a national audience.</td>
</tr>
<tr>
<td>3</td>
<td>Project has good PR value for defence or one of the Armed Services. Consideration may be given to allocating resources and charges negotiated to ensure that the opportunity is not lost.</td>
<td>Project will relay key defence or Service messages and themes and/or provide a positive profile.</td>
<td>Project will reach specified target audiences.</td>
<td>• A TV/radio broadcast on a national or local terrestrial/satellite/digital/specialist channel or a: • A national/regional/specialist publication or an: • Event of regional standing which will receive media coverage i.e. local TV/radio/newspaper or reach the local community.</td>
</tr>
<tr>
<td>2</td>
<td>Project has PR value for defence or one of the Armed Services. Consideration may be given to allocating resources, and the opportunity may merit abating costs.</td>
<td>Project will relay some defence or Service messages and themes and/or provide a positive profile.</td>
<td>Project will reach a specific audience.</td>
<td>• A TV/radio broadcast on a national or local terrestrial/satellite/digital/specialist channel or a: • National/regional/specialist publication or: • An event of regional standing which will receive local media coverage or reach the local community.</td>
</tr>
<tr>
<td>1</td>
<td>Project has limited PR value for defence or one of the Armed Services. Consideration may be given to allocating resources, but the opportunity may not merit abating costs.</td>
<td>Project will give defence or the Armed Forces some profile and may relay defence or Service messages and themes.</td>
<td>Project will reach an unspecified audience.</td>
<td>• A TV/radio broadcast on a national or local terrestrial/satellite/digital/specialist channel or: • National/regional/specialist publication or: • An event of regional standing which will receive media coverage or reach the local community.</td>
</tr>
<tr>
<td>0</td>
<td>Project has neutral PR value for Defence/Armed Services. Consideration may be given to allocating resources, but it should not interfere with core business. It will not merit abating costs.</td>
<td>Project will not diminish reputation.</td>
<td>Unspecified.</td>
<td>Unspecified.</td>
</tr>
</tbody>
</table>

---

7 No project that will diminish reputation will be given a rating. All ratings will be supplied by authorised Media staff within DGMC or relevant TLB. All national broadcasts/publications require a rating from DGMC-DDefPR.
# PR ACTIVITY CLASSIFICATION TABLE

<table>
<thead>
<tr>
<th></th>
<th>Activity</th>
<th>Insurance Rate</th>
<th>Example Activity</th>
<th>Charging Profile</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Activity</strong></td>
<td><strong>News</strong> (Department self insures)</td>
<td><strong>Key communications priority non-news programmes</strong> (Utilising Departmental Insurance Scheme)</td>
<td><strong>All other non-news PR programmes</strong> - schedule of charges based on a percentage of the full cost of activity.</td>
<td><strong>Wider Markets</strong> Projects with negligible or nil PR value generally for commercial gain</td>
</tr>
<tr>
<td>2</td>
<td><strong>Insurance Rate</strong></td>
<td>No charge</td>
<td>Flat rate £275</td>
<td>Flat rate £500*</td>
<td>Negotiated</td>
</tr>
<tr>
<td>3</td>
<td><strong>Example Activity</strong></td>
<td>News and Current affairs programmes: News Newsnight Panorama Elements of <em>The One Show</em> As declared by DMC</td>
<td><em>Operations</em> - Current operations, such as Afghanistan, counter narcotics, anti piracy, SAR etc People - Living accommodation, medical and welfare support, support to veterans, support to reservists and cadets, countering allegations of abuse, supporting retention/recruitment. Equipment - Equipment in use on operations, major new equipment coming into operational service.</td>
<td>Marginal Cost – with an ability to waive iaw 2nd PUS guidance</td>
<td>Abated costs iaw with PR value to defence and what the market will bare as assessed by DMC</td>
</tr>
<tr>
<td>4</td>
<td><strong>Charging Profile</strong></td>
<td>Nil Cost</td>
<td><strong>Example of programmes that would fall into this category include:</strong> BBC’s Coast, Historical Documentaries,</td>
<td><strong>Process</strong> IAW JSP579 Annex A</td>
<td>Cost Negotiated on a commercial basis</td>
</tr>
<tr>
<td></td>
<td><strong>Process</strong></td>
<td>IAW JSP579 Annex A</td>
<td>IAW JSP579 Annex B</td>
<td>IAW JSP579 Annex B</td>
<td>Refer to Wider Markets process</td>
</tr>
<tr>
<td></td>
<td><strong>Example</strong></td>
<td>Using Military facilities as the background for project or event i.e. Fitness Video Setting for Film or TV drama</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Process</strong></td>
<td>IAW JSP579 Annex A</td>
<td>IAW JSP579 Annex B</td>
<td>IAW JSP579 Annex B</td>
<td>Refer to Wider Markets process</td>
</tr>
</tbody>
</table>

*In exceptional circumstances when deemed to be high risk or inherently dangerous, consult SCO (P)*

Project Proforma Part A – Project Details
(to be completed by Project Manager and Customer)

This form will enable the Ministry of Defence to assess whether it can meet the proposed project’s requirements and will provide initial data which the Ministry of Defence will use to draw up any subsequent contract. This document is subject to contract. It does not create rights or obligations enforceable in law, whether of partnership, agency or otherwise and shall not be construed as implying any present or future commitment.

1. Project Details for:

<table>
<thead>
<tr>
<th>Project Title:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Type of Project:</th>
<th>Type of Activity (select from list):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-News Public Relations Project:</td>
<td>Yes [ ] No [ ] NA</td>
</tr>
<tr>
<td>Wider Markets Project:</td>
<td>Yes [ ] No [ ] NA</td>
</tr>
<tr>
<td>Community or Charity Event:</td>
<td>Yes [ ] No [ ] NA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dates - Inclusive start and finish date(s) – dd/mm/yyyy</th>
</tr>
</thead>
<tbody>
<tr>
<td>From:</td>
</tr>
</tbody>
</table>

2a. Project Sponsor (Overall responsibility for project)

- Rank/Grade and Name
- Title/Role
- Full Postal Address (inc postcode)
- Telephone Numbers
  - Civ:  
  - Mil:  
  - Mob:  
- Fax Number
  - Civ:  
  - Mil:  
- E-Mail Address
  - External:  
  - Internal:  

2b. Project Manager (Where applicable, responsible for day-to-day running of project)

- Rank/Grade and Name
### 3. Details of Customer/Company

- **Customer / Registered Company Name**
- **Company Registration Number and VAT Number**
  (if applicable)
- **Name of Point of Contact and Position in Organisation**
- **Full Postal Address (inc postcode)**
- **Telephone Number / Mobile**
- **Fax Number**
- **E-Mail Address**
- **Public Liability Insurance**: Please provide either a confirmation letter from the insurer/broker or a copy of the schedule of insurance (see Section 4 below).

Details attached: Yes ☐ No ☐

### 4. Insurance – It is requirement that both the MOD and the Customer shall be appropriately insured.

#### a. MOD Insurance

**General** – The cost of either the commercial insurance premium or the Departmental Insurance Scheme will be included in the price which is charged to the customer.

**Existing commercial insurance policies** – The MOD has in place a number of annual commercial insurance policies including for example a Third Party Aviation Liability Insurance policy. Practitioners are to check with their respective TLB WM/Governance Focal Points on the insurance charging arrangements for recovery from the customer.

**Non-News Media Projects** – Flat rate insurance charges will be applied for non-news Public Relations (PR) activity; however, in exceptional circumstances, where a PR activity is inherently dangerous or high risk and sits outside the MOD’s key communications priorities, DBR, Common Law Claims & Policy, Senior Claims Officer (Policy) shall be consulted.
b. Customer Insurance

Public Liability Insurance – Written evidence of public liability insurance (either a confirmation letter from the insurer/broker or a copy of the schedule of insurance) must be provided and must have a limit of liability of not less than £5M per incident and be unlimited as to the total number of incidents it covers. The requirement for the customer to hold the requisite public liability insurance will be a condition of the necessary Defence Estates licence or lease. Higher limits may be required, commensurate with the risk exposures. If MOD aircraft are flown specifically at the request of the customer the limit of liability must be at least £25M and unlimited in total as to the number of incidents covered.

Other Insurance – According to the nature of the activity, other categories of insurance may also be required, including: Employers Liability Insurance, Motor Vehicle Insurance, Event Cancellation and Professional Indemnity.

5. Statement of Works - A Statement of Works is a non-legally binding understanding between the MOD and the customer of the objective and methodology of the project prior to the signing of a legally enforceable contract. The level of detail will be commensurate with the scale and complexity of the project; if necessary, a separate document should be attached.

<table>
<thead>
<tr>
<th>Location(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Scope of Works**

- Objectives of the project and the required deliverables.
- A detailed description of the work and tasks to be performed.
- Deliverables schedule: Milestones and due dates for the deliverables of the project.
- Non-News Media Projects: indicate editorial content, including Key Messages and Target Audience. All Non-News Media Projects must be approved by DMC, who will decide whether a project requires a separate Statement of Proposal, in accordance with JSP 579.
- Training: Provide a nominal list of attendees, including passport details.

**Standards**

- Applicable standards: Industry standards or other standards imposed on the project deliverables.
- Acceptance criteria: These would include any quality standards that must be met.
- Specialised requirements: These will include any special qualifications required.
6. Resources (To inform decision making and to assist accurate cost calculations, details should include where, when, duration, purpose and other relevant information)

- Use of MOD land, building, facilities: Yes □ No □
  If yes, provide details (including any proposed alterations):

- How many representatives will require access to MOD lands?

- How many representatives are under the age of 18?

- Use of MOD/Mod Contractor manpower: Yes □ No □
  If yes, provide details (rank/grade, specialisation, number) and include what they will do:

- Use of MOD equipment: Yes □ No □
  If yes, provide details:

- Use of other MOD resources: Yes □ No □ (eg food, accommodation):
  If yes, provide details:

- Will the customer provide any resources? Yes □ No □
  If yes, provide details (including equipment or vehicles which the Customer wishes to bring onto an MOD site):

- Will the project involve: Animals or Children? Yes □ No □
  Explosives, Fireworks, Weapons or Lasers? Yes □ No □
  Adventurous Training, Abseiling, Climbing or Water? Yes □ No □
  Flying? Yes □ No □
  If yes, provide details:
### 7. Intellectual Property Rights
Details of requirement for the use of MOD owned brands (eg Military Insignia or RN/RM Logo), artistic works (eg photographs or film footage), literature or technical information.

### 8. Non-Financial Benefits to MOD
Outline of any non-financial benefits to the MOD in return for specified resources and/or services provided.
### Project Proforma Part B – Project Assessment

#### 9. Assessed Impact of Project

- **On own Unit/Establishment**
- **On Other Units/Establishments/PPP Partners**
- **On Commercial Partners/Service Providers**

#### 10. Risk and Insurance

- **Risk Assessments and evidence of insurance are required before contract action can take place.**

<table>
<thead>
<tr>
<th>Risk Assessment Completed</th>
<th>Yes/No</th>
<th>Point of Contact</th>
<th>Tel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Safety</td>
<td>Yes</td>
<td></td>
<td></td>
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<tr>
<td>Security</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Financial</td>
<td>No</td>
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<td></td>
</tr>
<tr>
<td>Environmental</td>
<td>No</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Criminal Record Bureau Checks</td>
<td>No</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Details**

- **Project Risk Assessment**: High
- **Insurance**
  - Customer Insurance details held: Yes
  - Commercial Insurance purchased: No
  - Defence Insurance Scheme: No NA

#### 11. Defence Public Relations

- **(Non-News Media Projects only) (to be completed by DMC PR or HQ Media Officers)**

| DMC PR Rating | 0 - Nil PR Value
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>DMC PR Classification</td>
<td>Nil or Negligible PR (Wider Markets)</td>
</tr>
<tr>
<td>DMC Project Number</td>
<td></td>
</tr>
</tbody>
</table>

**DMC Sponsor Details**

- **Rank/Grade and Name**: 
- **Telephone Number**: Civ: Mil: Fax:
- **E-Mail Address**: 
- **DMC Signature**: Date:

#### 12(a). Application for Abatement

- **Request for Abatement?**: No
- **Abatement request**: NA
<table>
<thead>
<tr>
<th>Justification for Abatement, including financial objectives of project</th>
</tr>
</thead>
</table>

**12(b). Abatement Decision** (to be completed by Corporate Governance)

<table>
<thead>
<tr>
<th>Command Secretary approval?</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Command Secretary decision</td>
<td></td>
</tr>
<tr>
<td>Command Secretary Signature</td>
<td>Date:</td>
</tr>
</tbody>
</table>
### Project Proforma Part C – Project Cost

(Details of costs must not be discussed with Customers/Companies)

#### 13. Budget Manager
- Rank/Grade & Name
- Telephone Number
- E-Mail Address

#### Receipts
- Description
- UIN
- RAC

<table>
<thead>
<tr>
<th>Resource</th>
<th>Details</th>
<th>Full Cost</th>
<th>Marginal Cost</th>
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<tbody>
<tr>
<td><strong>Personnel</strong></td>
<td>Rank/Grade Hours Capitation Rate</td>
<td>£0.00</td>
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<tr>
<td><strong>Plant, Machinery and Vehicles</strong></td>
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<td>£0.00</td>
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<td>£0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td>£0.00</td>
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</tbody>
</table>
Project Proforma Part D – Project Contract Action
(Contract and Price negotiations may only be conducted by licensed Commercial staff)

15. **Contract Action** (to be completed by Commercial Branch)

<table>
<thead>
<tr>
<th></th>
<th>Comments</th>
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<tbody>
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<td>Offer of Contract accepted?</td>
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<tr>
<td>Contract Placed?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>DAB1 (Request to Invoice) Raised</td>
<td>Yes/No</td>
</tr>
</tbody>
</table>
Annex 43  Flowchart showing suggested Governance Process (Part 1, Chapter 20 – Income Generation)

Income Generation Command Sponsor is approached with a proposal (source can be internal or external).

Sponsor and Def Comrcl to assess the commercial 'viability' in accordance with Part 2 Guidance and decide whether to continue.

Yes

No

Inform proposer we decline the proposal.

Scope is determined by Sponsor, Budget Manager, Def Comrcl and DIO (where use of the estate is proposed) as appropriate. Activity cost, commercial rate and proposed price are calculated and the asset owner and other experts (e.g. DIPR or Legal) are consulted if necessary.

Sponsor, Def Comrcl and Budget Manager decide whether to continue.

Yes

No

Inform proposer we cannot proceed.

Sponsor submits Business Case to D Res or delegated representative for authority to proceed.

Yes

No

Inform proposer we cannot proceed.

Def Comrcl (or DIO) negotiate a price, agree, sign and issue contract.

Yes

Budget Manager raises invoices in accordance with contract/license/lease instructions.
# Annex 44 Income Generation Points of Contact

(Part 1, Chapter 20 – Income Generation)

## Commercial

<table>
<thead>
<tr>
<th>Job title/E-mail</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Def Comrcl CC-Navy 8 (Turner, Claire Mrs); <a href="mailto:DefComrclCC-Navy8@mod.gov.uk">DefComrclCC-Navy8@mod.gov.uk</a></td>
<td>9375 54637</td>
</tr>
<tr>
<td>Army Comrcl-IG1 (Harrison, Tracy C2); <a href="mailto:ArmyComrcl-IG1@mod.gov.uk">ArmyComrcl-IG1@mod.gov.uk</a></td>
<td>94391 7187</td>
</tr>
<tr>
<td>Def Comrcl CC-Air 6 (Simpson, Alan); <a href="mailto:DefComrclCC-Air6@mod.gov.uk">DefComrclCC-Air6@mod.gov.uk</a></td>
<td>95221 7550</td>
</tr>
<tr>
<td>DIO Fin-Comrcl Con1 (Paget, Duncan Mr) <a href="mailto:DIOFin-ComrclCon1@mod.gov.uk">DIOFin-ComrclCon1@mod.gov.uk</a></td>
<td>94391 2928</td>
</tr>
<tr>
<td>Def Comrcl CC-HOCS Asst TL1 (Welsh, Derrick Mr) <a href="mailto:DefComrclCC-HOCSAsstTL1@mod.gov.uk">DefComrclCC-HOCSAsstTL1@mod.gov.uk</a></td>
<td>94561 2299</td>
</tr>
<tr>
<td>Def Comrcl CC-JFC 6a (Niblett, Donna Mrs) <a href="mailto:DefComrclCC-JFC6a@mod.gov.uk">DefComrclCC-JFC6a@mod.gov.uk</a></td>
<td>94561 2794</td>
</tr>
</tbody>
</table>

## Front Line Commands/TLBs

<table>
<thead>
<tr>
<th>Job title/E-mail</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navy Fin-Head of Corp Gov (Weaver, Neil Mr); <a href="mailto:NavyFin-HeadofCorpGov@mod.gov.uk">NavyFin-HeadofCorpGov@mod.gov.uk</a></td>
<td>93832 5206</td>
</tr>
<tr>
<td>Army Res-FinMgmt-CapDev-SO1 (Symes, Sheila SO1); <a href="mailto:ArmyRes-FinMgmt-CapDev-SO1@mod.gov.uk">ArmyRes-FinMgmt-CapDev-SO1@mod.gov.uk</a></td>
<td>94393 6334</td>
</tr>
<tr>
<td>Air-DRResFin-CG-PRSec-C2c (Clamp, Andrew Mr) <a href="mailto:Air-DRResFin-CG-PRSec-C2c@mod.gov.uk">Air-DRResFin-CG-PRSec-C2c@mod.gov.uk</a></td>
<td>95221 6911</td>
</tr>
<tr>
<td>FMC-Cap-Infra PolEste1 (Yates, Richard C1) <a href="mailto:FMC-Cap-InfraPolEste1@mod.gov.uk">FMC-Cap-InfraPolEste1@mod.gov.uk</a></td>
<td>94421 3252</td>
</tr>
<tr>
<td>HOCS Fin-Governance (Simmonds, Jim Mr) <a href="mailto:HOCSFin-Governance@mod.gov.uk">HOCSFin-Governance@mod.gov.uk</a></td>
<td>9621 82753</td>
</tr>
<tr>
<td>JFC-Fin-IYM-Mgr (Hunter, Malcolm Mr) <a href="mailto:JFC-Fin-IYM-Mgr@mod.gov.uk">JFC-Fin-IYM-Mgr@mod.gov.uk</a></td>
<td>9360 55812</td>
</tr>
</tbody>
</table>
Annex 45 Foreign Counterpart Gifting Process Flow (Part 1, Chapter 12 – Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

FOREIGN COUNTERPART GIFTING PROCESS FLOW

IN ADVANCE OF MAKING OR HOSTING A PLANNED VISIT: ENGAGE WITH COUNTERPART TO ESTABLISH WHETHER A GIFT IS EXPECTED. DIPLOMATIC CHANNELS SHOULD BE USED TO PROVIDE APPROPRIATE ADVICE TO BOTH HOST AND VISITOR TO ENSURE UK RULES ON EXCHANGES (JSP 462, CHAPTER 12 PART B) ARE OBSERVED.

IS A GIFT GOING TO BE PRESENTED TO THE UK MOD?

YES

PREPARE A BUSINESS CASE FOR BUDGET MANAGER APPROVAL BEFORE MAKING ANY PURCHASE. GIFTS MAY ONLY BE PRESENTED TO FOREIGN PERSONNEL WHOSE RANK OR GRADE IS EQUIVALENT TO UK 1 STAR AND ABOVE. THE MAXIMUM EXPENDITURE PERMISSIBLE FOR RECIPROCAL GIFTS IS: MINISTERS - £140; MEMBERS OF THE DEFENCE COUNCIL - £80; 2 STAR GRADE AND EQUIVALENT RANK & ABOVE - £50

NO

DO NOT PURCHASE OR GIVE A GIFT

IS THE GIFT BEING PRESENTED BY SOMEONE BELOW THE GRADE OR EQUIVALENT RANK OF A UK 2 STAR?

YES

2 STAR APPROVAL IS REQUIRED. WRITTEN AUTHORITY MUST BE GIVEN BY THE 2 STAR FOR SOMEONE OF A LOWER GRADE/RANK TO PRESENT A GIFT ON THEIR BEHALF

NO

IS THE GIFT BEING PRESENTED TO SOMEONE BELOW THE GRADE OR EQUIVALENT RANK OF A UK 1 STAR?

YES

FULL JUSTIFICATION REQUIRED FOR WHY IT IS NECESSARY AND THE BENEFIT TO DEFENCE OF DOING SO

NO

PROVIDED AUTHORITY AND APPROVAL HAS BEEN GRANTED IN ACCORDANCE WITH JSP 462, PT 1, PARAS 12.69 - 70, PURCHASE OF A SUITABLE ITEM MAY BE MADE (SEE JSP 462, PT 1, PARA 12.66).

ALL RECIPROCAL GIFTS MUST BE RECORDED AND REPORTED (SEE JSP 462, PT 1, PARA 12.74). TLBS MUST ISSUE THEIR OWN INSTRUCTIONS AND MAKE APPROPRIATE ARRANGEMENTS TO ENABLE ACCURATE AND TIMELY REPORTING.
FORM OF INDEMNITY

On the understanding that the Secretary of State has agreed to the gift, free of charge, to the .

From such time as the equipment is collected by upon which title to it passes, the Secretary of State for Defence will not be held liable for any loss or change or damage or maintenance whatsoever brought about by employees, agents or visitors of the which arises out of or is in any way connected to the preparations for the gifting or supply of the equipment to .

Thereafter, will fully and effectively indemnify the Secretary of State for Defence against all claims, liabilities, actions, proceedings, demands, cost charges or expenses which may be incurred by reason of, or arising out of, the gifting of this equipment.

Signed: ………………………………………. Name: ……………………………………….
On behalf of the Secretary of State for Defence Date: ……………………………………….

Signed: ………………………………………. Name: ……………………………………….
On behalf of Date: ……………………………………….


Annex 46 Example Document: Form of Indemnity (Part 1, Chapter 12 – Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)
Annex 47 Example Document: Assurance of Operating Competence on Transfer of MOD Equipment  
(Part 1, Chapter 12 – Making a Gift of UK Defence Assets, Exchanges of Gifts with Foreign Counterparts and Corporate and Promotional Items)

ASSURANCE OF OPERATING COMPETENCE ON TRANSFER OF MOD EQUIPMENT TO MUSEUMS/ORGANISATIONS

References:

A. Health and Safety at Work Act 1974
B. Provision and Use of Working Equipment Regulations 1998
C. Radioactive Substances Act
D. The Management of Health and Safety at Work Regulations 1999
E. The Ionising Radiations Regulations 1999

REQUIREMENT FOR ASSURANCE OF OPERATING COMPETENCE

1. Property or equipment that might be available for gifting by MoD may be of such a size, weight and technical complexity that it can only be operated safely by people who have received adequate training.

Recipients of gifted equipment should comply with the legislation at References A and B. Where equipment contains hazardous materials the recipient organisation must be competent to receive and hold hazardous materials (including radioactive materials) and should comply with the legislation at References C, D and E.

OPERATING COMPETENCE

2. When collecting and thus taking custody of surplus equipment from MoD, Museum Curators and other recipients are responsible for ensuring that the persons who manage the movement and other functions associated with such equipment are competent to do so.

PUBLIC ACCESS

3. The recipient of a gift (eg Museum Curator) is responsible for ensuring that sensitive controls associated with gifted equipment and other areas of hazard are correctly assessed and rendered safe thus eliminating any threat to members of the public and other users, should they be given access to such equipment. The MOD will bear no liability for accidents which may occur in or around gifted property or equipment.

RISK ASSESSMENT

4. Museum Curators or other recipients are responsible for ensuring that a Health and Safety Risk Assessment is undertaken by persons competent in the safe operation of equipment and that this assessment includes adequate coverage of the risks related to the future use of the equipment by the
Museum or Organisation. Account should be taken of any risks identified to the Museum or Organisation by the donor. Adequate measures are to be taken to protect members of the public and employees from hazards that are identified by either mechanism.

OPERATING PROCEDURES

5. In the absence of original operating procedures, local guidance should be produced to take account of safety assessments. The guidance must be reviewed and monitored by the Museum/Organisation regularly.

RECIPIENT

In signing this Assurance of Operating Competence, I acknowledge my responsibilities as detailed above towards the legal requirements for operating competence and will take all actions necessary to minimise any risks that I have been notified of by the donor.

Signed………………………………………… Date…………………………

Name………………………………………… Position Held………………………………………..

CERTIFICATE OF ACCEPTANCE

The Secretary of State for Defence hereby gifts to , and hereby accepts the equipment subject to the complying with the following conditions:

A. Having a competent person to receive, hold or operate the equipment where appropriate.

B. Preventing public access to the internal view of the Equipment for as long as any official Security Classification remains in force.

C. Complying with any operating or disposal requirements.

D. Contacting the Disposal Services Authority when intending to dispose of the equipment for the purpose of updating records.

TLB REPRESENTATIVE

Signed………………………………………… Date

Name

MUSEUM/ORGANISATION

Signed………………………………………… Date…………………………

Name………………………………………… Position Held……………………