



# POLICY INSTRUCTION

Subject: **DIO Principles for Charge Abatement**

Number: PI 02/13

Strategy & Policy Directorate Sponsor:  
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Contact if different from above Sponsor:

Who should read this: All DIO Offices, Partnering Organisations & PPP/PFI Project Managers, other TLB Holders and Finance Managers, Commanding Officers/Heads of Establishment

When it takes effect: Immediately

When it is due to expire:  
When rescinded or changed

Estate Management

### Equality And Diversity Impact Assessment

This policy has been Equality and Diversity Impact Assessed in accordance with the Department's Equality and Diversity Impact Assessment Tool against:

**Part 1 Assessment Only (no diversity impact found)**

**Document Aim:** The aim of this Policy Instruction (PI) is to promulgate the principles that shall be followed by the DIO TLB in considering charge abatement requests and the form of Business Case to be completed in submitting such requests to DIO.

### Background

1. JSP 368 sets out the department's policy on charging and cost recovery for supplies of public-funded resources for 'non-core' purposes and the rules on abatement. For abatement of charges from full cost recovery to be approved, cases must be justified and processed in an auditable manner.

2. At times, claims for charge abatement submitted to DIO in connection with supplies of estate assets for 'non-core' activities have appeared arbitrary and to lack authenticity. To improve rigour and assurance of abatement decisions resting with the DIO Chief Finance Officer, a set of principles and requirements has therefore been developed which shall apply to all requests for charge abatement required to be referred to DIO for consideration.
3. The principles and requirements are set out below, the provisions of which have been shared and agreed with each TLB Director Resources.

## **DIO PRINCIPLES FOR CHARGE ABATEMENT (PUBLIC SUBSIDY)**

### **Authority and Responsibility**

4. JSP 368 – The MOD Guide to Repayment sets out the Department's authoritative policy on charging and charge abatement.
5. The DIO Top Level Budget (DIO TLB) is the authority charged with managing the MOD's estate infrastructure resources in support of the Departmental Plan. Along with other responsibilities, this includes raising and recovering charges for unfunded uses of estate facilities and when justified, considering and approving requests for abatement of these costs within delegated limits.
6. The DIO Chief Finance Officer (DIO CFO) as Senior Finance Officer is delegated to consider and approve abatement of DIO TLB charges to no lower than marginal cost where:
  - the supply utilises irreducible spare capacity that is not detrimental to defence outputs
  - the value of the abatement applied for does not exceed £1M over the life of the letting agreement (lease, licence or encroachment) covering the use
  - there is a quantifiable and tangible benefit to Defence that provides justification for foregoing the charging of rental and/or other associated costs arising under the letting agreement

### **Scope**

7. These Principles shall apply to charge abatement requests in respect of all authorised uses on the MOD estate covered by a lease.
8. These Principles shall not apply to charge abatement requests in respect of authorised uses covered by an 'occasional use' licence or encroachment agreement<sup>1</sup> where the DIO CFO has agreed the financial authority for approval and reporting of corresponding subsidies may remain with the Director Resources of the TLB in beneficial occupation.

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<sup>1</sup> Except on PPP/PFI estate, Defence Training Estate, Service Families Accommodation estate and Sites in Disposal which shall be the responsibility of DIO CFO

## **Overarching Principle**

9. When considering abatement applications, the DIO TLB starting point shall be a presumption against abatement of charges for the supply and use of publicly funded MOD property.

10. Exception – Charge abatement applications for supplies of estate facilities to Armed Forces charities for providing support services to serving and ex-serving personnel and their families or for events where the primary object is to raise funds for the charity. To accord with the current Ministerial view Armed Forces charities are valuable partners with MOD and presumed to deliver a benefit to defence, maximum use of the Department's delegation to abate charges (to not less than the marginal cost rate) in such cases shall be applied.

## **Recognised Defence Benefits**

11. For a charge to public funds to be considered for abatement, in its judgement the DIO TLB will normally only consider and accept benefit(s) that can be broadly quantified in cost terms in respect of the following categories (deemed as to contributing towards defence core outputs):

- public relations (including reputation enhancement and contributing to MoD's 'key communication priorities')
- military training
- military recruiting
- injury rehabilitation
- non-public funded welfare to address a defined Service need that if not met would otherwise leave the local Defence community disadvantaged
- defence diplomacy (bilateral and multilateral international relations)
- in support of a particular Defence task e.g. a supply of accommodation/facilities in direct support of a Defence procurement

12. Applications for abatements based on claiming benefit(s) outside the scope of the aforementioned categories will not be considered.

## **Abatement Applications**

13. All applications will be made by the party sponsoring the unfunded use of the Defence estate and will need to quantify the benefits to defence outputs arising from the proposed use. The benefits claimed shall need to be independently authenticated and endorsed by the Director Resources or delegated officer of the TLB receiving the benefit(s). The proposed usage of the estate will need to be supported by local DIO Operations staff.

14. Applications will be prepared using the template format provided at Annex A detailing the following:

- the proposal
- requirement
- background
- the assessed full cost charge for the use in question
- the potential disposal and commercial letting options for alternative 'unabated' uses and grounds for having to rule these options out

- a clear explanation of the recognised benefit(s) and measure of its value
- the rationale (i.e. reason(s), driver(s) and need) to secure approval to the abatement proposed so this is clearly understood and can be audited
- the financial implications (including affordability) of abating the charge

15. It is acknowledged judgement as to benefit(s) derived will sometimes be subjective. For applications to be supported, submissions must therefore be:

- robust
- compelling
- proportionate
- measurable commensurate to the benefit
- capable of standing up to scrutiny of value for money

16. Applications received considered to lack detail or substance will be rejected.

ANNEX A: Abatement Business Case