



MINISTRY OF DEFENCE

Ministry of Defence

JSP 368

The MOD Guide To Repayment

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Record of Chapters that have been removed and a guide on where to look for subject detail now

Chapter Number under former Issue 5 released Mar 09	Chapter Title	Subject Matter to be found in Defence Intranet/Internet links plus additional related links where available
Chapter 1, para 1.4 and Chapter 2	Governance	JSP 525 - Corporate Governance and Risk Management
Chapter 1, para 1.8 and Chapter 6	Accounting for receipts and debt management	JSP 462 - Financial Management Policy Manual and DFM FMSSC
Chapter 3, para 3.20 and 3.21	Public Relations	DMC
Chapter 4, Annex 4.8	The Global Conflict Prevention Fund and the Defence Assistance Fund	JSP 462 - Financial Management Policy Manual Chapter 9 and DG Sec Pol DAF)
Chapter 4, Appendix to Annex 4.8	Charter for the Defence Assistance Fund	DG Sec Pol
Chapter 4, Annex 4.12	NATO	JSP 462 - Financial Management Policy Manual Chapter 9
Chapter 6	Accounting for receipts and debt management	JSP 462 - Financial Management Policy Manual Chapters 15 & 16
Chapter 2, Annex 2.5	Transport costs	Aircraft – refer Air Command Land vehicle – refer Land Forces (JSP 800) Ships- refer Navy Command
Chapter 2, Annex 2.6	Non-Entitled Rates for Messing and Accommodation and Families Quarters	Defence Food Services Cat Svcs Defence Infrastructure Organisation
Chapter 2, Annex 2.7	Sponsorship	JSP 462 - Financial Management Policy Manual Chapter 10

FOREWORD

This revision of Joint Services Publication 368 replaces the previous version dated 5th October 2010.

The foreword in the Treasury guidance “Managing Public Money” states; “*Nor should anything in this document discourage the application of sheer common sense*” and I would like to reaffirm that message. The face of finance is rapidly changing to reflect the current climate where the government requires us to use our funds more effectively and yet perform more tasks. The Levene recommendations for Defence Reform include; “*to focus the Service Chiefs on running their Service and empower them to perform their role effectively, with greater freedom to manage, as part of a much clearer frame work of financial accountability and control*”. In order to assist with this, the Top Level Budget holders have been provided with a £1M delegation to abate full costs for non-core business where there is a benefit to Defence.

In all cases before charging is considered, it must be decided whether the activity is core MOD business or not. If the activity is core business, then charging will not be appropriate, as the activity should already have been properly planned and budgeted.

With tighter budgets and the need to finance the conflict in Afghanistan, the Treasury is making it more difficult for government departments to call on the Reserve. With leaner department budgets, if a conflict occurs and MOD is requested to provide assistance by another government department, full cost charging must be the starting point, as this is required by Managing Public Money. However, the MOD must remain flexible and it may be that further negotiation can take place to ensure a satisfactory outcome is achieved.

JSP 368 is owned by the Director of Resources Head Office Corporate Finance and is edited by Assistant Head Financial Management Policy and Accounting – Charging Policy. Any queries about the document as a whole, including feedback and/or suggestions for amendments, will be welcome and should be addressed to HOCF-
[REDACTED] Policy: [HOCF-JSP368-Mailbox \(MULTIUSER\)](mailto:HOCF-JSP368-Mailbox (MULTIUSER))

Queries linked to individual casework should be directed through the normal finance chain of command to the relevant Director of Resources.

[REDACTED]

Deputy Head Finance Policy

Introduction

1. This revised edition of JSP 368 is a direction on compliance with Treasury policy on charging for the supply of goods and services to external organisations. It reflects Treasury policy on fees, charges and levies which is contained in Managing Public Money, Chapter 6.
2. JSP 368 translates Treasury policy into guidance on best practice for use within the Department. When MOD carries out non-core tasks for outside bodies such as Foreign Governments, other government departments, Trading Funds, Charities, Museums and commercial companies, the guiding principle is; MOD is not funded for these tasks and must not do them unless the department's costs are met by the charges raised. Core tasks are funded from the Defence Budget and the question of charging does not therefore arise.

Charging

3. It is government policy to charge for goods and services. This policy is expressed in the Treasury guidance: Managing Public Money, where it states that charges should be set to recover the full costs of goods or services provided including: *“Charges within and among central government organisations should be made at full cost. To charge otherwise would risk creating unwarranted subsidies or distorting competition.”* The MOD general charging policy as set out in this JSP reflects the Treasury guidance with special charging arrangements being included in the enclosed annexes.
4. The Deputy Head of Financial Management Policy and Accounting – Finance Policy (Dep Hd FMPA - Finance Policy) is responsible, through the Director of Resources Head Office Corporate Finance, to DG Finance for setting charging policy and for providing advice and support

The Financial Objective

5. When consideration is being given to providing a non-core service to a third party, MOD's financial objective in providing it must be determined at the same time.

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6. Where, exceptionally, full-cost recovery is not the financial objective, approval must be sought from the Director of Resources or their delegated representative. In

seeking such approval, a business case (example at Annex B which may be used if suitable) should be prepared which details the following:

- The full cost, so that the basis for any abatement below full cost is understood and can be audited.
- The financial implications (including affordability) of carrying out the activity.
- The proposed financial objective, giving reasons for the proposal to charge less than full cost.

7. The financial objective can be one of the following:

- **Recovery of the full cost** of providing the service.
- **Percentage recovery of full cost**, where the full cost of the activity has been recognised but a robust case has been put forward explaining the benefit and recommendation for recovering a percentage of the costs. Recovery can be expressed within stated parameters, e.g. “to recover 30% - 60% of the full cost” depending on the amount of benefit the Department may receive.
- **Recovery of marginal cost**, recovering only the extra costs associated with the activity (or those, plus some elements of the remaining costs). This charging method involves an element of subsidy to the customer. The more regularly goods and services are provided, and the longer the period of supply, and the more dependant the customer becomes, the stronger the argument for recovering full costs.
- **Recovery of less than marginal cost**. This would effectively be using public funds, including some of the “cash costs” incurred, to subsidise an outside body.
- **The market rate**. Where goods or services are also available from private sector suppliers, competition exists between MOD and the private sector. Charges in such circumstances should relate to the ruling market condition and price. The charge may be increased to match the market price but not reduced.

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8. The above examples are by no means the only financial objectives, and Directors of Resources may determine other appropriate objectives depending on the nature of the activity. When producing a business case they should consider the best

price to charge external customers to reflect the value of services provided, weighed against the value of the benefits obtained.

Levels of Cost Recovery

9. **As a general principle, where goods or services are provided to an outside body, the full cost of its provision must be charged.**

10. Full-cost charging includes all the costs involved in an activity both direct and indirect. Finance staff should be involved at the outset in calculating the full cost of the service provided.

11. The composition of full cost can be extensive and complex, depending on the type of goods or services which are being provided. There are different ways of looking at full costs.

- **Fixed costs**, which in the short term do not fluctuate with the level of activity being undertaken.
- **Variable or marginal costs**, which do fluctuate with the level of activity.

[Annex A](#) to this Chapter provides more detail.

Why charge Full Cost?

12. Government policy is to charge for publicly provided goods and services. This helps allocate use of goods or services in a rational way because it prevents waste through excessive or badly targeted consumption. It also makes for easier comparisons with the private sector, promotes competition and helps develop markets.

13. Funds are provided by Parliament to MOD to ensure we can conduct our business; providing services or resources for any other purpose needs to be justified and recorded in a transparent manner. Through charging the taxpayer is able to see that whenever we provide any services or resources they are correctly reimbursed.

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Charging more than Full Cost

14. The Department should not exploit a monopoly position by charging more than full cost. There may, however, be circumstances in which charging more than full cost is appropriate:

- Where availability of the service is limited and a higher charge is designed to ration or deter demand.
- Where there is competition from the private sector and a market price in excess of full cost is applied in the interests of fair competition.

Charging less than Full Cost

15. In providing a service to an external organisation, MOD may receive tangible benefits. In such circumstances the arrangement may not be a simple customer-supplier relationship, both parties instead benefiting from quantifiable and tangible advantages. In these circumstances, authority to abate recovery to less than full cost rests with the Director of Resources (or their delegated representative)).

16. It must not, however, be assumed that any perception of benefit automatically triggers an offer of services at less than full cost. Clear identification and assessment of the benefits to be received should be balanced against the amount of funds involved in providing the services.

17. Goods and services are sometimes supplied concurrently with the performance of a defence task. In such instances the cost may be contained within planned expenditure, so that there are no additional cash costs to the defence budget. Again, however, this does not automatically mean that the goods or services should be provided free of charge. Consideration should be given to the benefit that the customer derives from the task, and this should be taken into account when setting a charge (see [Annex 2.14](#) - Circular Contracting).

18. Judgement as to the benefits to be achieved by providing goods and services to another body at less than full-cost recovery is sometimes subjective. There must nonetheless be clear visibility of the benefits, and an auditable explanation of how such benefits would serve defence interests.

19. If a proposal is made to provide long term support to any external organisation at less than full cost, which may cause a dependency on MOD, or be perceived to be commitment to supporting their finances, then before any commitment is made a formal risk assessment must be drawn up, and approved by the relevant Director of Resources. If MOD introduces charges to another government department for a [Return to Content page](#) service previously provided for free, or moves from a subsidised service to full cost recovery, it should transfer DEL cover to the other government department to leave them no better and no worse off.

20. **The difference between full and marginal cost must be accounted for correctly.**

21. **The customer must be informed at the earliest stage that charges are to be levied.**

Gifts and Public Subsidy

22. The default charging position for provision of non-core goods and services to external organisations is **full cost** charging.

23. In **all** cases where costs to an external organisation are abated, e.g. abating charges to media outlets, marginal costs for non-news coverage, Bands charging Service Charities less than full costs at fund raising activities etc, or in any other case, it is first necessary to calculate the **full cost** of the activity. [Annex A](#) will assist staff to identify the relevant costs to be included in this calculation.

24. It is necessary to decide whether the abatement of charges should be treated as a gift or public subsidy; the key factor being whether the activity delivers a tangible benefit to defence and/or the activity contributes towards defence core outputs. Abatement in these circumstances is not considered a gift (as defined in Annex 4.12.1 of [Managing Public Money](#)) as there is an expectation of a return to MOD. The two choices of abatement are:

- Public subsidy - *Abatement of charges from full cost where there is demonstrable and tangible benefit to defence or where the activity contributes towards core defence outputs.* For example assistance to an activity that directly supports a MOD project that meets a publicly funded requirement and/or scaled provision.
- Gifting - *Abatement of charges from full cost, primarily for the benefit of others where there is little or no defence benefit.* For example assistance to museums or local authorities.

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25. In the case of public subsidy, the difference between the amount received from the external organisation and the full cost of the activity must be recorded as the **public subsidy** to that organisation.

26. In the case of a gift, the difference between the amount received from the external organisation and the full cost of the activity must be calculated as the **amount gifted** to that organisation. **In this category, the Department and Director of Resources have no delegation to approve a gift if it is considered to be novel and contentious and therefore must gain Treasury approval, through HOCF [REDACTED] Policy.**

Summary:

Public subsidy

This is when there is a tangible benefit to defence. A [business case](#) must be raised based on the full cost of the activity, less any amount received from the external organisation. The remaining amount will be the public subsidy.

Returns of public subsidy cases must be submitted to FMP&A for onward transmission to HM Treasury on a yearly basis.

Gifting

This is when there is little or no benefit to MOD. A business case must be raised through the Director of Resources based on the cost of the activity, less any amount received from the external organisation. The remaining amount will be the gift.

There is no delegation from Treasury, and submissions must be made to Treasury through HOCF-[REDACTED] Policy.

27. Finally, full-cost charging must not automatically be rejected on the presumption that the recovery of full costs would deter potential customers

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Reciprocal Arrangements

28. A unit may wish to undertake a reciprocal arrangement, whereby goods or services may be exchanged for others of the same financial amount. The benefits are to be less administration, and faster access to goods or services when there is an urgent

requirement. Such instances occur where, for instance, personnel of foreign armed forces use MOD facilities in exchange for UK Armed Forces using theirs. The unit concerned should complete a business case, giving details of the proposed reciprocal arrangements as well as the marginal and full costs involved. Agreements should include provision of charging the full cost if there is no reciprocal action within three months.

Exchange of Surplus Equipment

29. Surplus MOD equipment is occasionally exchanged, free of charge, for surplus equipment of equal or greater value owned by contractors. Exchanges, which should be exceptional, must be properly authorised by the Defence Equipment & Support – Disposal Services Authority and documented. They should not be instigated by MOD or used to expand the defence programme. They should not take place if sale by tender or auction in the normal manner would generate receipts of greater value than the item for which it is to be exchanged.

30. If the value of goods received is less than that given in exchange, the difference in value constitutes a gift and rules on gifting apply. See [JSP 462](#)-The Financial Management Policy Manual, Chapter 16.

Repayment Customers

Intra-Departmental Services

31. Charges are not normally raised when one part of MOD provides a service to another part. Central core services such as HR management and training (for example) are provided without any budgetary transfers being raised. Transfers can be made where, exceptionally, financial cover needs to be provided. An example of where charges may be raised are services provided by the Directorate of Intellectual Property Rights (DIPR).

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32. The supplying and receiving units should agree the costs, and budgetary transfer forms should be raised.

Services to other Outside Bodies – the “Market Rate”

33. Services provided by MOD to the wider public sector or to the private sector (i.e. to “Non-Exchequer Customers”) which are not core defence business must normally be at full cost. It may, however, be appropriate to let market conditions determine the level of charging, where there is or may be competition. Depending on the circumstances, the market price may be above or below the full cost of providing the service. The market price should apply in the interests of fair competition even if the price is above the level of full cost recovery ([paragraph 12](#)). Where the market price would achieve less than full cost, and the service is not being provided from spare capacity, approval to abate the full cost charge as a public subsidy to the market rate should be sought in accordance with [paragraph 7](#)

34. Where there is surplus capacity which may be suitable for commercial exploitation, consideration should be given to income generation under Wider Markets. See “[The MOD Guide to Income Generation](#)”, which is available on the defence intranet.

Offsets

35. Costs for services provided to Other Government Departments (OGDs) and outside bodies must not be abated to offset (i.e. cancel out wholly or in part) any payments due. The cost of goods or services provided and received must be separate, identifiable and accounted for in the Annual Report & Accounts (ARAc) See [JSP 472](#) – Financial Accounting and Reporting Manual.

Retaining Assets for Income Generation

36. Where, exceptionally, additional assets beyond what is required for defence purposes are used or retained specifically for the purpose of generating income, the full cost of these assets must always be recovered.

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Insurance

37. Non-core activity for which charges are raised is not covered by the department’s own insurance arrangements. It is important therefore that charging activities are adequately covered by commercial insurance where appropriate. This ensures that the defence budget is protected from possible claims resulting from incidents arising during

charging activities. Accordingly, the charges levied must include the cost of insurance based on the full cost.

38. Insurance arrangements for Wider Markets activities are described in "[The MOD Guide to Income Generation](#)".

Advice concerning MOD policy on insurance, indemnities, common law liabilities and claims issues can be provided by [REDACTED]

Delegation within MOD

39. Directors of Resources have delegated authority from PUS to approve the abatement of charges as a public subsidy where the following circumstances apply:

- Where the cost of the abatement is within the threshold formally delegated to each Director of Resources and
- Where there is clear justification on the basis there is a benefit to defence and where it utilises spare capacity and is not detrimental to defence outputs.

40. The Director of Resources delegations for public subsidy are up to £1M. Above £1M, or if novel or contentious, the case must be referred through Dep Hd FMP&A to Ministers and Her Majesty's Treasury (HMT), either on a case by case basis or for a blanket authorisation.

41. Unless directed otherwise by the special charging arrangements identified in Chapter 2, the extent of the reduction is a matter for the Director of Resources' discretion (within their delegation). To avoid incurring unplanned expenditure Director of Resources should normally expect to recover as a minimum the marginal cost. In cases where equivalent assets or resources are available from commercial sources, the commercial rate must not be undercut.

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42. No delegation has been given in the following cases:

- Where the cost of the abatement exceeds the delegated threshold or is novel or contentious.
- Intellectual property rights.

43. Defence Intellectual Property Rights (DIPR) is responsible for all matters concerning intellectual property rights.

44. It is not value for money to raise paper invoices for values less than the processing cost of £35 or for electronic invoices for values less than £10 (both inc. VAT). Unless the customer is a frequent user of MOD services where separate charges may be combined, charges must not be set below these thresholds, even where the marginal costs are less.

45. Novel and/or contentious cases must be referred to the Director of Resources as these are always outside the authority delegated from HM Treasury to MOD. Detailed guidance on novel and contentious issues can be found in [JSP 462](#) – Financial Management Policy Manual under Roles and Responsibilities Chapter 5 - Budget Holders and Managers and Chapter 18 – Sound Governance;

- **“Novel” expenditure** is defined as expenditure on goods and services not previously supplied or purchased, for which MOD has no funding authority, or for which there are no existing rules to suggest the proper course of action.
- **“Contentious” expenditure** is defined as goods and services that do not constitute value for money and/or is likely to cause public or political controversy or repercussions for others such as other departments.

46. The Director of Resources should consider appointing a designated finance officer to act as a focal point for repayment issues and provide assurance that MOD charging policy is being applied consistently throughout.

Import Duty

47. Any non-core or repayment use of MOD assets for which a waiver of import duty has been obtained within the previous three years is likely to invalidate the waiver of duty and import duty will become payable

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48. Further advice can be obtained from the Tax & Duty Team and [JSP 462](#).

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49. The US International Traffic in Arms Regulation (ITAR) also restricts the use of some assets procured from the USA. All items which fall under the US Munitions List (USML) may have some level of restriction on their use Further Guidance concerning ITAR/USML can be obtained from:

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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Sources of Information:

HM Treasury produces the following guides;

[Managing Public Money](#) (available on Her Majesty's Treasury Internet site)

[Consolidated Budgeting Guidance](#) (available on the Her Majesty's Treasury Internet site)

Finance Management Policy & Accounting (FMPA) is responsible for;

JSP 368 – MOD Guide to Repayment

JSP 462 – [Financial Management Policy Manual](#)

JSP 472 – [Financial Resource Accounting Policy Manual](#)

Selling into Wider Markets – [The MOD Guide to Income Generation](#)

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Defence Resources Secretariat (Directorate Performance and Analysis) is responsible for;

JSP 525 -- Corporate Governance and Risk Management

Central Legal Services (CLS) is responsible for: providing legal advice to clients and stakeholders on the whole range of Defence business including the Defence Vision.

[REDACTED]

Defence Infrastructure Organisation (DIO) is responsible for; the management of the defence estate and is the authority for administering the use of land and property by outside bodies.

Defence Business Services (DBS) is responsible for:

- processing bill payments;
- processing of all changes to Departments tangible fixed assets;
- managing the Department's drawdown from the Treasury's Consolidated Fund;
- production of the Departments MOD Consolidated Resource Accounts;
- Monitoring the debt owed to the Department

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Annex A

EXAMPLES OF DIFFERENT CLASSIFICATION OF COSTS:

FULL COSTS	TOTAL DIRECT COSTS	+	TOTAL INDIRECT COSTS (<u>Short term & proportional</u>)	=	TOTAL FULL COSTS
FIXED COSTS	Salary (ERNIC, Superannuation) Depreciation (individual eqpt). Insurance (building)		Administration Costs(including support staff) Stationery General Overheads including multi-activity contracts Council tax Estate Management Depreciation (individual eqpt). Insurance (building) Cost of capital		Salary (ERNIC, Superannuation) Administration Costs(including support staff) Stationery General Overheads including multi-activity contracts Council tax Estate Management Depreciation Insurance
VARIABLE COSTS <i>Also called</i> <ul style="list-style-type: none"> • <i>Marginal Costs</i> • <i>Incremental Costs</i> • <i>No Loss Costs</i> • <i>Extra Costs</i> 	Travel & Subsistence Duty Allowances Running costs of military equipment/ asset (aircraft, vehicle capitation rates) Repairs Accommodation and Messing Raw materials and consumable stores Services/facilities obtained under existing MOD Contract	+	Utilities Fuel (for e.g. building heating system)	=	Travel & Subsistence Duty Allowances Running costs of military equipment/ asset (aircraft, vehicle capitation rates) Repairs Accommodation and Messing Raw materials and consumable stores Services/facilities obtained under existing MOD Contract Utilities Fuel

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Annex B

TEMPLATE FOR REPAYMENT BUSINESS CASE

1. Project proposal (state the nature of the activity and the role the unit is expected to partake).
2. State reasons for undertaking the activity and the impact on core MOD business.
3. Provide details of customers (name & address, previous dealings with the MOD and/or Armed Forces) and any contributions that will be provided to the unit.
4. State location(s) where activity will take place.
5. State duration of the activity (including proposed starting date, frequency, e.g. per week/month etc and proposed completion date).

6. Provide a breakdown of the full and marginal cost of the services detailed above (stating basis or source of cost information where possible).

	Full Costs £	Marginal Costs £	Difference (to be treated as a gift or public subsidy)

7. State financial objective (e.g. a percentage of the full costs to be recovered e.g. 100%, between 50%-70%, no less than 40% of full costs etc) giving justification where the financial objective is less than 100%.

I can confirm that the costs of undertaking this activity have been established as stated above and the proposed financial objective is as follows:

Signature of designated Finance Officer

Date Name Appointment

8. Confirm that the following personnel have been consulted and completed risk assessment.

	Yes	No	Name & Ext.
Defence Estate Officer			
Commercial Officer			
Health & Safety Officer			
Security Officer			

9. Confirm that Insurance/Indemnity policies have been addressed.

10. Name and contact details of officer who will collate actual costs of event, raise invoice, and ensure funds are recovered:

Name:

Rank/grade:

Name and address of unit/branch:

Contact telephone no(s):

TLB:

Reference no:

11. State date for review of case (should approval be given) to ensure the level of abatement is being maintained and is not occurring beyond the period of the business case:

12. To be completed by Director of Resources or designated finance officer where delegated authority has been given.

The authority to set financial objective at less than full-cost recovery has been:

Approved	
Not Approved	

Reasons for the decision are given below:

Signature:Date:

Name:

Post title:

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Annex C

TEMPLATE FOR RISK ASSESSMENT

Types of Risk;	High, Medium, Low
<u>Capacity Risk</u>	
Can the undertaking be fulfilled without diverting significant management resources?	
Can the undertaking be fulfilled without prejudicing delivery of core objectives?	
Would there be any risk that resources will be diverted from core objectives to make good shortfalls in income or fund commercial activity?	
What would be the impact if operational or urgent activity required the unit to cancel the undertaking?	
<u>Business Risk</u>	
Is the external customer a legitimate enterprise?	
Does the external customer have suitable standing to allow MOD to enter into contractual relationship without any embarrassment e.g. credit worthiness, previous negative publicity, unethical/political activities, association with tobacco/alcohol activities etc?	
Would the undertaking be counter to MOD policies and objectives?	
Would the undertaking damage the reputation of the MOD and/or Armed Forces?	
Would the undertaking present conflict of interest between MOD activity and core/statutory duties?	
<u>Financial Risk</u>	
What would the impact be if income did not materialise or costs increased?	
Would the undertaking be in conflict with European Laws & Competition Act 1998?	
Assess the likelihood of risks arising and estimate the cost of risks if they materialise.	
<u>General Risks</u>	
Have all health & safety risks been assessed?	
Have security risks been assessed?	
Would intellectual property rights be compromised?	
What are the environmental risks?	
Identify possible risks e.g. damage to or loss of assets, claims from third parties, professional liability.	

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SPECIAL CHARGING ARRANGEMENTS

Introduction

1. This chapter describes, in a set of annexes, a number of areas of activity for which special charging arrangements apply.

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2. In case of uncertainty over the application of any of these arrangements, advice should be sought from FMP&A-Charging Policy .

SPECIAL CHARGING ARRANGEMENTS

PERSONNEL

Provision of Personnel

- If personnel are provided to outside bodies to perform non-core functions for which MOD is not funded, costs should be recovered under the principles outlined in Chapter 1.
- Guidance on the loan or secondment of civilian personnel can be found in [JSP 468](#), Loan and Secondment of Personnel to Commonwealth and Foreign Forces, and in;

Ministry of Defence – Statement of Civilian Personnel Policy-Interchange-[Inward and Outward Loans between MOD and Other Government Departments](#)

Ministry of Defence – Statement of Civilian Personnel Policy-Interchange-[Outward Secondment of Staff from MOD to the Private Sector and Charities](#)
- Guidance on the loan or secondment of Service personnel can be found in [JSP 755](#)-Tri Service Positions and Arrangements – Instructions.

1. The full cost should consist of; pay, National Insurance (Earnings Related National Insurance Contributions (ERNIC)), 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.

Loans to Foreign Governments

2. 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 Chapter 2, Annex [2.12](#)).

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SPECIAL CHARGING ARRANGEMENTS

3. Exceptionally, personnel may be seconded (where they leave MODs complement), and are paid directly by the host country, with (Superannuation Charges Adjusted for Past Experience (SCAPE) and in some instances Earnings Related National Insurance Contributions (ERNIC) to be passed to MOD to ensure the personnel's UK payments are maintained.

Loans to Other Government Departments

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

5. Exceptionally, personnel may be seconded (where they are transferred from MODs complement) and are paid directly by the host department, with superannuation charges adjusted for past experience (Superannuation Charges Adjusted for Past Experience (SCAPE) and in some instances the Earnings Related National Insurance Contributions (ERNIC) being paid to MOD to ensure their payments are maintained.

6. Details of military aid, humanitarian aid, disaster relief and non-combatant evacuation operations are contained in Chapter 2, [Annex 2.5](#).

Loans to Private sector including Charities

7. When personnel are provided to companies, Charities etc. this should be governed by a contract. Charging should be at full cost; (pay, Earning Related Pay National Insurance Contributions (ERNIC), Superannuation Charges Adjusted for Past Experience (SCAPE) plus the indirect costs and any additional costs. See [Annex 2.3](#)

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SPECIAL CHARGING ARRANGEMENTS

SUPPLIES AND SERVICES TO WARSHIPS AND AUXILIARIES OF COMMONWEALTH AND FOREIGN GOVERNMENTS

- Foreign government vessels visiting 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 Memorandum of Understandings with Germany, France, Canada and the Netherlands these charges may be reduced or waived in accordance with the annex relating to the International Courtesy Rules.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- The current supplement, on the International Courtesy Rules and Operational Sea Training Booklet is published on the Defence Intranet;

[Operational Sea Training booklet](#)

- A quarterly return from MOD owned ports is to be provided to HOCF- [REDACTED] [REDACTED] 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 Courtesy Rules do not apply to Operational Sea Training where Navy Command operate a dedicated reciprocal voucher system.

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PARTICIPATION IN ORGANISED ACTIVITIES

- Personnel are frequently engaged in organised activities or events involving the general public. These occasions help foster good relations with the community and generate positive views of Defence and the Armed Forces.
- Engagement of personnel in organised activities is defined as:

“Personnel, defence assets and facilities being used to engage with the general public in non-operational activities at particular venues/events organised by DG Resources, or by external bodies including charities, schools, local government (including county councils) and commercial organisations.”

Introduction

1. The activities or events can take various forms, but are generally categorised into three main groups;

- (i) Publicly funded events officially sponsored by MOD (core business i.e. State opening of Parliament) – See Appendix 1
- (ii) Service or Director of Resources inspired events (i.e. local community events, flying displays, Open Days, Regattas) – See Appendix 2
- (iii) Externally inspired events (privately funded by the organiser i.e. Charity fund raising events) – See Appendix 3

Appropriate Level of Support

2. When considering supporting or sponsoring events, financial control must be exercised to ensure that resources utilised are proportionate and do not increase without proper scrutiny. It is also important that events are not seen as lavish affairs funded by the public purse. Where appropriate, money from non MOD sources, e.g. sponsorship, ticket sales, non-public accounts, should be considered as a means of funding enhanced events.

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Tri-service/Multi Director of Resources Events

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3. There are occasionally events where more than one service/Director of Resources is involved, e.g. RIAT, Lord Mayor's Show and Edinburgh Military Tattoo. In these circumstances;

- The Director of Resources/Command Secretaries involved will consult each other;
then collectively;
- decide the lead to coordinate and take forward;
- set the general parameters consulting other Departmental stakeholders as necessary; and
- compile a joint business case; including the costs/benefits/risks of all participants.

4. It is recommended that the Director of Resources incurring the greatest share of the costs/benefits, usually the Director of Resources providing the majority of the resources, assume responsibility as the lead for the event.

Charging and Sources of Funding

5. When considering an appropriate level of charging, the following must be observed:

- an activity should not use MOD resources without the approval of the Director of Resources;
- the full cost of the activity should be ascertained;
- the external organisation should be informed at the outset that charges will be levied;
- events should not take place if there is concern that costs to public funds may not be recovered;
- approval to abate charges within delegated authority must be sought from the Director of Resources;
- the level of abatement of charges should not be influenced by affordability of MOD assistance to the external organisation;

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- all costs to the public funds to any agreed level of abatement are to be reimbursed before any receipts are disbursed to non public organisations;
- the Departments reputation.

Use of Limited Public Funds

6. Directors of Resources may decide to hold an event for the purpose of boosting the morale of service personnel and their families. The general public is not invited. Limited public funds may be used for such events at the discretion of the Director of Resources.

Sponsorship

7. 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 [JSP 462, Chapter 9](#).

Donations

8. Sometimes the MOD is approached with the offer of a cash donation towards an event and care must be exercised before accepting a donation to ensure that the Department will not be criticised on regularity and propriety grounds. Any proposal received should be brought to the attention of the Director of Resources. Further guidance can be found in [JSP 462 , Chapter 18](#).

Charging the Public - Fundraising Events

9. Fundraising events for service charities or any other charities must not incur any cost to the public purse.

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Charging the Public - Small Scale Events

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10. 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) e.g.

- a visit to a local school to give a talk;
- hosting a reception for local industry, councillors;
- use of a sports field by a youth organisation e.g. Scouts, Guides;
- local ceremonial events e.g. parades, services of thanksgiving;
- open days for the general public.

11. Events of the sort described immediately above, which make use of MOD facilities, tend to have negligible cost and risk, but the Defence Infrastructure Organisation should be consulted to confirm any licensing and insurance/indemnity requirements.

12. The entertainment of dignitaries is a proper charge to the MOD when carried out in accordance with [JSP 462](#), Chapter 19, DIN 2011DIN01-242 and 2011DIN08-016 Official Entertainment

13. Where the marginal cost of these smaller events is less than £500 the administrative effort and cost of invoicing and recovering the fee can exceed the actual cost incurred. It is at the Director of Resources discretion (on a case by case basis) not to raise a charge, of this value and below, although the value and decision taken should still be recorded ([paragraphs 20-22](#)).

Charging the Public - Large Scale Events

14. These are events where the general public are attending. Substantial assets and resources are required for the event. Such large scale events include the Royal International Air Tattoo; County Shows; Music on Fire, Edinburgh Military Tattoo, National sporting events.

15. Recovery of the full cost of such events can be prohibitive and can deter interested parties, thereby preventing the 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 profit share from external organisations. The MOD can reach special arrangements in exceptional cases where there are advantages to defence to do so.

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Insurance

16. 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.

17. Where charges are raised for the engagement of personnel in events organised by external organisations a commercial insurance policy should be purchased to protect the MOD against compensation claims arising through MOD negligence. The cost of insurance should be recovered from the event organiser. Alternatively where the total project cost is below £10,000 a charge may be levied under the Departmental Insurance Scheme. Further advice and guidance can be sought from the Directorate of Judicial Engagement Policy - Common Law Claims & Policy and [2012DIN08-010](#) – Insurance arrangements for Charging Activities (Wider Markets and Charging Policy).

Financial Approval

18. The Director of Resources or their authorised representative with the appropriate delegation is the approving authority for the engagement in organised activities by service personnel.

19. A business case should be forwarded to the appropriate approving authority. This should clearly identify;

- the purpose of the activity;
- the benefit to the Department;
- the cost of the resources both full and marginal;
- a risk assessment; and
- the insurance arrangements.

Financial Recording and Accountability

20. In order to demonstrate financial accountability and good financial management, the Director of Resources 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:

- transparency;
- cost of resources involved, full, abated, marginal;

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- income received;
- net effect on Director of Resources .

21. A Memorandum Trading Account (MTA) is a recommended format for recording financial results of personnel engagements.

22. An Memorandum Trading Account is primarily a statement of income and expenditure and can be as simple or as sophisticated as needed; however it should always:

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

Risk Assessment

23. 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;

- environment;
- Health & Safety;
- commercial;
- occupational
- reputation;
- media/communication;
- physical (Assets), i.e. fit for purpose;
- status of those taking part – employer/employee; on/off duty (being in uniform does not confer duty status)

Post Activity Reviews

24. 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 may be a requirement to provide similar support again in the future.

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Reference

Service Bands and Military Musicians The charging policy for Service Bands and Military Musicians participating in events is set out in [JSP 813](#)

Charging for facilities used by media companies' Specific policy guidance on media/filming is given at [Annex 2.4](#).

Wider Market Activities/Income Generation whose purpose is to generate income through the utilisation of irreducible spare capacity is not covered by this guidance. Further guidance can be found in [Selling into Wider Markets – The MOD Guide to Income Generation](#)

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Appendix 1

Publicly funded events officially sponsored by MOD

- Publicly funded events officially sponsored by MOD are deemed to be core business.

Definition	Purpose	Events (examples)
Publicly Funded Events officially sponsored by MOD using existing resources ¹ . In most cases this will mean that the event is wholly funded ² through the PR process and identified in the Defence Plan. No fees are charged.	National Commemorations. Ceremonial. Defence Diplomacy Bands (Category I & V engagements).	State opening of Parliament. Trooping the Colour. Remembrance Sunday service at Cenotaph. Royal Occasions - Coronations & State Funerals. Queen's Jubilee Royal Salutes.

¹ Existing resources means MOD assets used, e.g. personnel, vehicles, buildings, stationery etc

² Where commercial contracts are entered into the additional costs are to be recouped through sponsorship, charges raised, e.g. fees from commercial stall holders, and/or ticket sales – this element is not PR funded

1. Large-scale state occasions, such as national events. These involve assets and resources which are planned and programmed considerably in advance. The responsibility and financial accountability are recognised and arranged via the Planning Round (PR) process where affordability and a commitment to undertake the activity are addressed before events are officially endorsed for example;

Royal and State Occasions are events officially sponsored by the MOD and for which all costs are met from public funds. These events are linked to the Military Tasks identified in the Departmental Plan and recognised as Public Duties. Generally, no charges are raised where there is no entrance fee or where fees are limited to cover the costs of stands etc. This does not apply if the Royal visit is by private invitation.

Families Days can be seen as the connection between welfare and operational effectiveness and affirms that the support provided for service/civilian personnel and their entitled family is “core” Armed Forces business. They are essentially a great opportunity to demonstrate primarily to families, (but may include local dignitaries and local schools) the array of roles and tasks undertaken by the Armed Forces. No charges need be raised **unless** additional costs to public funds are incurred if it is decided to provide ‘activities’ for further entertainment.

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Visits to Units for Community Engagement are events where members of the public are invited to visit an establishment to witness the Armed Forces at work in normal working conditions. These visits should require limited organisation and normal work activities should not be disrupted. The use of local assets is permitted to make the day more attractive to the public and training hours may be used to facilitate these assets. These visits are deemed to be MOD core activity and therefore no charges should be raised as MOD's normal self insure arrangements will apply. However, there may be occasions where members of the public, or Service families, are invited to participate in activities which are, or could be regarded as, inherently dangerous (e.g. abseiling, assault courses etc). Commanding Officers and organisers should consider prior to events taking place whether the increased risk of claims arising from the activity might outweigh the publicity or recruitment value of the event. If this appears to be the case then, regardless as to whether charges are raised during the event or not, the Commanding Officer should ensure either that the activity is not undertaken or that public liability insurance is purchased from non-public funds to cover the risks.

Air Shows as a general rule require the application of full cost recovery when MOD participates. The exceptions are RAF Waddington, RAF Leuchars and RAF Cosford International Air Shows where it has been agreed in principle by the Air Force Board that these events can call upon RAF-wide manpower and logistic support. They also (i) receive a 50% abatement of full costs on aircraft display charges in recognition of the exceptional corporate communications, recruitment and training value that they provide; and (ii) do not require to be licensed by Defence Estates.

2. Recruiting Group Activities – Recruiting group activities are recognised as core MOD business. Not all Community Engagement and Recruiting Team effort would automatically fall as core business and the recovery of costs may still apply - e.g. participation in commercial or fund raising activity. There will be instances where the 'recruiting' benefit is a reason to abate only and not a reason for the defence budget to bear the costs entirely.

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Appendix 2

Service or Director of Resources inspired events

- Internally organised events (Non-public funded) are events organised at the discretion of Directors of Resources at establishments in which personnel participate but which are not in the normal course of MOD business.

Definition	Purpose	Events (examples)
<p>Criteria for Director of Resources inspired events:</p> <ol style="list-style-type: none"> The purpose of the event is established at the outset by the TLB; The Armed Forces are the main feature of the event; MOD sets the agenda and programme for the event; MOD is the main beneficiary; External organisations play only a supporting role; Risks (operational and financial) lie with MOD. 	<p>Welfare Community Relations / Engagement Recruiting Ceremonial Defence Diplomacy Commemorations Bands (Category II , III & V engagements) Army in Society RN in the Public Eye CAS Engagement Strategy</p>	<p>Public Open days (entrance fee charged) Local events¹ e.g. visits to local schools TA Day Flypast MOD Air Shows Commemorating an anniversary of a particular regiment</p>

¹ Local Events – Events occurring within 30 miles of military sites or a community which is regularly subject to disruption from military activity, e.g. low flying

1. Engagement by personnel at regional and local level raises public awareness and support within the local community. The Director of Resources may decide to host events and activities to enhance the welfare of service personnel and their families or to engender good relations with the community. Examples and characteristics of events and activities organised and inspired by Director of Resources are:

Ceremonial Events take the form of parades, services of thanksgiving, church services, etc which MOD might wish to celebrate in recognition of achievement, or in remembrance, and where minimal costs are involved.

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Commemorative Events take place to commemorate historic military occasions at national and local level.

Open Days are events which have the support of local commanders, where members of the public have an opportunity to visit an establishment to witness the armed forces at work. Additional activities may be arranged to enhance the day beyond a normal working environment to attract the public. An entrance fee or commercial sponsorship is used to meet the costs of any additional activities such as go-kart rides, bouncy castles, external displays, etc; no costs should fall to public funds. Insurance arrangements are covered in a the Defence Instruction and Notice (DIN) titled: Insurance Arrangements for Open Days, Displays and Other Functions). For further guidance contact [REDACTED].

Military Festivals are extravaganzas which invite the public to join in a fun day with entertainment such as climbing walls; military bands; battle re-enactment; food stalls; stunt riders, etc. These festivals can be internally or externally inspired and charges are to be raised at the appropriate level.

Official Display Teams e.g. Royal Air Force Aerobatic Team (RAFAT) – the Red Arrows, Falcons Parachute Display Team, Battle of Britain Memorial Flight (BBMF), Queen's Colour Squadron (63 Sqn RAF Regt), Army Historical Flight, should ensure that de minimis marginal costs are recovered. Full costs are to be charged for events organised by commercial organisations.

Unofficial Display Teams e.g. Blue Eagles, White Helmets, Red Devils, are an identifiable group, authorised by the appropriate authority to demonstrate skills, attributes and excellence utilising military equipment or techniques. These teams are not funded but provide more than simply the conduct of a military task which the general public can watch. Costs should be recovered from the organiser.

Recruiting events may be organised by recruiting directors solely for recruitment purposes.

Unit social functions and other local celebrations are events which, although Director of Resources inspired are purely non-public and thus all costs are to be recovered.

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2. Sources of funding for such events can take various forms:
- charging.
 - Non public and limited public funding;
 - commercial sponsorship;
 - donations; and

Commercial Partnership

3. The Department may employ an external organiser to host an event. An external organiser brings commercial expertise in hosting large scale events (seeking attractive location, publicity, advertising, sponsorship, securing entertainment activities, assessing commercial risks etc) whereas MOD can contribute military input essential to the objective.

4. The external organiser may be willing to fund an event if they are allowed to retain a share of the profits. In which case the charges to the public may be set by the organiser who is better positioned to gauge the right price levels and the receipts necessary to offset their and MOD's costs. The percentage share of the costs and or profit would be dependent on the risks undertaken by each party, their contributions and their share in the benefits.

5. In such circumstances, it is imperative that Director of Resources enter into a formal agreement with the event organiser, where the financial terms and contractual arrangements including those pertinent to the occupation and use of the MOD facilities and Intellectual Property Rights (IPR), insurance arrangements, transfer of risk etc are clearly specified. MOD Commercial/Defence Infrastructure Organisation staff (as appropriate) should be involved at the outset to ensure that impartiality is maintained and that proper procedures are adopted and legal undertakings properly established. Only MOD Commercial/Defence Infrastructure Organisation staff and formally licensed trained personnel (e.g. Band staff) have the authority to enter into contractual arrangements on behalf of the MOD.

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Appendix 3

Externally Organised Events (Privately Funded) – Non-Core MOD Business

Funding Externally Inspired Events

- Externally organised events (Privately funded) are activities organised by an external organisation or by Service/civilian personnel in a personal capacity where the main purpose is not necessarily defence related. The organiser is the main driver and beneficiary. They normally set the agenda, including the timetable, and determine the key messages of the event. The MOD support role is a complementary rather than essential one.
- Activities organised or inspired by external bodies such as other government departments, local councils, commerce, charities such as County Shows; Non-News Media/Filming (excluding those events falling into the communications category); Air shows (excluding RAF International Air Shows), Royal International Air Tattoo (RIAT); Lord Mayors Show: Edinburgh Military Tattoo.

Definition	Purpose	Events (examples)
<p>Criteria for externally inspired events:</p> <ol style="list-style-type: none"> 1. Agenda/programme primarily set by organiser; 2. The main beneficiary is the organiser; 3. MOD has only a supporting or complementary role; 4. MOD contributes to the event; 5. Opportunity for MOD representation is created externally; 6. Risks (operational and financial) associated with event rests with the organiser. 	<p>Commercial Outsourced Activities Bands (Category II, III and IV engagements)</p>	<p>County Shows</p> <p>Bespoke flypast – i.e. not undertaken while in normal transit or training</p> <p>Lord Mayor’s Show</p> <p>RIAT</p> <p>International Tattoos</p> <p>Charity Fund Raising Events</p> <p>Personal social functions and celebrations e.g. wedding reception</p>

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1. **Commercially Run (Private Sector) Events**, e.g. County shows, sporting events and trade exhibitions. Participation should only be undertaken where it is considered that it would not be detrimental to MOD's interest to be associated with such an event. In these instances normal charging rules apply, based upon full cost or the commercial rate, except where approval to abate has been granted by those with delegated responsibility/authority to do so. For example;

Fundraising Events are events organised for the sole purpose of raising funds for charities and therefore charges based upon full costs are to be recovered unless there is a strong and clear Defence benefit where an abatement can be justified (see Charities, Chapter 1, paragraph 1).

Military Festivals are extravaganzas which invite the public to join in a fun day with entertainment such as climbing walls; military bands; battle re-enactment; food stalls; stunt riders, etc. These festivals can be internally or externally inspired and charges are to be raised at the appropriate level. For further guidance on insurance contact [DJEP-██████████](#).

Royal International Air Tattoo (RIAT) is an annual event hosted by the RIAT charitable trust at RAF Fairford. The event showcases international air power and members of the public are invited to attend. An entrance fee is charged and trade stands, entertainment, etc are provided. The MOD has agreed a special arrangement with the Royal International Air Tattoo (RIAT), whereby they are charged a minimum of marginal costs for this multi-Director of Resources event.

Official Display Teams e.g. Royal Air Force Aerobatic Team (RAFAT) – the Red Arrows, Falcons Parachute Display Team, Battle of Britain Memorial Flight (BBMF), Queen's Colour Squadron (63 Sqn RAF Regt), Army Historical Flight, should ensure that de minimis marginal costs are recovered. Full costs are to be charged for events organised by commercial organisations.

Unofficial Display Teams e.g. Blue Eagles, White Helmets, Red Devils, are an identifiable group, authorised by the appropriate authority to demonstrate skills, attributes and excellence utilising military equipment or techniques. These teams are not funded but provide more than simply the conduct of a military task which the general public can watch. Full costs should be recovered from the organiser.

Unit social functions and other local celebrations are events which, although Director of Resources inspired are purely non-public and thus all costs are to be recovered.

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2. The MOD may still derive some complementary benefit from participating in externally organised events. Such events can present opportunities for interaction with the public, thereby placing defence in the public eye. However, the benefits to MOD should be measured carefully against the greater benefit that will be enjoyed by the external organisation.

Supporting external organisations

3. The Department receives many requests for defence involvement in activities and events organised by external organisations. It is acknowledged that external organisations can present opportunities which allow defence to interface with the general public, key influential figures and opinion makers. However, the Department must be consistent in the way it conducts business with external bodies ensuring that:

- MOD avoids engagement with inappropriate external organisations (e.g. tobacco companies should be avoided);
- product endorsement and direct advertising is avoided;
- impartiality is maintained;
- there is no conflict of interest;
- there is an appropriate level of support;
- MOD participation in an event is not used as a direct sales opportunity for commercial products or services.

Commercial Companies

4. Commercial companies generally engage in events where there is an opportunity for commercial gain, and as such the commercial organisers will have their own agenda. Fundamentally, MOD is not a supplier of free resources and the Department must take care to ensure that it is not exploited.

5. Where there are no benefits to the Department, the full cost of supporting an event organised by commercial companies should be established and recovered. If there are benefits to the Department, these can be taken into account when considering the appropriate level of charging. Careful judgement must be exercised to ensure that the value of any benefit is balanced against the cost and risks of participation as well as against the agenda of the external organisation. Benefit to the department need not be automatically translated to an abatement of our charges.

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Charities

6. There are many activities which are undertaken in support of local, national and Service charities. While charities represent worthy causes, they are not subject to special charging arrangements and should be treated in the same way as any other external organisations. The Department cannot subsidise charities simply because they have an MOD or Armed Forces connection, and it is important that the Department is not seen to be raising expectations that no charges will be levied. Moreover, the Department must not be seen to be treating one charity more favourably than another (See Chapter 1, [Paragraph 2](#)).

Principles

7. Engagement in an event involving members of the general public can lead to costs being incurred which have not been planned. The costs can be recovered in various ways:

- setting charges;
- sponsorship; or
- commercial partnerships.

8. Failure to secure proper funding or to expend resources without financial approval exposes the Department to accusation of poor financial control or mismanagement of public funds. Therefore, engagement in any event or activity whether national, regional, local, publicly funded, Director of Resources or externally inspired must given proper consideration.

9. The decision to participate in an event rests with the Director of Resources holder who is responsible for the assets and resources that are to be used. In making their decision, the Director of Resources/delegated representative must weigh the benefits against less positive factors, such as:

- diversion of resources from core business;
- administrative efforts consumed;
- exposure to risks;
- level of participation falling short of public expectations ;
- conflict with other defence priorities.

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Impartiality, Conflict of Interest, Fraud and Corruption

10. Requests for the participation of service personnel in events by external organisations must be viewed objectively. The Department must be careful not to favour an event where there is personal interest or gain. Particularly, the case for engaging in an event should not be exaggerated in order to gain support when in reality the main beneficiary is the external body rather than defence. Careful judgement must be exercised to ensure that the case for supporting an event organised by an external body is a balanced one.

11. Support to an event organised by an external body should be given only where it is deemed to be in the defence interest and not due to exertion of an individual Crown Servant who may have a close association with the external body (e.g. personal interest, private membership or association with the organisation). The acceptance of 'considerations' by Crown Servants, e.g. in return for favourable terms in setting up an event or hospitality could lead to accusations of conflicts of interest, fraud or corruption. It is important that any association with an external organisation (member of the board, private interests, hospitality etc) is declared by any Crown Servants involved from the outset.

12. PPPA should be consulted as the policy holders for the Gifts, Rewards and Hospitality Annex which addresses conflict of interest, fraud and corruption. In the first instance advice from local Corporate Governance team should be sought. A useful contact is the People Service Centre (93345 7772 or 0800 345 7772).

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DISPLAY CHARGES

1. The Department frequently receive requests to participate at shows as well as organising its own.
2. 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 Director of Resources finance sections and added to the Public Subsidy return to FMPA. 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, Land Forces for green fleet vehicles. Departmental displays such as open days should recover funds from tickets sales to cover the costs.
3. Directors of Resources have a delegation of £1M to abate charges, for any subsidies more than £1M, or which may be novel or contentious must be staffed to Treasury for approval.
4. Some display teams are considered as core business whilst 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, Director of Resources finance sections should be provided with advance bids, no less than two months before commencement of the next financial year.
5. When contacted to participate in a display it is good practice to notify the other Services of the event. If the display involves multiple Director of Resources, a collective decision should be made as to who should be the coordinator (for the negotiations, provision of estimates and recovery of costs) to take the event forward.
6. For definition of the full or marginal costs, the guidance in Chapter 1, Annex should be followed, if Director of Resources' Finance sections are unable to identify which costs are marginal they will then contact FMPA.
7. Bands/musicians and Recruiting Staff/Teams are subject to separate instructions
8. Insurance and indemnity arrangements exist for the participation at where organisers are charged a percentage of an annual insurance policy provided by Willis Ltd. In cases of difficulty, the [DJEP](#) should be consulted (See [Chapter 1](#)). 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.

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PARTICIPATION AT COMMEMORATIVE EVENTS

- MOD frequently engages in activities to commemorate significant events in the Armed Forces and MOD history

Introduction

1. 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 the role played in the history of the United Kingdom, and recognising the contribution of those who serve and have served.

Definition

2. Commemorative events are defined as those events that mark anniversaries of occurrences of significance in the history of the Armed Forces and MOD.

Central Governance

3. The Deputy Chief of Defence Staff (Personnel) (DCDS Pers) is responsible for the policy on Service participation at commemorative events, and issues an annual Defence Instruction and Notice (DIN). FMP&A [REDACTED] Policy is responsible for providing guidance on the use of public funds in relation to commemorative events.

4. The guidance applies to commemorative events taking place both in the UK and overseas.

Key Principles

5. 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. Guidance on charities can be found in [Chapter 1, paragraph 2](#) of this JSP; for other, non-public events see [Annex 2.3](#).

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

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- 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 – The 25th, 50th, 60th and 70th anniversaries and centennials of events of major importance.

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

- A parade.
- A march past.
- A flypast.
- A religious service.
- A combination of the above.

National Events

8. 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 Defence Instruction and Notice so that the appropriate financial planning can take place. A separate Defence Instruction and Notice is issued each year to cover Armed Forces Day events.

Regional or Single-Service Events

9. 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.

10. Commemoration of other anniversaries, where there is a specific formation or unit connection, may be undertaken at the discretion of the Director of Resources..

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SPECIAL CHARGING ARRANGEMENTS

11. 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 as an alternative means of funding enhanced events, i.e. those where it is proposed to undertake activities beyond the scope of paragraph 7 above. If a donation has been offered to the Department in respect of a commemorative event, the rules governing donations in [JSP 462](#) under Sound Governance Chapter 18, should be followed.
12. All proposals for an event to be commemorated in accordance with this guidance must be submitted via the chain of command to the SFO before any expenditure or commitment is entered into.
13. The Directors of Resources should bear in mind that:
- 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 **Very Important Person** at an event does not necessarily indicate that the use of public funds is justified.
 - Where an anniversary is commemorated nationally, any additional commemoration at local level should be on a small scale, subject to the Director of Resources approval. The Director of Resources must be satisfied that it is affordable and represents value for money.
 - 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

14. 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 Director of Resources for audit purposes.

Commemorative Events organised by External Bodies

15. 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 not be at a cost to the Department.

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SPECIAL CHARGING ARRANGEMENTS

16. 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 [Annex 2.3](#)).

Further Guidance

17. Due account must be taken of other relevant policies that may be associated with commemorative events, for example official entertainment sponsorship regulations, instructions for bands, and the Defence Infrastructure Organisation (DIO) guide on use of MOD land, buildings and facilities.

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SPECIAL CHARGING ARRANGEMENTS

NON-NEWS MEDIA:

- It is common for MOD to receive requests for the use of MOD people/assets for non-Defence related broadcasts. A key Departmental objective is to enhance reputation but Defence resources are not to be diverted from Departmental planned tasks. Non-News Media projects are unfunded therefore charges are to be raised. Exception cases can be raised where projects supporting key communication priorities are at risk of being lost.

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CHARGING FOR FACILITIES USED BY MEDIA COMPANIES

1. Requests to provide facilities from defence resources in support of media programmes (for example broadcasts, films or documentaries) give rise to particular issues. The Director Media and Communication (DMC) 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.
2. On the one hand, defence resources must not be diverted from other tasks to support the making of a commercial product which will often be used to make a profit. On the other hand, a key Departmental objective is to “enhance our reputation amongst our own people and externally”. The achievement of all of our objectives depends upon public support. There will sometimes be circumstances where participating in a particular media event will help establish such public support, and therefore is to be facilitated if possible.
3. In dealing with individual requests in this category, the principles set out in this Annex must be followed. In particular:
 - a. It must be made clear at the outset to those who approach us 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. Particular effort will have to be taken to make sure that this is done quickly, as decisions are often required at short notice.

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SPECIAL CHARGING ARRANGEMENTS

c. If full-cost recovery is deemed not to be achievable in the particular circumstances, and it is felt that the project should still be pursued, a judgment will have to be made as to whether charges will be abated and a lower cost charged. The judgment will be made by the Director of Resources where financial authority has been delegated.

In order to make this judgement, Director Media and Communication (DMC) will carry out an assessment of the media value of the particular proposal. This should state as clearly as possible the programme maker's intent, the Public Relations (PR) value of the proposal aligned to the Department's current communication priorities and the likely scale of the impact. This analysis should be provided using a business case to enable the Director of Resources to quickly balance the financial and PR issues concerned, within the framework set out here. Directors of Resources may wish to take further advice from the Director Media and Communication (DMC) and FMP&A Charging Policy before reaching this decision (or, if the proposal exceeds the Director of Resources delegation.

i. In cases where a key project supporting our 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 Director of Resources responsible. Our communications priorities are defined respectively as:

- **Operations** – Current major operations, such as Afghanistan.
- **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 within the next year.

ii. In accounting for each event, the differences between the full cost and what is actually charged must be accounted for as a public subsidy/gift to the recipient, and entered on the Director of Resources public subsidy/gifting 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.

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SPECIAL CHARGING ARRANGEMENTS

Use of Director of Resources Assets

4. The Director of Resources is responsible for the assets and resources to meet the core business objectives set out in the Director of Resources Service Delivery Agreement. Where a programme maker requests the use of assets and resources, no commitment may be given to the programme maker without the express approval of the Director of Resources. Where the programme maker approaches Director Media and Communication (DMC) directly for the use of assets and facilities, the Director of Resources must be consulted. Once the project has been authorised by Director Media and Communication (DMC) and a Public Relations (PR) rating has been attributed, the Director of Resources will need to give approval.

5. Once the financial objective has been determined and approved, the Director of Resources should engage with its commercial branch to negotiate the price which will achieve the approved financial objective.

Insurance

News

No insurance required as MOD self insures

Non-News Media

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 filming projects a minimum flat rate charge of £500 is to be raised under the Departmental Insurance Scheme. These insurance costs **cannot** be abated.

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

It is standard commercial practice for charges to include costs associated with insurance and increased administrative effort such as; paperwork, fax messages and telephone costs. As MOD's personnel capitation rates (a prime component of the full cost) are deemed to include a contribution for indirect costs ("overheads") for the personnel involved an additional administration fee would be unnecessary where full costs are being recovered. It should, therefore, be added only where less than full cost recovery is being sought as a marginal cost.

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SPECIAL CHARGING ARRANGEMENTS

Small-Value Filming Projects

6. Where the full cost of a project is within the delegated threshold, the Director of Resources has the discretion to abate the charge in accordance with the delegated authority. This should facilitate the smaller Public Relations (PR) projects which can be of particular reputational value but do not require a huge amount of time and resources. A simplified business case must be completed as a record of the decision made.

Observational Filming

7. There may be circumstances where a programme maker wishes to film a planned military event which has already been scheduled and publicly funded as part of the Top Level Budgets core defence programme.

8. 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 the marginal costs incurred as a direct result of the programme maker's presence.

9. 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.

ROLES OF KEY STAFF

10. Requests for support to media projects require input from media and communications staff, finance staff, commercial staff, and the Defence Infrastructure Organisation if appropriate. It is important that a proper separation of duties is maintained, while ensuring that decisions are taken rapidly and any disputes or differences of view are elevated speedily to the Director of Resources for resolution.

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SPECIAL CHARGING ARRANGEMENTS

MEDIA AND COMMUNICATIONS STAFF

Media and communications staff are responsible for promoting Defence interests and maintaining Defence reputation, and are often the first point of contact for a media company wishing to use defence assets and resources. Media staff will consider such requests and recommend whether to proceed, in each case informing the Director of Resources responsible for the management of the assets and/or resources as quickly as possible, and providing their considered evaluation of the expected benefits in Public Relations (PR) terms. Media staff may also identify which MOD assets/resources may be suitable for the programme.

DIRECTOR OF RESOURCES FINANCE STAFF

Finance staff are responsible to the Director of Resources for the financial management of defence assets and resources, as well as maximising revenue where possible. Upon receipt of a Media and Communication staff recommendation of support to a project and their related evaluation of its Public Relations PR benefits, finance staff should cost the proposal and seek authority from the Director of Resources (or someone to whom that person has delegated such authority) to a price for commercial staff to negotiate with the company. The price range should take into account the Public Relations (PR) assessment, market conditions and any regularity and propriety issues.

DEFENCE INFRASTRUCTURE ORGANISATION/DEFENCE TRAINING ESTATE

The indicative cost for use of land/buildings is determined from 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

The government-wide authority regarding Crown Copyright material is Her Majesty's Stationary Office (HMSO) Office of Public Sector and Information (OPSI). OPSI has delegated responsibility for handling MOD Crown Copyright material to Directorate of Intellectual Property Rights (DIPR). MOD

SPECIAL CHARGING ARRANGEMENTS

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. In general, these licences for imagery use attract standard charging rates. If a proposed usage of MOD Crown Copyright imagery has an expected Public Relations benefit to the MOD, then an abatement case can be prepared by Director Media and Communication Public Relations DMC(PR) and presented to Directorate of Intellectual Property Rights (DIPR) (a simple to use standard format exists for this, held by DMC). DIPR will then negotiate with the third party. Note that only Directorate of Intellectual Property Rights (DIPR) can offer reduced rates to a third party – no expectation must be generated or promises made to the third party prior to Directorate of Intellectual Property Rights DIPR involvement.

Contact point: – email: [dipr-cc\(Multiuser\)@mod.uk](mailto:dipr-cc(Multiuser)@mod.uk)

Tel no: [REDACTED]

COMMERCIAL STAFF

Commercial staff are responsible for establishing a contract which secures maximum income whilst minimising the MOD's exposure to risk and protecting its intellectual property rights (IPR) and copyright position. Only licensed MOD commercial officers and the Defence Infrastructure Organisation have authority to enter into binding agreements on the MOD's behalf. Having been advised by the finance staff of the range of acceptable prices, commercial staff will negotiate on the Director of Resources behalf and agree a Contract for Sale at a price which strikes the best deal for the MOD, both in terms of Public Relations (PR) and cost recovery.

DIRECTOR OF RESOURCES RESPONSIBILITIES

Directors of Resources have the responsibility for resolving any differences of view about the appropriate price to be set within the limits of their delegated authority. Any cases outside the delegated authority must be referred to HOCF [REDACTED]

General

11. The above only applies to non-news media projects. For filming people or assets as part of a defence-related news item, charges should not normally be raised for interviews of MOD civilian and Armed Forces personnel. Where, however, additional facilities are specifically requested which would not otherwise be offered, marginal costs should normally be recovered.

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SPECIAL CHARGING ARRANGEMENTS**Project Proforma****Customer Proposal Form**

This form is to be used for any Wider Markets/Income Generation and Non-News Media proposals

Details of Customer / Company	
Company Registered Name ¹ or Customer Name	
Company Registered Number	
Point of Contact & Position in Organisation	
Full Postal Address	
Tel Number / Mobile Number	
Fax Number	
E-Mail Address	
Description of Activity	
Type of Activity (e.g. Filming, Event, Charity)	
Activity Name/Title	
Outline of activity (brief description please include any high risks) All filming proposals will need a Statement of Editorial Intent	
Start Date:	Finish Date:
MOD Resources Required:	Please Give Details
Land, buildings, runways, facilities (including any parking)	
Manpower	
Equipment	
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	

¹ 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.

SPECIAL CHARGING ARRANGEMENTS

Please outline if there are any benefits to the MOD in return for specified resources and/or services provided	
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<p>Details of insurance held by the customer (must include Public Liability of at least £5M) <i>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</i></p>
<p>Does the company have a current written Health and Safety Policy Yes / No</p>

<p>Please Return to:</p>	
<p>To be completed by MOD point of Contact</p>	
Name	
Point of Contact & Position in Organisation	
Full Postal Address	
Tel Number / Mobile Number	
Fax Number	
E-Mail Address	

SPECIAL CHARGING ARRANGEMENTS

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 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:		
Project Title:		
Type of Project:	Yes <input type="checkbox"/> No <input type="checkbox"/>	Type of Activity (select from list):
Non-News Public Relations Project:	Yes <input type="checkbox"/> No <input type="checkbox"/>	NA
Wider Markets Project:	Yes <input type="checkbox"/> No <input type="checkbox"/>	NA
Community or Charity Event:	Yes <input type="checkbox"/> No <input type="checkbox"/>	NA

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:

SPECIAL CHARGING ARRANGEMENTS

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:
------	------	------
- Fax Number

Civ:	Mil:
------	------
- E-Mail Address

External:	Internal:
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3. Details of Customer/Company

- Customer / Registered Company Name
- Company Registration Number and VAT Number (if applicable)

<input type="text"/>	<input type="text"/>
----------------------	----------------------
- Name of Point of Contact and Position in Organisation
- Full Postal Address (inc postcode)
- Telephone Number / Mobile

<input type="text"/>	<input type="text"/>
----------------------	----------------------
- 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 <input type="checkbox"/> No <input type="checkbox"/>
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SPECIAL CHARGING ARRANGEMENTS

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.

SPECIAL CHARGING ARRANGEMENTS

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)

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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.

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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.

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SPECIAL CHARGING ARRANGEMENTS

<p>Terms & Conditions and/or Assumptions & Constraints</p> <p>- Factors that should appear in the contract/licence.</p>			
<p>Dates - Inclusive start and finish date(s) – dd/mm/yyyy</p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">From:</td> <td style="width: 50%;">To:</td> </tr> </table>	From:	To:
From:	To:		

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):

SPECIAL CHARGING ARRANGEMENTS

- Will the project involve:

Animals or Children?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Explosives, Fireworks, Weapons or Lasers?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Adventurous Training, Abseiling, Climbing or Water?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Flying?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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.

SPECIAL CHARGING ARRANGEMENTS

Project Proforma Part B – Project Assessment

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.

Risk Assessment Completed	Yes/No	Point of Contact	Tel
Health and Safety	No		
Security	No		
Financial	No		
Environmental	No		
Criminal Record Bureau Checks	No		
Details			
Project Risk Assessment	High		
Insurance	Yes/No	Details	
Customer Insurance details held	No		
Commercial Insurance purchased	No		
Defence Insurance Scheme	No	NA	



PR Ratings



PR Classification

11. Defence Public Relations (Non-News Media Projects only) (to be completed by D Def PR or HQ Media Officers)

DPR PR Rating	0 - Nil PR Value		
DPR PR Classification	Nil or Negligible PR (Wider Markets)		
DPR Project Number			
DPR Sponsor Details			
Rank/Grade and Name			
Telephone Number:	Civ:	Mil:	Fax:
E-Mail Address			
DPR Signature			Date:

SPECIAL CHARGING ARRANGEMENTS

12(a). Application for Abatement (to be completed by Project Manager)	
Request for Abatement?	No
Abatement request	NA
Justification for Abatement, including financial objectives of project	
12(b). Abatement Decision (to be completed by Corporate Governance)	
Command Secretary approval?	No
Command Secretary decision	
Command Secretary Signature	Date:

SPECIAL CHARGING ARRANGEMENTS

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				

SPECIAL CHARGING ARRANGEMENTS

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.

Resource	Details			Full Cost	Marginal Cost
Personnel	Rank/Grade	Hours	Capitation Rate		
				£0.00	£0.00
Plant, Machinery and Vehicles				£0.00	£0.00
Land and Buildings				£0.00	£0.00
Mess Facilities				£0.00	£0.00
Parking Facilities				£0.00	£0.00
Runway Facilities				£0.00	£0.00
Utilities and Waste				£0.00	£0.00
Other Costs				£0.00	£0.00
Sub-Total				£0.00	£0.00
Administration Charge:				£0.00	£0.00
Intellectual Property Rights Fee				£0.00	£0.00
Commercial Insurance (Actual costs)				£0.00	£0.00
Departmental Insurance Scheme	UIN D3500B, RAC RLB011, PEC ZZP1L72047		0	£0.00	£0.00
Defence Estates Lease / Licence Fee				£0.00	£0.00
Total				£0.00	£0.00

SPECIAL CHARGING ARRANGEMENTS

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)		Comments
Contract Price		
Offer of Contract accepted?	Yes/No	
Contract Placed?	Yes/No	
DAB1 (Request to Invoice) Raised	Yes/No	

SPECIAL CHARGING ARRANGEMENTS

MILITARY ASSISTANCE IN THE UK AND OVERSEAS

- 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.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Definition

1. In providing military assistance, personnel and equipment may be used in:
 - Emergency situations.
 - Maintenance of essential public services.
 - Maintenance of public order.
 - Carrying out special projects of significant social value to the community.

Application

2. There are three broad categories of military assistance:
 - Military Aid to the Civil Authorities (UK).
 - Search and rescue (SAR).
 - Military aid overseas.

Financial Reporting

3. 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, to reimburse those units that have incurred expenditure.

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SPECIAL CHARGING ARRANGEMENTS

4. Where there is a request for significant military assistance involving several Director of Resources; the Directors of Resources involved will consult each other; then collectively decide which will become the focal point/ coordinator. FMP&A Charging Policy will issue guidance specifying the information which needs to be captured.

Military Aid to the Civil Authorities (MACA)

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

- Military Aid to the Civil Community (MACC).
- Military Aid to other Government Departments (MAGD).
- Military Aid to the Civil Power (MACP).

Further guidance can be found in Interim Joint Doctrine Publication 02, Operations in the UK: The Defence Contribution to Resilience which is published by CT & UK Ops.

MACC

6. 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.

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SPECIAL CHARGING ARRANGEMENTS

- ii. It may be considered core business to save human life which is in immediate danger, therefore 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 Director of Resources. Directors of Resources have discretion to set the cost recovery level for such support within the limits of their delegated authority in accordance with [Chapter 1 paragraph 39](#). In all other routine situations, full-cost recovery in accordance with [Chapter 1](#) will be the norm.

MAGD

- iii. Military Aid to other Government Departments (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.
- iv. The provision of Military Aid to other Government Departments (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.
- v. Assistance by MOD personnel and equipment may be requested by Other Government Departments (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 Military Aid to other Government Departments (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 (humanitarian related issues etc.) to recover less than full cost in the short term.

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SPECIAL CHARGING ARRANGEMENTS

MACP

- vi. Military Aid to the Civil Power (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.
- vii. Requests for such assistance will be made by central Government, and the decision to commit Service personnel will be taken at Ministerial level.
- viii. Costs will 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.
- ix. In most 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.
- x. Explosive Ordnance Disposal EOD tasks are covered by the MACP rules above. In non-life threatening cases, full-cost recovery applies.

TLACP

7. Training and Logistic Assistance to the Civil Powers (TLACP) is provided on a full-cost repayment basis and should not be confused with Military Aid to the Civil Power. TLACP is not a military operation but simply the sale of a service/facility, and is not subject to special charging arrangements.

Search and Rescue

8. 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).

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9. 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.

10. Where MOD assists civil departments in carrying out their responsibilities, its charging policy is as set out in the following paragraphs.

Civil Aviation SAR

11. 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 .

12. 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

13. 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

14. Land Search and Rescue (including mountain rescue) is the responsibility of the Police authorities and will incur full cost charging.

Medical Evacuations (Medevacs)

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

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Use of HM Ships

16. From time to time Her Majesty's ships render assistance to other ships involved in collisions, or wreck, or in distress, or 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) that ships of other nations perform the same service to the UK.

17. 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.

Military Aid Overseas

Overseas Disaster Relief

18. If military assistance is requested by the Department for International Development (DfID) for relief operations (following natural and 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. 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.

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Fishery Protection

20. 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 according to the number of patrol days supplied.

Oil Counter-Pollution Activities

21. 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.

22. These bodies occasionally seek Service assistance in carrying out their responsibilities. Where operational commitments allow this to be provided, charges should be raised at full cost in accordance with Chapter 1. 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.

23. 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](#)):

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INTERNATIONAL DEFENCE TRAINING

International Defence Training and Students from Other Government Departments and Commercial Organisations

- 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](#) provides the policy for delivery, marketing and management of International Defence Training.
- Where irreducible spare capacity exists, Selling into Wider Markets can be used for the generation of income through provision of International Defence Training (including training in support of Defence Exports) or the training of students from Other Government Departments or Commercial Organisations.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1. Where resources are provided specifically for International Defence Training, the full cost should be recovered with the exceptions mentioned below. There may be occasions where it would be appropriate to let market conditions determine the level of charging, where there is, or may be competition. Depending on the circumstances, the charge may be set at the higher market rate in the interest of fair competition; Chapter 1, [paragraph 14](#) should be consulted.

2. In providing International Defence Training to another country MOD may receive quantifiable and tangible benefits. In these circumstances, recovery of less than full cost may be justified. When MOD finances International Defence Training through its own funds (the Defence Assistance Fund) or cross-government funds (e.g. the Conflict Pool) it is, by definition, to the benefit of MOD and charging below the full cost recovery rate should be considered. Any abatement from full cost charging must be accounted for as a public subsidy in the usual way. Authority to abate full-cost recovery rests with the Director of Resources when within their delegation.

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3. Where Defence Assistance Fund or Conflict Pool funding, is employed to support the wider Defence interest, or where the market price would achieve less than full cost and the service is not being provided from spare capacity; approval to abate the full cost charge should be sought from the appropriate Director of Resources finance section who may use their delegation for abating costs, or forward a case to FMP&A –Charging Policy

4. Where clarification of the wider Defence interest is required, insofar as the provision and charging of International Defence Training has a material effect on MOD's relationship with another country, reference should be made to the delegated MOD authority. Usually this is the regional AH or 1* Director in International Policy & Planning (IPP) or NATO & European Policy (NEP).

5. There may be other instances where the provision of International Defence Training at below full cost to self-funded countries is acceptable, e.g. where there is an agreement that the country provides basing facilities, berthing rights or training facilities to the UK on reciprocal terms, in expectation of training by the UK at below full cost recovery rates.

6. Directors of Resources have the authority to charge the revenue-maximising rate for the provision of International Defence Training according to market conditions, and where the training concerns irreducible spare capacity which would otherwise lie idle. This rate may fall between the marginal and full cost recovery rate, or above the full cost recovery rate when Selling into Wider Markets (SiWM) guidance applies (see Chapter 1, [paragraphs 33 - 34](#)).

7. Where MOD or the Conflict Pool funds International Defence Training, charges should not be raised above full cost, unless third parties, such as Public Finance Initiative (PFI) partners, have a contractual entitlement to a particular level or percentage of receipt. The underlying principle is that no part of MOD should seek to profit from another. For further information on the Conflict Pool and Defence Assistance Funds see Chapter 1, "Record of Chapters that have been removed and a guide on where to look for subject detail now"

8. Selling into Wider Markets (SiWM) applies only where surplus training capacity is dedicated to income generation purposes as opposed to policy-driven reasons, and where it is actively marketed. As such, Selling into Wider Markets guidance does not apply to any UK-funded training, or courses which have been designated as of primary or secondary importance to the fulfilment of MOD's international security cooperation objectives, (i.e. the Tier 1 and Tier 2 courses identified in JSP 510, Chapter 5. Where it is planned to charge

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a price above full cost in accordance with Wider Markets guidance (Chapter 2, [Annex 2.14](#)), the Director of Resources finance section should check with the relevant Sec Pol & Ops policy staff that there is no conflict with the wider Defence interest.

9. In consultation with the issuers of the relevant DINs, Director of Resources have the discretion to charge messing and/or accommodation at entitled rather than non-entitled rates where students are funded or part-funded by the Defence Assistance Fund or Conflict Pool. Where specific approval has been granted for Defence Assistance Fund or Conflict Pool funds to be used to abate charges on the grounds of justifiable diplomatic benefit to MOD resulting, a commensurate reduction of the Non Entitled Messing and Accommodation charge is permissible.

10. It should be noted that where PAYD (Pay As You Dine) is in operation, messing rates do not apply. MOD training establishments should not seek to profit from the sale of food, e.g. by charging countries non-entitled messing rates while providing only the Core Meal.

11. Detailed advice on charging for international training students is provided in [JSP 510](#).

Cost-Shared Training Establishments

12. When two or more NATO nations agree to the establishment and operation of a joint facility in order to meet shared training requirements, the principles and procedures for financing the facility are contained in STANAG 6003. Specific arrangements for each establishment will need to be set out in a 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.

13. 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 Memorandum of Understanding (MoU). When the UK is the host nation, budgets and final accounts are prepared by the relevant Director of Resources.

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Operational Sea Training

14. Operational Sea Training (OST) is provided to overseas forces and other authorities, normally 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 (OST) Credit Scheme operated by Navy Command for the exchange of training assets and/or support services

The current Operational Sea Training charging arrangements are contained in a separate supplement, and can be found in the International Courtesy Rules and [Operational Sea Training](#) Booklet published on the Defence Intranet.

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MEMBERS OF PARLIAMENT

- 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 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.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1. 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.

2. The exceptions are:

a. The Parliamentary Visits Programme. The Parliamentary Visits Programme is considered as core business and Members of Parliament (MPs), Peers and Members of European Parliament (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, subject to scrutiny and approval by HOCF-[REDACTED] Policy. 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 Director of Resources holder.

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

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ENCROACHMENTS

The term “encroachment” means the authorised temporary use of public funded MOD property (land or buildings) by Service personnel and civilians employed by the MOD.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1. The term “Encroachment” is restricted to describe the authorised temporary use of publicly funded MOD property (land or buildings) by Service personnel, civilians employed by the MOD (including, where practicable, long term contractor’s staff) and their direct dependants for off-duty welfare, recreational and sporting activities beyond agreed Service scales. The term does not include land or buildings used for the purpose of bringing a unit or establishment up to scales in the Services Accommodation Code (Joint Services Publication 315) or that should be occupied under a occupational lease or licence. The Defence Infrastructure Organisation is responsible for policy on Encroachments. Further guidance on Encroachments may be found in [JSP 362 Chapter 14](#).
2. Except for any marginal (i.e. extra) costs arising, authorised Encroachments will not normally attract accommodation charges (rent, rates, utilities, maintenance and other running costs) to be recovered to public funds. However, because the benefit of the use and contribution it makes to core Defence outputs must be clearly identifiable and auditable the full cost of an Encroachment must still be assessed, subjected to the arrangements for abatement and the value accounted for as a ‘public subsidy’ by the approving Director of Resources.
3. Activities operating in any way synonymous with the running of a “business” (e.g. as an organisation with a Company status, trading in goods/services for revenue employing staff) or by persons whose use would outnumber those eligible to Encroachment status are not to be treated as Encroachments but covered by a formal lease or licence. However, where an approved welfare-related need such as infant care services exclusively for entitled personnel can be demonstrated, exception may be considered for treatment as an Encroachment but only where the activity is essentially non-revenue raising and run by volunteers.

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CHILDCARE – PROVISION OF NURSERY FACILITIES

- Following the publication of the Children Acts of 2004 and 2006, the Cabinet Office delegated authority to all government departments and agencies to decide whether to provide childcare facilities for their staff. In addition, it is each department’s or agency’s responsibility to determine whether it is appropriate to subsidise its childcare arrangements and to decide on the level of any subsidy, on the basis of value for money. Within MOD, responsibility for childcare support schemes has been delegated to Directors of Resources. It is the Director of Resources responsibility to determine the need for childcare facilities and to provide appropriate funding where a business case exists.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1. The funds required to support the staff and equipment at each childcare facility should be met from fees paid by the subscribing MOD Service and civilian personnel. If, however, the prices based on recovering these costs prove prohibitive, the extent to which subsidisation would represent value for money in terms of retention and recruitment will be a matter for the Director of Resources to decide. Any subsidy decided upon should be reflected in the Operating Cost Statement of the Director of Resources who approved it. It must be remembered that subsidies apply only to MOD Service and civilian parents. Non-entitled pupils should always be charged the full cost or market rate for their attendance at a MOD-provided facility.

2. Should a subsidy be deemed appropriate, the two main preconditions are that value for money has to be clearly demonstrable through an investment appraisal, which may be subject to National Audit Office (NAO) or Internal Audit scrutiny, and that it is affordable from within the existing resources allocated to the budget in question. Although there are provisions for the granting of subsidies, the facility should generally be self-financing and should not be lower than the marginal costs. Subsidies should not be regarded as the “easy option”.

3. The [STATEMENT OF CIVILIAN PERSONNEL POLICY](#) contains MOD childcare policy and details about MOD’s [childcare support schemes](#).

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OFFICIAL SPEAKERS

- For commercial events, the Department should set a fee to recover the full cost of personnel who are engaged as speakers. Fees may be abated with the authorisation of the relevant Director of Resources, to reflect the degree of benefit that the Department will gain from providing a speaker.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

MOD support to externally-organised conferences, seminars and similar events

Definition

1. “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.

Normal Defence Business and Joint Events

2. Charges should not be raised for interviews if they are part of defence-related news items, which MOD would regard as part of its normal business.

3. Appearances as a speaker at meetings, conferences and seminars which are essential to the Department achieving agreed objectives and targets, including those 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.

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Commercial Events

4. There may be externally-organised events/conferences which are generally organised for profit by commercial companies, whether as their own venture or on behalf of another body. Full cost charging is the norm, but such conferences can offer the Department the opportunity to influence important debates, establish useful contacts and enhance the Department's reputation. MOD supports the promotion of defence interests as well as the sharing of knowledge and experience, there may be instances where there is a tangible benefit to the Department and a business case may be raised for a reduction in charges (see para 7 below). The charging policy for non-news media activities is set out in [Annex 2.4](#)

5. MOD frequently receives invitations to provide speakers at such commercial conferences. Commercial conference organisers should not, however, see MOD as a free supply of speakers whom they can obtain purely for their own commercial gain (e.g. to boost attendance figures), and the Department must take care to ensure that it is not exploited in this way.

Charging Rationale

6. It is normal commercial practice to pay a fee for speakers. The Department should set a fee to recover the full cost of personnel who are engaged as speakers. The full cost of the individual would include the manpower rates per hour (pay, ERNIC, SCAPE plus indirect costs) spent preparing and speaking, as well as the cost of travel and subsistence, travelling time and VAT.

7. Recovery of the full cost of a MOD official speaker may generate a charge that is higher than the normal market fee. Where there would be clear benefit to the Department being represented at the conference, consideration may be given to negotiating a lower charge. In such circumstances, the following criteria must be adhered to:

- MOD should not agree to fees which are lower than the rates on offer to other speakers.
- A speaker may receive a ticket to a conference (where MOD has an interest) in lieu of charges equal to; or above those raised by MOD. Authority for this acceptance will be delegated by the Director of Resources. Acceptance of tickets must be recorded in the hospitality book.

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- Where MOD attends a conference (non-profit making) to present a paper rather than being requested to provide a speaker at a commercial conference, this will be considered core business and no charges will be raised.
- All receipts must be credited to the public purse; MOD speakers must not accept personal payment.
- Financial terms and arrangements must be clearly specified as part of the agreement between the Department and the external organiser.
- Fees must not be waived on the basis that donations are to be made by the organiser to non-public funds.

Invitations to be an Official Speaker

8. The following factors should be taken into consideration by MOD personnel before accepting invitations to be official speakers;

- Forum and audience content.
- Number of MOD speakers already attending.
- Purpose of the event (is it really in the defence interest?).
- Political/controversial content of the event.
- Qualification of the invitee to be a speaker.

9. Invitations to be an official speaker at external conferences should be co-ordinated to ensure a coherent level of involvement and avoid possible over-representation and the potential for conflicting messages being conveyed. The appropriate chain of command should be consulted before responding to invitations. DMC's advice must be sought when senior staffs of 1-star rank, and civilian equivalents, are invited to be an official speaker.

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Abating

10. Fees may be abated, only, with the authorisation of the relevant Director of Resources, to reflect the degree of benefit that the Department will gain from providing a speaker.

11. Where an event appears to offer a substantial benefit to MOD, the Department should establish whether or not the commercial organiser expects a high level of MOD attendees who will be charged entrance fees. The overall cost to the Department may on investigation outweigh the benefit that might be obtained. In these circumstances, consideration should be given to arranging instead a more cost-effective event within the Department.

Disclosure of Information and Contact with News Media

12. Careful consideration must be given to the disclosure of classified or sensitive information to ensure that the Department's policies are not undermined particularly in respect of:

- Operational security.
- International relations.
- Patent, copyright protection.
- Service ethos.

13. Personnel may come into contact with the media when attending outside events, including conferences and seminars. Procedures for seeking authorisation for contact with the media are set out in [20011DIN03-025](#). The D News Press Office must be advised of any contact with national media. Contact with local, regional or specialist media should be reported to local Media Ops or Secretariat staff who will inform D News if there is potential for national media interest or controversy.

14. Where there is a potential for personnel to come into contact with the media whilst participating in the public disclosure of information that is related to official defence matters at conferences and seminars etc. and during television and radio broadcasts (including phone-ins), on-line debates and writing letters to newspapers; the D News Press Office, or the relevant regional Press Officer, must be consulted in advance.

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15. Serving personnel must not accept any payment, royalty or fee for any activity (interviews, articles or briefing, books and speaking forums) which would, or could be perceived to involve the disclosure of official information or the use of official experience even if prepared and delivered in the individual's own time.

Speaking in a Private Capacity

16. 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 in the individual's own time, without using any MOD resources. Any costs associated with the event must not be borne by the Department.

17. The individual can only accept payment when the subject matter falls entirely outside official work and makes no reference to official information or experience and any costs associated with the event must not be borne by the Department.

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CIRCULAR CONTRACTING

MOD acting as a Subcontractor in Support of Defence Contractors

Introduction

This chapter covers the circumstances in which the MOD is contracted to provide goods and/or services to a defence contractor to enable it to fulfil its performance obligations to MOD under a separate MOD procurement contract. The main features of this relationship are:

- The MOD is a supplier of goods and/or services which it is under a strict contractual obligation to deliver to another party.
- The contract is a Contract of Sale i.e. the MOD is selling its goods and/or services, not procuring.
- The MOD's relationship to the prime contractor is one of both customer and supplier.

The policy guidance on sales contracting can be found in: [Contracting Methods - Sales Contracting](#)

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Key Points

Planning for Circular Contracting

- Procurement teams should consider during the procurement planning stage whether contractors will need MOD support to deliver their contracted outputs.
- Examples of when contractors might need MOD support include where the MOD possesses unique assets e.g. certain complex weapon processing capabilities, trials facilities or if the contractor must use MOD services for security reasons.

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- MOD support options will include the issue of Government Furnished Equipment or Facilities, direct tasking of the MOD supplying unit by the Project Team as well as a separate formal sales contract with the defence contractor.

Charging and Pricing under Circular Contracting

- The Department is not normally funded to provide services to external organisations and all costs must therefore be recovered.
- Marginal costing should normally be applied to reduce the overall cost of the prime procurement contract to Defence.

General Principles

1. The Department contracts extensively with industry to procure a range of services and equipment. It is normally a decision for contractors whether they subcontract out specialist services to other suppliers and to secure competitive prices from its supply chain.

2. The final contract price to MOD will therefore comprise the prime contractor's own costs, subcontract prices plus elements for insurance and mark-up management fees, administration and profit. Mark-up charges are normally calculated as a percentage of the prime contractor's total costs (including their subcontract costs).

3. In some cases a defence contractor may not be able to subcontract activities to the commercial market but must instead use MOD facilities and services. Reasons may include:

- MOD is the only source of supply and there is no appropriate alternative e.g. certain complex weapons processing.
- The necessary military standard can only be achieved via MOD supplier e.g. fast jet training.
- Security reasons.
- Assistance with Urgent Operational Requirements.

4. If contractor is not able to fulfil the contract requirement without access to defence facilities, the defence contractor is effectively dependent upon the

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Department to deliver its contractual outputs. Unless the use of MOD facilities, equipment and services are provided under the prime contract (as for example Government Furnished Equipment (GFE)) the contractor will need to negotiate a sub contract with the Department for the provision of the necessary service. From the MOD's perspective this arrangement will be constructed as a **Contract of Sale** which will be entirely separate from the MOD's main procurement contract with the defence contractor. Thus, a circular contractual relationship will be brought into being between the defence contractor and the MOD in which the Department becomes both a customer of, and a supplier to, the defence contractor.

Criteria for Circular Contracting

5. Circular contracting is only applicable when **all** of the following conditions are met:

- There are justifiable reasons why the defence contractor is not able to seek alternative sources of supply and these reasons have been exposed as part of the make/buy requirements of DEFCON 176A. Moreover, MOD as the customer accepts that the MOD Supplier offers the best value for money solution.
- MOD support to the defence contractor is **essential** such that failure to provide the support would compromise the fulfilment of the defence contract and MOD objective.
- MOD is both a customer and a supplier to the defence contractor.
- The MOD customer and MOD supplier are publicly funded by the Department to meet core defence tasks. Accordingly, trading fund agencies are excluded from the requirements of the circular contracting policy guidance².
- MOD must be the ultimate customer. Support requested by other external agencies (e.g. foreign governments, Other Government Departments, industry) in relation to contracts they have with non-MOD customers must be charged at commercial rates on a full cost recovery basis.

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² The Security Services Group (SSG) is part of the Defence Infrastructure Organisation. However it is excluded from the circular contracting policy as the group receives no funding from defence votes.

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Planning Considerations for Procurement Teams

6. Procurement teams should consider during the procurement planning stage whether contractors will need MOD support to deliver their contracted outputs. Examples of when this might be the case include where the MOD possesses unique assets e.g. certain complex weapon processing capabilities or if the contractor must use MOD services for security reasons.

7. If MOD support is required then Procurement Teams will need to consider the options for its provision. Of particular importance is the need for early discussion between the three parties (MOD procurement team as customer, defence contractor and MOD supplying unit). Emphasis should be placed on co-operation to establish the optimum risk management profile and pricing strategy to the overall benefit of Defence. This will involve a realistic assessment of the contractual risks associated with each option (see below), the party best placed to manage those risks and the attendant costs of different risk transfer strategies.

8. The options will include:

- Option 1. Government Furnished Facilities, Equipment and Services. These will generally be provided to the contractor under the terms of the prime procurement contract and may be at nil cost. Direct tasking arrangements can be used by the Procurement Team to arrange for this provision. In this case Circular Contracting does not apply. See further details below.
- Option 2. Indirect tasking whereby the Procurement Team determine that another part of MOD provide services to the defence contractor effected by means of subcontract between the defence contractor (acting as prime) and the MOD supplying unit (acting as subcontractor under a Contract of Sale). This is circular contracting. See further details below.

Option 1. Providing MOD Services and Facilities under Direct Tasking

9. This is a straightforward arrangement whereby the MOD customer directly tasks the MOD supplying unit to support the defence contractor. The MOD customer specifies (with the agreement of the supplying unit) the level of support or access to facilities that the Department will provide as part of the prime contract. There is no direct contractual relationship between the MOD supplying unit and the defence

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contractor, rather only the Procurement Team will contract on behalf of MOD. However the Department retains the responsibility and associated liabilities for providing support to the contractor in accordance with the terms of the prime contract. Unless other arrangements have been agreed between the MOD parties, the supplying unit will recover its marginal costs only via the MOD customer who will arrange a budgetary transfer.

10. The benefits of this form of tasking include:

- Simple and straightforward single contractual relationship between MOD customer and defence prime contractor.
- Cohesive MOD approach in support of defence contractor.
- MOD services and facilities offered under Government Furnished terms (usually) at nil charge thereby removing the opportunity for the contractor to apply mark up to an MOD subcontract price.
- A reduction of the contractor's performance risk profile for which a corresponding price reduction can be sought.

11. The disadvantages of direct tasking include:

- Some performance and supply risks remain with the MOD. The Department is obligated under the contract to provide support to the defence contractor and the contractor is likely to seek an indemnity if MOD fails to deliver.
- Risks which might have been outsourced are re-entered into the Department.
- A Joint Business Agreement/Customer Supplier Agreement will be required to specify roles and responsibilities of the respective MOD parties. Any failure to reach early agreement will jeopardise delivery of contracted outputs by the contractor.

Option 2.Provision of MOD Services and Facilities to a Contractor by means of Contract of Sale (Indirect Tasking)

12. With this option the MOD parties determine that MOD's support will be provided to the defence contractor under formal subcontract. This places MOD in the role of both customer and contracted supplier. Responsibility then rests with the defence

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contractor to manage the complete supply chain, in which the MOD is possibly one of several subcontractors. Unless other funding arrangements have been agreed between the parties, the MOD supplying unit will recover its marginal costs only from the prime contractor through the subcontract price.

13. If the Department is to avoid paying excessively for risk transfer is the contractor's price, it will be important that the MOD Procurement Team as customer considers which risks might reasonably be transferred to the defence contractor and further cascaded to the MOD supplying unit and which risks might be reasonably be passed only to the contractor and not cascaded to the MOD supplying unit (and therefore back into the Department). Best practice suggests that this should be established through discussion between the MOD customer and the MOD supplying unit.

Example. An MOD Project Team may require a prime contractor to insure against the risk of property damage to MOD assets whilst such assets are under the control of the contractor or its agents. Whilst this is reasonable, a requirement for the prime contractor to cascade this obligation to the (MOD) sub-contractor, would incur additional cost within the supply chain. An alternative approach is for the MOD Project Team to agree that the prime contractor will be 'held harmless' against this risk whilst such assets are in the care of the MOD subcontractor. These terms will be reflected in the subcontract with the MOD supplying unit. In this way the Department accepts the risk of damage to its assets whilst they are under its control and the total insurance cost (and therefore prime contract price) is reduced for the MOD. Advice from MOD Legal Adviser, MOD Insurance Adviser and the Directorate Common Law Claims and Policy (DJEP-██████████) should be sought where appropriate on insurance, risk management and clause drafting.

14. The benefits of indirect tasking include:

- The defence contractor is responsible under the prime contract for the management and control of its complete supply chain including the outputs of the MOD supplying unit.

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- The defence contractor is at liberty to negotiate a strict performance and payment regime with the MOD supplier to incentivise performance.
15. The disadvantages of indirect tasking include:
- Separate and decoupled contracts are required between MOD customer and defence contractor as well as between the MOD supplying unit and defence contractor.
 - The MOD supply price will attract the prime contractor's mark-up charge and translate into a higher prime contract price. This in turn will add to the overall cost to Defence.
 - Irrespective of two decoupled contracts, MOD corporately will not be able to achieve full risk transfer to the defence contractor but will retain that element of supply risk associated with the MOD supply contract.
 - MOD acting as a supplier will become financially liable for its performance failures. These may attract liquidated damages and result in an overall loss being made on the contract.

Charging and Pricing under Circular Contracting

16. The Department is not normally funded to provide services to external organisations and it is therefore important that both MOD Procurement Teams and MOD supplying units differentiate between normal Wider Markets opportunities based on a competitive market (with prices charged at a full commercial rate) and genuine instances in which circular contracting applies. Additionally MOD Procurement Teams should not prevent defence contractors from seeking competitive bids from alternative suppliers by unnecessarily imposing conditions that result in the MOD supplier being the only option.

17. Where the MOD is approached by a defence contractor to provide services which can be reasonably be obtained in the commercial market, the normal approach should be to offer such services at a full market rate. This should also reduce the expectation and dependency of using MOD assets. The price will be calculated in accordance with extant Charging policy and under Wider Market conditions. This is likely to mean a price which includes, as a minimum, full cost recovery plus elements for insurance and profit.

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18. Marginal Costing. Where however the defence contractor has no choice other than to use MOD resources, or where there are clear benefits to the Department from a formal subcontracted arrangement, then consideration can be given to abating the full cost charge to marginal cost. Such cost abatement opportunities can only be properly considered if the MOD Procurement Team (as customer) and the MOD service provider organisation (as supplier) agree upon a funding and pricing strategy and also coordinate their contracting activity. Any failure by the Procurement Team to engage with the MOD supplying unit at an early stage in the procurement cycle is likely to result in the supplying unit charging the defence contractor full cost price in accordance with extant Charging policy. Such uncoordinated actions are not in the Department's overall interest and add cost to the procurement budget.

19. Internal Budgetary Transfer. In instances where the MOD service supply comprises a large proportion of a unit's activity, perhaps requiring a large attendant asset and resource base, and if the unit is reliant upon a revenue stream to cover its operating budget, payment on the basis of marginal costs alone may not cover the unit's total operating budget. Under either procurement option, unless a budgetary compensation has been accounted for during the unit's financial planning round, the MOD customer and supplier may also need to decide between them the most appropriate internal budgetary arrangements to ensure that the supplying unit receives adequate funding to match its financial commitments. For example, the Procurement Team may agree to an internal transfer of funding from their Equipment Programme budget directly to the supplying unit to cover all indirect costs. If a subcontracted solution is selected, this approach will avoid a higher supply price (charged by the MOD supplier) upon which the defence contractor can charge an increased overhead.

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MEMORANDUM OF UNDERSTANDING

Introduction

- A Memorandum of Understanding (MOU) is a document used to record international arrangements between governments. The financial conditions in this document for charging other countries reflect those applicable to the UK's current financial policy.
- This annex provides guidance on Memorandum of Understanding financial arrangements where the Department is providing services or facilities to other nations. In the attached appendixes are examples of the conditions which may be used.

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Financial Commitment

1. Any financial commitment for an Memorandum of Understanding 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; and to ensure funding is available, and if necessary to raise the required business case. Following Director of Resources approval, discussions for providing logistic support, supplies or services may take place with participating nation(s). The Directors of Resources must be consulted where proposed financial arrangements may differ from those approved.

2. Her Majesty's (HM) Treasury rules are to charge full costs. In an incidence 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 Director of Resources a budgetary transfer must be made to equalise the situation.

3. If there is a proposal to abate the charge the rules on public subsidies in [Chapter 1](#) must be followed.

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4. **The Appendices to this Annex** provide two sets of conditions – one detailed and the other minimal.

- If the Memorandum of Understanding is intended to address a particular arrangement i.e. a short term exercise, the detailed conditions in [Appendix 1](#) should be used.
- If the Memorandum of Understanding is intended to be general i.e. varied logistical support over five years, the minimal conditions in [Appendix 2](#) must be incorporated in the main body of the Memorandum of Understanding and the specific conditions in Appendix 1 must be incorporated in to the attached Implementing Agreement (IA), Technical Arrangement (TA), Letter of Arrangement (LoA), Joint Implementing Arrangement (JIA) etc. as each request arises.

5. 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

6. There may be occasions where there is a benefit to MOD and action is proposed to charge less than full cost. [Chapter 1](#) should be consulted for public subsidies and a business case raised by the Director of Resources. If cost exceeds the Director of Resources delegated authority, such cases should be referred to FMP&A.

Personnel exchanges

7. 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

8. 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.

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Taxes, duties & other charges

9. Insofar 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 The MOD VAT Handbook](#).

Invoicing

10. 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.

11. 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 agreeable by all Participants. Late payments may attract interest where permitted under national law.

Audit

12. 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

13. When the Memorandum of Understanding has been agreed between participating nations, if the main body of the MOU contains the minimal financial guidance the Implementing Arrangement (IA), Technical

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Arrangement (TA), Letter of Arrangement (LoA) etc. should be drafted to reflect the agreed detailed funding arrangements. Appendix 1 gives guidance on the types of clauses that could be used in the drafting process.

14. Further guidance on Memorandums of Understanding in general is incorporated within the MOU Handbook, located on the [Defence Equipment & Support International Relations Group website](#).

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Financial conditions for a Memorandum of Understanding (MOU)

Option 1 – Detailed conditions which should be incorporated in the main body of the Memorandum of Understanding (only when the Memorandum of Understanding is for 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;

- (i) No profit or loss should be made by the supplying participant in providing logistic support, supplies and services under this Memorandum of Understanding.

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(ii) 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.

(iii) 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

5. 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.

- 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.
- The price for new procurement will be the same price paid to the contractor or vendor by the supplying participant.
- 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.
- 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.
- Prices charged will exclude all taxes and duties, which the receiving participant is exempted from paying under applicable binding agreements.

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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.

6. Both Participants will maintain records of all transactions in accordance with their own regulations.

Cost-Share/Apportionment

7. 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.

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Financial conditions for a Memorandum of Understanding (MOU)

If the intention is to add the detailed Appendix 1 (above) to an Implementing Arrangements (IA), Technical Arrangements (T.A), Letter of Arrangement (LoA) etc. these general conditions should 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 [Return to Content page](#)

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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. Insofar 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.

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LANDING AND PARKING FEES - ABATEMENTS AND WAIVERS

- The Department’s Landing and Parking Fees are set out in JSP 360, Annex A to Chapter 7. Directors of Resources have limited authority to abate these charges where specific criteria are met. The Insurance Indemnity Administration Charge, where applicable, may not be waived or abated.

Introduction

1. The following guidance applies to landing and parking fees at MOD airfields. It sets out the conditions under which the Director of Resources may abate these fees and, exceptionally, abate them. It should be read in conjunction with [JSP 360](#), ‘Use of Military Airfields by British and Foreign Civil Aircraft’. [Chapter 7](#) of JSP 360, 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 Charges

2. The Department’s landing fees, which are determined by Air Command, are set out in [JSP 360, Annex A to Chapter 7](#). Throughout the following guidance these charges are referred to as the ‘standard charge’.
3. The Director 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.
4. Units wishing to set their own landing fees must submit a business case to their Director of Resources through their budgetary chain. Units should implement either the

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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 ([JSP 360 Para 7.9 refers](#)).

5. 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 Chapter 1, [paragraph 7](#) of this JSP and [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

6. The Director of Resources may authorise an abatement of charges for the use of MOD facilities where the conditions set out in JSP 368, Chapter 1 have been met. 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 Director of Resources may not abate the Insurance Indemnity Administration (IIA) charge (See [Para 13](#) below).

7. If there is some tangible benefit to defence from the activity or where the activity contributes towards defence core outputs, the abatement must be treated and reported as 'public subsidy'. The amount of public subsidy will be the difference between the amount received from the external organisation and the full costs. Where a public subsidy is above a £1M, approval must be sought from HM Treasury. In any case which is novel or contentious (regardless of value), approval must be sought from HM Treasury (copy to FMP&A Charging Policy. Where public subsidy does not exceed the threshold (currently £1M) (and is not novel or contentious) it may be approved by the Director of Resources. FMP&A Charging Policy is required to report yearly to Treasury the cases approved under these delegated powers.

8. In other cases, where there is little tangible benefit to defence or where an activity does not contribute towards defence core outputs, abatement would be considered as a 'gift' and dealt with in line with existing guidance in *Managing Public Money*. Any instance where a gift of this type exceeds £300K will require prior Treasury approval and notification to Parliament before the gift is made, in the same way as equipment gifting. Cases where

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gifts of this kind do not exceed £300K would be approved within MOD (provided they are not novel or contentious) and reported to Treasury at the six month point and the year end.

9. 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

10. The Director of Resources may, exceptionally, fully abate landing and parking fees where the conditions set out in Paragraph 9 are met, and the aircraft weighs no more than 15 tonnes³. 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)⁴, must be referred to FMP&A Charging -Policy. Director of Resources may not include the Insurance Indemnity Administration (IIA) charge in the full abatement (see Para 13 below).

11. All abatements must abide by the following principles:

- a. A decision to abate 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

⁴ As defined in [JSP 360](#) .

⁴ 15 tonnes is the average weight of civil aircraft landing at MOD airfields.

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which are Service or ex-Services related, is automatically entitled to a full abatement of airfield charges unless they are listed in the standing waiver/abatements set out in [JSP 360, 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 a 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 larger share of mutual benefits falls to the Department, and not to the user, an abatement may be appropriate. Where the mutual benefits are evenly balanced, or are in favour of the user, consideration should always be given to abating charges.

Military Aid to the Civil Community & Air Ambulances

12. 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 JSP 360, [Chapter 7](#) and [Annex F to Chapter 7](#) for special arrangements concerning Air Ambulances.

Insurance Indemnity Administration Charge

13. 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 [Chapter 7, Annex F of JSP 360](#). The Common Law Claims & Policy Directorate should be consulted if there is any doubt as to the applicability of the charge

Process & Reporting

14. Director 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 must be conversant with this guidance.

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15. 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`

16. A table giving examples of where to apply each charging regime, full cost, abatement is on the following [Appendix 1](#) to this Annex.

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Chapter 2, Appendix 1 to Annex 2.13

SPECIAL CHARGING ARRANGEMENTS

Full Charge	Partial abatement	Full abatement
<ul style="list-style-type: none"> • Any landing for private purposes and/or where there is no Defence benefit. • Any landing undertaken for hire or reward. • 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). • Charity events where there is no Defence benefit. • Aircraft conducting non-emergency patient transfers, e.g. private air ambulances repatriating UK residents with non life-threatening injuries. 	<ul style="list-style-type: none"> • Where there are mutual benefits that fall equally to MOD and the user. • Where there are mutual benefits, but the benefits to the user exceed those to MOD. 	<ul style="list-style-type: none"> • 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. • Civil aircraft attending the Military Civil Air Safety Days organised by the Defence Aviation Safety Centre. • 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. • 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.

Note: The above examples apply only to landing & parking fees.

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SELLING INTO WIDER MARKETS

Wider Markets

- Wider Markets or Income Generation is the commercial exploitation of surplus asset capacity to generate income. Income can be retained by the Department and within MOD it is used to help meet Director of Resources core objectives as well as financing projects at local level.

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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Further guidance is contained in “Selling into Wider Markets – [“The MOD Guide to Income Generation”](#)”

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GLOSSARY

CP	Conflict Pool
CT and UK Ops	Counter Terrorism and UK Operations
DIO	Defence Infrastructure Organisation
DIPR	Defence Intellectual Property Rights
DMC	Director Media and Communication
EOD	Explosive Ordnance Disposal
ERNIC	Earnings-Related National Insurance Contributions
FCO	Foreign and Commonwealth Office
FMPA-Pol	Financial Management Policy and Accounting - Policy
FMSSC	Financial Management Shared Service Centre
HCDC	House of Commons Defence Committee
HMT	Her Majesty's Treasury
ICAO	International Civil Aviation Organisation
MACA	Military Aid to the Civil Authority
MACC	Military Aid to the Civil Community
MACP	Military Aid to the Civil Power
MAGD	Military Aid to Other Government Departments
MEPs	Members of European Parliament
MoU	Memorandum of Understanding
MPs	Members of Parliament
NAO	National Audit Office
NEO	Non-combatant Evacuation Operation
NEP	NATO and European Policy
OGD	Other Government Department
OST	Operational Sea Training
PR	Public Relations
SAR	Search and Rescue
SCAPE	Superannuation Charges Adjusted for Past Experience
TLAP	Training and Logistic Assistance to the Civil Powers