



# Ministry of Defence

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E-mail: 

Date: **23 August 2018**

Dear 

Your correspondence dated 25 July 2018 has been considered to be a request for information in accordance with the Freedom of Information Act 2000. You requested the following information:

*Re. page 132 of the accounts, extract below, what assets were originally proposed to be impaired and why was the decision to impair them changed? By what process and what the cost of this - i.e. the original decision making and its reversal?*

*Why was an amnesty given to write-off obsolete raw materials and consumables, especially as these were from prior years i.e. already overdue*

*and what was the cost of this i.e. the original decision making and its reversal?*

*"The majority of the £2Bn variance in Resource DEL was due to the Department not being required to impair as many assets as originally proposed. There was also a one-off amnesty granted by HM Treasury to write-off obsolete raw materials and consumables (RMC) stock from prior years, as part of the change in budgeting treatment for RMC, this contributed to the overall total variance. ...."*

Please find below the information you requested.

*The Department holds assets that may need to be impaired as a contingency in accordance with the Government's Financial Reporting Manual (FReM) prudence concepts. Within the Supply Estimates an amount is put forward on the estimated value of these impairments and this sets the baseline against which outturn is compared. In 17-18 these impairments were lower than anticipated mainly due to the outcome of valuations such as QQR (quinquennial review), the result of the review of Non-Current Asset Register and cost corrections to asset balances on the Fixed Asset Register. The outcome of these are not realised until later in the financial year and well after the confirmation of the Supply Estimates, resulting in the reported £2Bn variance.*

**Why has the Raw Materials Consumables Amnesty been granted?** *As part of the Spending Review 2015, MOD agreed to change the way it accounted for raw materials and consumables (RMC) so that the budgetary treatment aligned to the European System of National and Regional Accounts (ESA10). This change has been fully implemented by MOD. However, to ease the transition to the new treatment and reduce future affordability risks, improve stock management and financial accounting, and reduce future holding costs, the Treasury granted a one-off RMC disposal and write off amnesty to MOD in financial year 2017-18. This means that disposals and write offs that fall within the Amnesty will not be subject to the new ESA10 treatment.*

**Why does the MOD have obsolete stock?** *The MOD maintains a significant amount of inventory to ensure appropriate levels of support for all of its people and warfighting platforms – approximately £27Bn – held between the Front Line Commands, DE&S and Industry. As platforms/equipment reach the end of their life then the inventory associated with them (spare parts and specialist tools and test equipment) needs to be appropriately disposed of. In addition, a certain amount of stock is 'lifer' – food and medical items for instance, ammunition, and any spare parts that include perishable elements such as rubber seals – and therefore will need to be replaced as it reaches its life. Finally, the drawdown from recent operations (Iraq and Afghanistan) has resulted in various items that were procured just for those operations being no longer required.*

If you have any queries regarding the content of this letter, please contact this office in the first instance

If you wish to complain about the handling of your request, or the content of this response, you can request an independent internal review by contacting the Information Rights Compliance team, Ground Floor, MOD Main Building, Whitehall, SW1A 2HB (e-mail [CIO-FOI-IR@mod.uk](mailto:CIO-FOI-IR@mod.uk)). Please note that any request for an internal review should be made within 40 working days of the date of this response.

If you remain dissatisfied following an internal review, you may raise your complaint directly to the Information Commissioner under the provisions of Section 50 of the Freedom of Information Act. Please note that the Information Commissioner will not normally investigate your case until the MOD internal review process has been completed. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF. Further details of the role and powers of the Information Commissioner can be found on the Commissioner's website at <https://ico.org.uk/>.

I hope you find this helpful.

Yours sincerely,

**Financial Management Policy and Accounting**