



Ministry
of Defence

JSP 462

Financial Management Policy Manual

INTRODUCTION

This revision follows JSP 462 Issue 8. Compiled by subject matter experts, JSP 462 brings together a mass of information contained in Departmental instructions, and provides MOD practitioners and others with clear guidance on our financial policy and processes. JSP 462 is in line with the Treasury Publication “Managing Public Money”.

JSP 462 is owned by the Head Financial Management Policy and Accounting and is edited by Assistant Head Financial Management Policy and Accounting Governance (DFM-FMPA-Ahd-Governance). JSP 462 is updated on a rolling basis to reflect changes in policy and feedback received – correspondence should be addressed to DFM-JSP462-Mailbox@mod.uk. Changes will be announced through Money Matters On-Line Publication in Oct 12 and Apr 13 and noted in the Amendment Log of JSP 462 publication.

JSP users should resist from printing off hard copies and if localised instructions are required these should link/refer to the current JSP to avoid duplication and possible obsolescence.

Finally, we would like to thank JSP 462’s sponsors for their valued contributions.

Those who have difficulty accessing JSP 462 from the defence intranet (now available on [Finance Hub](#)) should phone 9621 (MB) 83688. Please note JSP 462 is also available on the Internet – see link: [Ministry of Defence | About Defence | Corporate Publications | Finance and Procurement Publications | Financial JSPs | JSP 462 - Financial Management Policy Manual](#).

All Intranet links within this document are subject to **MOD Personnel access only**.

AMENDMENT LOG

Log	Date of Amendment	Chapter	Summary of Change	Applicable Date
1	Apr 12	Chapters 1 (Parliamentary Supply); 5 (Budget Holders & Managers); 9 (Sponsorship); 14 (Receipts) and 16 (Gifting)	Departmental Resource Accounts (DRAc) to read Annual Report and Accounts (ARAc).	Apr 12
2	Apr 12	Chapters 5 (Budget Holders & Managers); 8 (Overseas Operational Deployments); 9 (Sponsorship); 16 (Gifting) and 18 (Regularity & Propriety)	Senior Finance Officer (SFO) to read Director of Resources - in line with Levene Defence Reform Recommendations.	Apr 12
3	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Removal throughout chapter of Director Financial Management (DFM) from the personal lead in the management of MOD's business with NAO/PAC.	Aug 12
4	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Under General Principles Point 3 – under reporting against recommendations made by the PAC – delete Annual Report and replace with Bi-Annual Treasury Minute – Titled – Progress on implementing recommendations.	Aug 12
5	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Under General Principles Point 5 – delete reference DFM should make – insert Study Co-ordinators should make it clear to their interlocutors at the NAO that the PUS will not consider any draft until/he/she is content that it has the approval of DG Finance.	Aug 12

AMENDMENT LOG

Log	Date of Amendment	Chapter	Summary of Change	Applicable Date
6	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Under General Principles Point 8 – last sentence – highlighting where the Department – delete either agreed or partially agreed with the PAC’s recommendations – insert highlighting where the Department agreed with the PAC’s recommendations and progress made in taking forward the recommendations suggested by the PAC.	Aug 12
7	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Under General Principles Point 9 – first sentence – PAC recommendations contained in – delete Department’s Annual Report – insert bi-annual publication by the Treasury, namely Treasury Minutes – progress on implementing recommendations recommendations (published in January and July). 2 nd sentence – The coordinator must report progress against a recommendation until that point at which the implementation has been fully – delete partially achieved – insert completed. Last sentence – Once all recommendations made by the PAC – delete or a conscious decision is taken not to pursue a recommendation - insert to which the Department originally agreed have been implemented.	Aug 12

AMENDMENT LOG

Log	Date of Amendment	Chapter	Summary of Change	Applicable Date
8	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Within Annex A entitled Letter of Appointment as NAO Study Coordinator – third paragraph – you may require supplementary advice; in this – delete DFM – insert Head of Financial Management Policy & Accounting and his staff in particular Clare Thomson-Clark.	Aug 12
9	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Within Page 2 of Annex B under box entitled PAC Hearing 3 rd bullet – delete should undertake National School of Government PAC training – insert where possible undertake Civil Service Learning PAC training.	Aug 12
10	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Within Page 3 of Annex B under box entitled HMT Minute 1 st bullet – and gives between 4-delete 6 insert 8 weeks for returns. Within 2 nd bullet – is cleared by – insert DG Finance in the first instance then PUS plus insert It also must be agreed with HM Treasury. 3 rd bullet HMT – delete issues insert publishes – the Treasury Minute.	Aug 12
11	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Within Page 3 of Annex B under box entitled Progress made on recommendations agreed in HMT Minute – start of 1 st bullet – delete Bi-annually – insert Occasionally	Aug 12

AMENDMENT LOG

Log	Date of Amendment	Chapter	Summary of Change	Applicable Date
12	Aug 12	Chapter 2 (National Audit Office & Public Accounts Committee)	Within Page 3 of Annex B under box entitled Implementation of Recommendations – 2 nd bullet delete recommendations in the Annual Report and Accounts and as directed by Defence Resources – insert bi-annual publication by HMT – referred to as “Treasury Minutes – progress on implementing recommendations”. These are published in January and July. Insert of 3rd bullet – The coordinator drafts the Treasury Minute and this is cleared by DG Finance in the first instance then PUS and the appropriate Minister.	Aug 12
13	Aug 12	Chapter 9 (Sponsorship)	Under Points of Contact and Top Level Budget (TLB) Sponsorship Focal Points – Changes in Fleet Contact under Who and Tel No; (cont'd) delete PJHQ-new contact under Who and Tel No; new DIO Tel No and deleted Central TLB inserted Head Office with new contact and Tel No. Update on Commercial Policy and Marketing Contacts	Aug 12
14	Aug 12	Chapter 9 (Sponsorship)	Under Key Points – opening sentence – When accepting Sponsorship the following key points – added – should be followed to assure coherence with other MOD policies	Aug 12
15	Aug 12	Chapter 9 (Sponsorship)	Under Key Points 1f – insert at end – or services.	Aug 12

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Log	Date of Amendment	Chapter	Summary of Change	Applicable Date
16	Aug 12	Chapter 9 (Sponsorship)	Under General Principals/Benefits/For the Sponsor it can : delete last two bullets and replace with: 3 rd bullet: Associate the sponsor's brand with MOD activities and 4 th bullet: Provide tax benefits - Sponsorship may be an allowable expense for tax purposes.	Aug 12
17	Aug 12	Chapter 9 (Sponsorship)	Under General Principals/What we can offer a Sponsor – Paragraph 2 after Accreditation bullet – insert new bullet “Or, in the sponsor's advertising material: Sponsor of ...”	Aug 12
18	Aug 12	Chapter 9 (Sponsorship)	Under General Principals/Key Issues at the end of Paragraph 4 – The underlying theme is that – emphasis in bold – Any sponsorship arrangement must be able to withstand public scrutiny. Opening sentence of Paragraph 5 – The following points must be observed when considering sponsorship – insert at end – to ensure that any arrangement is justifiable and defensible: New detail after first sentence in Paragraph 5 4 th bullet	Aug 12
19	Aug 12	Chapter 9 (Sponsorship)	Under General Principals/Paragraph 5 – New bullet (15) with detail and link – starts “As above and a point that must be laboured...”	Aug 12
20	Aug 12	Chapter 9 (Sponsorship)	Under General Principals under amended title and new detail relating to Paragraph 6 – Use of Military Names Insignia and Logos.	Aug 12

AMENDMENT LOG

Log	Date of Amendment	Chapter	Summary of Change	Applicable Date
21	Aug 12	Chapter 9 (Sponsorship)	Under General Principles/Paragraph 35 entitled The Role of the Common Claims and Policy Division (CLC&PD) – newly enabled link entitled HOCS/CLCP.	Aug 12
22	Aug 12	Chapter 9 (Sponsorship)	Under General Principals/Drafting an Agreement/Paragraph 48 – 5 th bullet to be re-titled: That exclusivity is to be avoided. Last bullet re-titled – Product or service endorsement (not allowed).	Aug 12
23	Aug 12	Chapter 16 (Gifting of Surplus Assets...)	Under Key Points – rewording of paragraphs 1 – 4 and new detail in paragraphs 5 – 6.	Aug 12
24	Aug 12	Chapter 16 (Gifting of Surplus Assets...)	Under General Principles/Paragraph 2 5 th bullet reference to Heritage Branch – delete Army insert Service. Last section of Paragraph 2 first sentence reads “It is not permissible to make gifts to individuals, companies or charities which do not fall within the categories listed above <u>except</u> where the circumstances described in Part 1, Paragraph 3 apply and the gift represents the best value for money outcome.	Aug 12
25	Aug 12	Chapter 16 (Gifting of Surplus Assets...)	Paragraph 3 deleted in entirety previously stating The gifting of cash will almost certainly be inappropriate – advice on any branch to sponsor a cash gift to seek advice from FMPA Finance Policy.	Aug 12
26	Aug 12	Chapter 16 (Gifting of Surplus Assets...)	Under General Principles/Paragraph 9 new sentence “Where equipment is purchased specifically to be gifted to a foreign government...”	Aug 12

AMENDMENT LOG

Log	Date of Amendment	Chapter	Summary of Change	Applicable Date
27	Aug 12	Chapter 16 (Gifting of Surplus Assets...)	Under General Principals/Paragraph 11 and Part 2/General Principals/under title Corporate and Promotional Items/Paragraph 10 where reference is made to FMPA-insert FMPA-A&TM-TAXVATPOL.	Aug 12
28	Aug 12	Chapter 16 (Gifting of Surplus Assets...)	Under Annex C – change in detail box beginning “MOD sponsor must provide...”. Delete box stating FMPA-Charging Policy sends the draft DM to HM Treasury.	Aug 12
29	Aug 12	Chapter 16 (Gifting of Surplus Assets...)	New Annexes – D entitled Departmental Minute dated 4 March 2008 concerning the Gifting of Equipment to the Government of Afghanistan; E entitled Proposed Gifting of £1.52 million worth of Equipment to the Government of Afghanistan; F entitled Gifting of Equipment to the Afghan National Army	Aug 12

JSP 462 – Record of Chapters that have been removed under previous issues 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
1	An Introduction to Public Expenditure	Defence Intranet Library Managing Public Money (MPM) Chapter 1 Responsibilities
4	House of Commons Departmental Select Committee	UK Parliament - Defence Committee
8	Chief Accountants	Mentions Chief Accountants in relation to DFMS-IYM Requirements-DFM-DRAc all of which are covered within existing intranet sites- JSP 472 for DRAc.
9	Defence Internal Audit	Defence Intranet Defence Framework: How Defence Works Defence Internal Audit
10	The Defence Estate	Defence Intranet Defence Framework: How Defence Works Defence Estates (DE)
11	Agencies	Defence Intranet Defence Framework: How Defence Works Overview of Agencies
13	The MoD Accounting System	Defence Intranet Teams FMIS DFMS Support Services (DSS) Standing Data Systems (SDS)
14	Departmental Resource Accounts	Defence Intranet Policy & Processes Departmental Resource Accounts (DRAc); Defence Intranet Library JSP 472 Financial Accounting and Reporting Manual - see Chapter 2
16	Performance Reporting and Performance Management	Defence Intranet Defence Framework: How Defence Works Performance Management
17	Investment Appraisal and Evaluation	Defence Intranet Policy & Processes Investment Appraisal

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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
18	Investment Appraisals	Defence Intranet Policy & Processes Investment Appraisal
19	Health of Financial Systems (this Chapter No became Chapter 8 under Issue 6 in 2010 and was subsequently removed from Issue 7 2011)	Health of Financial Systems removed as a chapter – re-titled Annual Financial Management Survey (AFMS) with effect November 2010 and will form part of DG Finance's Annual Process Owner's Report. See link to Defence Intranet Site on Process Owners: Defence Intranet Defence Framework: How Defence Works Process Owners and Defence Intranet Library Annual Financial Management Survey (AFMS) 2010 .
21	International Activities	Defence Intranet Policy & Processes International organisations
22	International Collaborative Projects	Defence Intranet Library DE&S Fin - MoU Handbook
23	Commemorative Events	Defence Intranet Library JSP 368 - The MOD Guide to Repayment section 4.3.1
24	The Private Finance Initiative Under Public Private Partnerships	Defence Intranet SiteTools Private Finance Unit (PFU)
26	Joint Business Agreements	Defence Intranet Library JBA11 Guidance TLB Example
27	Contracts & Low Value Purchasing	Defence Intranet Admin Guidance on Low Value Purchasing; Commercial Awareness Guide » Commercial Toolkit » Acquisition Operating Framework
29	The Government Procurement Card	Defence Intranet Admin Guidance on using the GPC

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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
33	Cost Recovery and Income Generation	Defence Intranet Library JSP 368 – The MOD Guide to Repayment ; Defence Intranet Library Selling Into Wider Markets
36	Losses, Special Payments and Write-Offs	Defence Intranet Library JSP 472 Financial Accounting and Reporting Manual - see Chapter 12
39	Corporate Governance	Defence Intranet Library JSP 525: Corporate Governance and Risk Management ; Defence Intranet Library JSP 892: Risk Management
41	Actual and Contingent Liabilities	Defence Intranet Library JSP 472 Financial Accounting and Reporting Manual - see Chapter 7
42	Indemnities, Insurance and Claims	Defence Intranet Teams Common Law Claims and Policy Division (CLC&PD)
44	Official Entertainment	Defence Intranet Library DIN 2011DIN01-242: New Tri-Service Domestic Assistance Policy & Official Hospitality Policy for the Armed Forces and Civilians – JSP 915 ; Defence Intranet Library JSP 915: Tri-Service Domestic Assistance Policy & Official Hospitality Policy for the Armed Forces and Civilians
45	Irregularity Including Fraud, Theft and Corruption	Defence Intranet Teams Defence Fraud Analysis Unit (DFAU)
47	Commanding Officer's Public Fund and Gainshare	Suggested relocation under Single Service Regulations – (see link to Army Personnel-Allowances Policy as example: Defence Intranet Library Commanding Officer's Public Fund)

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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
48	Works of Art	Defence Intranet SiteTools MOD Art Collection Team

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Introduction

This chapter explains how the MOD obtains the necessary Parliamentary approval for its annual spending i.e. the Parliamentary Supply process. It then goes on to explain the different elements of expenditure that make up the Supply process, its governance, and how MOD reports against its supply at year-end. There's a separate section on Vote A, which governs the maximum number of serving Armed Forces personnel at any one time.

Points of Contact

Who	Topic(s)	Telephone Number
Def Res-C1 (Parly Est TL)	External reporting to HMT-COINS representation for Standing Instructions and Business Process Development	9621 88108
Def Res-C2 (Parly Est 1)	PES Supervisor and support on implementation of COINS	9621 78879
Def Res-C1 (COINS Votes A TL)	COINS and Votes A Team Leader and Head of External Reporting	9621 87193

Key Points

1. Parliamentary Estimates provide the approval for all MOD expenditure.
2. Breaches of Parliamentary authority e.g. over spending are serious.
3. Approval must be sought before any new expenditure is made.
4. Parliamentary supply attracts attention from the media and is scrutinised in detail by the House of Commons Defence Select Committee.

Further detail about how the Parliamentary Supply Process links into in-year management, and reporting to the Treasury (through the COINS database), is provided in JSP 462 under The MOD Planning and Financial Process Chapter 6.

General Principles

1. Parliamentary Supply covers all the resource reporting regimes – DEL, AME and Non Budget.
2. Breaches in any of these reporting regimes should be avoided.
3. The Supply timetable is tight and non-negotiable, so all requests for any additional funding/re-alignments, etc must be made in good time.

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4. The Clear Line of Sight (CLOS) Treasury initiative, which aims to simplify the Supply process by aligning the different reporting regimes in place now, is being phased in, and will be completed in 2011/12.

Background

The Government’s Expenditure Plans (GEP)

1. Every two years, the Government carries out a Spending Review (SR). This allows the Government to agree departmental objectives and to assess the longer term financial implications of these objectives. The SR results in Departmental Expenditure Limits (DEL) which are Direct Resource DEL, Indirect Resource DEL and Capital DEL, and cash expenditure targets for each department for three years forward. In recent years the Treasury have introduced a further control measure, “Near cash”. Near cash is the element of the Direct Resource DEL (excluding the non-cash costs).

2. The SR is a Government planning process. It is for Parliament to grant the authority for departments to incur expenditure each year through Parliamentary Supply.

Principles of Parliamentary Supply

3. Parliamentary Supply provides the mechanism for the Government to set out its detailed expenditure plans for the forthcoming year to Parliament; for Parliament to debate and approve the plans; and for the appropriate legislation to be enacted.

4. The Government asks for funds (both resource and cash) in the Supply Estimates. This contains details about how much will be spent; on what and who will be responsible for ensuring the funds are expended with financial regularity and propriety.

5. If Parliament is content with the Estimates, it votes the Consolidation Fund Appropriation Act to make funds available for spending by departments. The Act also imposes legal constraints on the way in which voted funds may be spent. The main principles of Supply are as follows:

- No expenditure may be incurred without legislation.
- A sum voted for a particular service cannot be spent on another service.
- A sum voted is a maximum sum. Additional funding must be approved by a Supplementary Estimate.
- A sum voted is available only for the year for which it has been appropriated (the annuality principle).
- Separate authority is needed for overspends.
- Emergency spending is subject to Parliament’s authority.

6. Thus, if a department wishes to increase expenditure, vary the way in which it wishes to spend the funds voted in the Supply Estimates, or carry forward unspent amounts to the

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next financial year, it must seek additional Parliamentary authority in year through a Supplementary Estimate. Supplementary Estimates are usually presented in June (Summer), November (Winter) and February (Spring). Following any Estimates day debates and vote on any necessary Supply resolution, formal statutory authority for extra funds is provided by the Appropriation Act.

7. Departments do not have an automatic right to more money to pay for new services, or to make up insufficiencies for existing services. Excesses on one service have to be met, so far as it is possible within the department’s discretion, by compensating savings on other services. Where additional funding is agreed in-year it is provided from the Reserve.

8. At the end of the year, a department produces a consolidated resource account which is audited by the National Audit Office (NAO). After the audit, the account is laid before Parliament. The Public Accounts Committee (PAC) examines the account and the reasons for any overspend. Overspends are subsequently voted by Parliament in an Excess Vote. The roles and responsibilities of the NAO and PAC are detailed at Chapter 2 under Public Finance.

Supply Estimates

9. The form and purpose of the Supply Estimates is important. Not only are Estimates the mechanism for receiving authority from Parliament, they provide Parliament with information about the nature and scope of resource consumption; how resources are to be managed, and who will be responsible for ensuring that effective and proper financial management is set in place. The principles that govern Supply are a combination of Parliamentary practice and the requirements of the Government Resources and Accounts Act 2000 and associated legislation.

10. Main Estimates are presented to Parliament by Treasury in a publication called Central Government Supply Estimates covering all departments’ Estimates. It is this document that facilitates Parliament’s formal authorisation of the sums for the forthcoming financial year.

Requests for Resource

11. Each Supply Estimate covers expenditure on specified services for which a department will be accountable to Parliament. Each Estimate is broken down into one or more Requests for Resources (RfRs), which cover the main programmes for which the department is responsible.

12. The RfR is the Parliamentary unit of appropriation, and represents the level at which Parliament gives authority for expenditure.

13. This Department has two Estimates (two “Votes”). The first Estimate has three RfRs:

- RfR1 – Provision of Defence Capability.
- RfR2 – Operations and Peace-Keeping.

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- RfR3 – War Pensions and Allowances etc.

The second Estimate has only one RfR:

- RfR1 – Armed Forces Retired Pay, Pensions, etc.

Form of the Supply Estimates

14. Each Estimate has an introduction detailing the changes since the previous estimate, and three parts. Part I covers the Parliamentary and Treasury Control Framework; Part II covers subhead details of resources analysed by TLBs; Part III details a forecast Statement of Comprehensive Net Expenditure and a Statement of Cash Flow. Every estimate has accompanying notes, which are tailored to the department it represents.

15. **Part I of the Estimate** contains a summary of the net provision sought by the RfR and the “**Ambit**”. In the Main Estimate, it also shows the amounts of resources and cash which have already been allocated to the Department in the Vote on Account. The **Ambit** is a brief description of the goods and services for which Parliament is being asked to grant authority. The Ambit should be sufficiently descriptive so as to cover all resource, capital, cash and non-cash items to be consumed during the year. The Ambit is reproduced in the annual accounts and thus forms the basis for the statutory authority for Departmental spending. Expenditure cannot be legally incurred unless it is covered by the Ambit.

16. **Part II** provides a more detailed breakdown of the RfR expenditure for which Parliamentary approval is sought. This section is in a tabular format. Each RfR is subdivided to show the main functions covered. For the MOD, the main Departmental RfR is divided to show the expenditure of the TLBs. For each function (e.g. TLB) the table shows resource and capital expenditure and Appropriations in Aid (AinA). The information required to produce the Estimates is provided from the Annual Budget Cycle (ABC).

- **Resource Expenditure** is current expenditure. This includes expenditure on salaries, utilities, maintenance costs, depreciation and cost of capital charges for the year.
- **Appropriations in Aid (AinA)** are receipts (income) which, subject to Parliamentary authorisation, departments may use to finance some of the gross expenditure on a RfR, thus reducing the amount to be issued from the Consolidated Fund. Receipts may be appropriated in aid only if they relate directly to Departmental business. Otherwise receipts must be surrendered to the Consolidated Fund as Extra Receipts.
- **Capital Expenditure** covers expenditure on new fixed assets, including assets under construction (AUC).
- **Non-Operating Appropriations in Aid** are receipts associated with capital expenditure, e.g. receipts arising from the disposal of fixed assets.

17. After the main RfR table, a short “resource to cash reconciliation” is provided. This reconciliation sets out how the net cash requirement is calculated by adding together the

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voted Resource and Capital costs from Part II of the Estimate and then deducting the non cash items, such as cost of capital and depreciation. It also shows the changes in working capital (receivables, payables and inventory).

18. The detail provided in the Part II table provides full visibility of the items in respect of which the Treasury require details of outturn to be accounted for. It is only the RfR totals which are subject to Parliamentary control. **Key Parliamentary Controls** are:

- Total voted resources (net).
- Resource Appropriations in Aid.
- Non-operating Appropriations in Aid.
- Net Cash Requirement.

19. The Treasury, not Parliament, manages capital expenditure patterns. The extent to which virement (i.e. transfers – see paragraph 40 below) between capital and current expenditure is permitted in year is limited. Each Government Department individually agrees virement limits with the Treasury.

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

21. **Excess Receipts** are receipts which, although classified as AinA, may not be appropriated in aid of gross Departmental expenditure (i.e. retained by the Department) because they exceed the amounts authorised by Parliament in Supply Estimates and any subsequent Supplementary Estimates. Excess Receipts are surrendered to the Consolidated Fund at the end of the financial year.

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

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

24. **Supporting Information**. Additional, and more detailed, information is required to underpin Parliamentary consideration of the Estimates. The Secretary of State provides a memorandum to the HCDC which gives a more detailed explanation of the Estimates and a comparison with last year's Estimates information. The Government Expenditure Plan

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contains other supporting material. In particular the House of Commons Defence Committee (HCDC), whose role is to examine the expenditure, administration and policy of the MOD, has specific information needs. A comparison of Estimates provision with the corresponding figures for the requirement’s previous two years must also be included in the Supply Estimates, and significant variations can prompt Parliamentary enquiry.

Revised Estimate

25. A revised Estimate is presented to Parliament to replace the original Supply Estimate. This acknowledges the possibility that spending plans change between presentation of Supply Estimates in March and the consideration of the Appropriation Act in July. It would clearly be wrong to invite Parliament to vote sums which are known to be incorrect. Presentation of a Revised Estimate is an unusual occurrence and would generally only happen in exceptional circumstances:

- To reduce provision on a RfR.
- To effect a redistribution between RfRs.
- To amend an Ambit.

Appropriation Act

26. Having considered the Estimates, Parliament votes the Appropriation Act, which is termed the Consolidated Fund (Appropriation) Bill before enactment. The annual Appropriation Act constitutes the statutory authority for Supply services.

27. The Act’s function is to:

- Appropriate funds voted by Parliament to the use described in the Ambit of the Estimates.
- Authorise issues to spending departments from the Consolidated Fund up to the net ceiling voted by Parliament in Supply Estimates.
- Set a ceiling on the amount of receipts which may be AinA. If in-year forecasts predict a surplus over the provision for AinA voted in Supply Estimates, fresh parliamentary authority is required through a Supplementary Estimate. If more receipts are realised at the end of the financial year, they must be surrendered to the Consolidated Fund as a CFER.
- Specify the period over which voted funds may be expended. This is generally the current financial year (the annuality rule), but arrangements tailored to individual departments are in place to allow carry forward of unspent provision into the following financial year in certain circumstances.

28. The Act gives approval to the provision sought in Supply Estimates, amended where necessary by Revised Estimates or Summer Supplementary Estimates for the current year. It also appropriates the revised sums authorised in the preceding year’s Winter and Spring Supplementary Estimates, and authorises any Excess Vote for the year before that.

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29. Appropriation means that the funds are actually attributed in statute, both in scope and amount, to the specific goods and services for which they have been voted. Of such constitutional importance is the concept of appropriation that a Parliamentary session cannot be closed until it has taken place.

Consolidated Fund Acts

30. These Acts have a similar function to the Appropriation Act, but relate to Winter and Spring Supplementary Estimates and the Vote on Account. The essential difference is that the Consolidated Fund Acts simply authorise issues from the Consolidated Fund, whereas the Appropriation Act actually appropriates the funds.

The Consolidated Fund

31. The Consolidated Fund, held by the Treasury at the Bank of England, is the account to which tax revenues and other public revenues and receipts are credited and to which payments are debited for Supply services (e.g. spending by departments such as MOD).

32. The statutory authority for issues from the Consolidated Fund for Supply services is provided by the Appropriation Act and Consolidated Fund Acts which, taken together, grant to the Government the amounts voted by Parliament for the financial year in question.

Vote on Account

33. The Vote on Account provides the authority for departments to finance existing services during the early months of a financial year, pending Parliament’s consideration of the Main Supply Estimates for that year.

34. The amounts in the Vote on Account are generally 45% of amounts already voted for corresponding services in the current year, both resource and cash. Spending on new programmes, however, should not commence without emergency authority from Parliament and a repayable advance from the Contingencies Fund.

In-Year Reporting to Parliament and the Treasury

35. MOD provides monthly actual and forecast information to the Treasury, through the Treasury’s COINS system, and this is combined with that of other government departments and published by the Office of National Statistics (ONS). The only in-year reporting made to Parliament is within the Winter Supplementary Estimates, where six months provisional resource outturn data and forecast is shown for each RfR.

Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME)

36. DEL is a Treasury (as distinct from Parliamentary) control on spending in year. DELs are a control mechanism designed to increase the ability of the Government to hold to its plans, and are intended to provide a clear incentive for efficient financial management. The DEL is split between capital and resource (current) expenditure: Capital DEL and

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Resource DEL. The Resource DEL is further broken down in to Direct Resource DEL and Indirect Resource DEL. All non-cash costs (mainly depreciation and cost of capital) fall to Indirect DEL.

37. Any Department exceeding its DEL will be investigated by the NAO and will be penalised for the amounts breached in the following year. The Treasury acknowledges that certain elements of departments’ programmes are demand-led or highly volatile. Such items cannot reasonably be subject to firm multi-year limits and are instead treated as AME. Expenditure and income for the Armed Forces Pension Scheme (AFPS) and payments of war pension benefit are examples of AME costs.

38. Both DEL and AME are visible in the Estimates, within the RfR. Parliament votes the RfR totals, and the Accounting Officer is therefore accountable to Parliament for both DEL and AME and is required to explain variations from estimated provision. The breakdown of Resource DEL to its direct and indirect components is not visible on the face of the Estimate as this detail control mechanism is a Treasury requirement.

Virement

39. “Virement” refers to the transfer of savings in one area of an Estimate to meet expenditure in another area.

40. Virement within a single RfR requires Treasury authority. The Treasury also limits the extent to which funds may be “vired” from capital to resource expenditure. Parliamentary approval, through a Supplementary Estimate, is required to:

- Vire from one RfR to another.
- Use savings to meet expenditure falling outside the Ambit.
- Offset excesses with additional receipts not already authorised by Parliament.

41. In certain circumstances, and to protect the interests of Parliament, the Treasury may refuse virement. This may arise if:

- Parliament should be informed of a new service.
- The expenditure is novel and contentious.
- It results from a major policy change.
- It is large in relation to original provision for the service.
- It is likely to involve heavy liabilities in later years.

Supplementary Estimates

42. A Supplementary Estimate is the in-year equivalent of a Supply Estimate. An updated statement of comprehensive net expenditure and statement of cashflow are also provided with each Supplementary Estimate. A Supplementary Estimate takes two forms:

- **Substantive**, where additional is required.

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- **Token**, where Parliamentary authority is required, even though there is no need for additional provision.
43. A substantive Supplementary Estimate must be presented to Parliament when:
- Additional provision is needed to pay for new services which cannot be financed from savings within the same RfR.
 - Estimates provision for existing services is likely to be insufficient, i.e. because of a gross overspend or a forecast shortfall of Appropriations in Aid (or a combination of the two). There is a Treasury presumption that an increase on these grounds would not be admissible unless offset by deliverable savings on another RfR.
 - Authority is needed to meet an excess on one RfR either from savings on another RfR or from drawing on any End-Year Flexibility (EYF – see paragraph 58 below) entitlement as allowed by Treasury rules.
 - There is to be a transfer of provision from another department. These transfers are termed PES transfers.
44. A token Supplementary Estimate must be presented to Parliament when:
- A new service is not covered by the RfR Ambit, even though the expenditure could be met from savings within the RfR.
 - Existing Estimates provision is to be redistributed within the RfR.
 - AinA are forecast to exceed the amounts authorised by Parliament. Failure to make Supplementary provision increases the risk of having to surrender such receipts to the Consolidated Fund.
 - There is a joint transfer of provision to another department.
 - The cost of a new service is to be met from non-public funds.
 - A material change is proposed in the conditions under which a grant in aid has been made.

The Reserve

45. The Government’s Reserve (as distinct from the Contingencies Fund) is the element of the Public Expenditure Control Total not allocated to spending departments but earmarked for emergencies and for providing cover for departmental claims for EYF. Use of the Reserve does not thus increase the agreed level of planned public spending. The main reasons for a MOD “claim on the reserve” would be to fund the net additional cost of military operations which the Department would not normally have incurred and which could not otherwise be absorbed within the Defence Estimate, to fund Conflict Prevention activities, or to take EYF entitlement.

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Contingencies Fund

46. A principle of Parliamentary control over central Government expenditure is that Parliament votes funds for a service before any expenditure on that service is incurred. Parliament recognises, however, that there will sometimes be circumstances in which expenditure on some services, existing or new, is so pressing that it cannot wait for the voting of funds under the normal Supply procedure.

47. The Contingencies Fund (as distinct from the Reserve) is the fund which can be used for urgent expenditure in anticipation of provision by Parliament becoming available. Use of the Fund is possible only where it would be against the public interest to delay expenditure until Parliamentary authority has been given.

48. Legitimate uses of the Fund include instances where expenditure exceeds the amount provided in the Vote on Account, or where expenditure is required on a new service before there is an opportunity to present a Supplementary Estimate.

End of Year Reporting

Annual Report and Accounts (ARAc)

49. At the end of the year, after expenditure has been incurred it is audited and accounted for to check that the amounts and purposes approved have not been exceeded. Resource Accounts are prepared for the main Departmental Estimate and AFPS Estimates.

50. In many respects the form of the ARAc follows commercial accounting conventions and is comparable to the accounts produced by any UK registered company. To meet the needs of Parliamentary accountability, there is an additional schedule which compares the end-of-year account with the amounts in Supply Estimates, as amended by any subsequent Supplementary Estimate. Substantial differences must be explained.

51. The ARAc adopts the following form:

- Statement of Parliamentary Supply. Net Cash Requirement and Summary of Income paid to the Consolidated Fund. This compares the Estimate with outturn.
- Statement of Comprehensive Net Expenditure and Statement of Recognised Gains and Losses. This broadly follows generally accepted commercial accounting practice.
- Statement of Financial Position, providing a statement of the Department's assets and liabilities at the year end.
- Statement of Cashflow.
- Statement of Operating Costs by Departmental Aim and Objectives. This allocates operating costs to Departmental objectives.

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52. The ARAc also contains supporting notes and statements on Corporate Governance and Accounting Officer responsibilities.

53. The AFPS Accounts follow a similar form to the main ARAc.

Excess Votes

54. Expenditure must be planned and controlled so that it does not exceed the amounts voted by Parliament. If an excess on one service seems likely, expenditure on other services needs to be reduced or postponed. This does not mean that bills contractually due should not be paid rather than new commitments should not be entered into if money is unlikely to be available to settle those bills.

55. If an excess on a vote cannot be avoided, a Supplementary Estimate must be presented to Parliament. Excesses at the end of the year, however, sometimes cannot be prevented. In such cases, bills falling due must still be settled, either with the help of the Contingencies Fund or by drawing on any Excess Receipts.

56. An Excess Vote is an excess of expenditure over provision voted by Parliament. The PAC (which represents the interests of Parliament in this) can be expected to be highly critical of departments who spend more than they have been voted by Parliament. This is because overspends strike at the heart of the Parliamentary control of expenditure, in which tight estimating plays a central role. Parliament does not withhold authorisation for an Excess Vote if this is due to a cause demonstrably outside the control of the overspending department.

57. The amounts of any excess disclosed in the annual ARAc under Analysis of Income payable to the Consolidated Fund. The reasons for the excess are investigated by the NAO, who report their findings to the PAC for examination before authorisation of the overspend by Parliament. This is likely to involve oral questioning of the Accounting Officer (PUS) and a subsequent PAC report to Parliament. If Parliament is content, its agreement is embodied in the March Consolidated Fund Bill and the excess grants are appropriated in the Appropriation Act in July.

End-Year Flexibility (EYF)

58. “EYF” is the Department’s ability to use the current year’s resources in the next financial year. This is subject to limitations imposed by the Treasury. The Treasury will not allow the Department to use up all of an underspend, transfer Capital DEL to Resource DEL or transfer Indirect DEL to Direct DEL.

Supply Timetable

59. The following table summarises, as an example, the key dates in the Supply process for the 2009/10 Estimates, and the links to ARAc.

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Nov 08	Vote on Account for the next financial year presented to Parliament.
Apr 09	Main Supply Estimates and Summary Request for Supply presented to Parliament.
Jun 09	Revised Estimates and Summer Supplementary Estimates presented to Parliament.
Jul 09	Supply Estimates voted by Parliament. Appropriation Act passed.
Nov 09	Winter Supplementary Estimates presented to Parliament.
Feb 10	Spring Supplementary Estimates presented to Parliament.
Jul 10	Departmental Resource Accounts presented to Parliament.
Feb 11	Statement of Excesses presented to Parliament.
Apr 11	Excess RfR authorised in the Appropriation Act.

Defence Votes A

60. Under a long-standing convention, Parliament exercises control over the maximum numbers of servicemen and women allowed to serve in the Armed Forces at any one time. “Votes A” is the mechanism for this. It is a document setting out maximum manpower numbers for all elements of the Services and their reserve forces. The Secretary of State for Defence is required to present Votes A to Parliament at the same time the Financial Secretary to the Treasury presents the Summary Request for Resources for all departments.

61. Any increase above the maximum numbers authorised for each Service requires fresh Parliamentary authority in a Supplementary Vote. The actual numbers are audited and accounted for at the end of the year within the ARAc.

Role of the Committee of Public Accounts (PAC)

62. The PAC is a Select Committee of the House of Commons, established to help give Parliament better control of the expenditure of public funds. The role of the PAC is to satisfy itself as to the accounting for, and the regularity and propriety of, expenditure; and also to explore the economy, efficiency and effectiveness issues set out in National Audit Office (NAO) Value for Money reports. (See paragraph 68 below).

63. The PAC receives reports from the NAO, and on the basis of these it can summon Accounting Officers to be examined and itself makes reports to Parliament. Although the PAC has no executive power and its recommendations are not binding on Parliament, its views are highly influential. In matters touching on the Parliamentary control of expenditure, its recommendations are usually accepted by Parliament. Further information on the PAC is in Chapter 2 under Public Finance JSP 462.

Role of the House of Commons Defence Committee (HCDC)

64. The HCDC is the Departmental Select Committee established to examine the expenditure, administration and policy of the MOD. Its principal function in the Supply

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process is to scrutinise Supply Estimates on behalf of Parliament. To do this the HCDC needs access to a greater level of detail than that published in Supply Estimates. This additional information required is largely met by the GEP and the Estimates Memorandum for each Vote. The Estimates Memorandum gives more detailed information than that contained in the Estimate. The Committee has complete freedom in deciding its own programme of work and will seek evidence in a number of ways: written material, visits, informal meetings and public evidence sessions. The HCDC publishes its observations on Supply Estimates in a report to Parliament.

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

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

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

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

68. The NAO’s “Value for Money” studies are examinations of the economy, efficiency and effectiveness with which departments use their resources. The C&AG may report to Parliament on the outcome of these. Most of the C&AG’s reports to Parliament are considered by the PAC.

Role of the Treasury

69. The Treasury’s objective is to promote rising prosperity based on sustained economic growth. To help achieve this objective, the Treasury needs to maintain sound public finances and keep public expenditure at an affordable level. The Treasury thus superimposes a further set of controls – Resource DEL, Capital DEL and AME – over the Parliamentary controls. (See paragraph 36)

70. The Treasury has a small Defence, Diplomacy and Intelligence (DDI) Team which advises Treasury Ministers on, inter alia, a broad range of defence-related issues, including the size of the defence budget, Supplementary Estimates, major purchases requiring approval by Treasury Ministers or Cabinet Committee, and the cost implications of defence and security policy. The Treasury also sets out to promote the development

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and use of efficiency techniques and expenditure planning and control systems, which help deliver the maximum value for money.

2: PUBLIC FINANCE – THE NATIONAL AUDIT OFFICE AND THE PUBLIC ACCOUNTS COMMITTEE

Introduction

This chapter covers the work of the National Audit Office (NAO) and the Public Accounts Committee (PAC), and the Department as it relates to the production of 'Value for Money' studies and associated follow up work. Specifically, it sets out the end to end process which is in place to govern this activity. It is aimed principally at those who will manage the day to day relationship with the NAO and PAC, but staff at a senior level who coordinate activity, and who are personally appointed by the Permanent Under Secretary (PUS) to do so, will find it useful. The guidance covers both MOD specific activity as well as our contribution to cross Government work carried out by these organisations.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Governance1	Advice concerning NAO and PAC	9621 84576

Key Points

1. The **National Audit Office** supports the work of the PAC, principally by preparing 'Value for Money' reports, which may then form the basis of a hearing before the PAC and the production of a report by the PAC itself.

The Department's relationship with the NAO is a strategic one.

- a. If the conduct of our business with the NAO is carried out ineffectively, the potential for adverse public, press and parliamentary comment is strong.
- b. Those responsible in the Department must ensure that any work contributing to the work of the NAO is of the highest standard, factually accurate, presents a balanced analysis of the Department's performance and is dealt with in a timely manner. It is important that NAO studies are dealt with expeditiously as the timetable for publication of reports is set in advance and the NAO will not slip publication date to allow MOD to complete work.
- c. The work of the NAO focuses on the economy, efficiency and effectiveness of the Government's expenditure.
- d. There is a clear process governing our contribution to the work of the NAO.

2. The **Public Accounts Committee** exists to hold the Government to account for the way it spends taxpayer's money.

The Department's relationship with the PAC is a strategic one.

- a. If the conduct of our business with the PAC is carried out ineffectively, adverse public, press and parliamentary comment will inevitably follow.

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- b. Those responsible in the Department must ensure that any work contributing to the work of the PAC is of the highest standard, factually accurate, and is dealt with in a timely manner.
3. There is a clear process governing our contribution to the work of the PAC.
4. The PAC adopts a non-party attitude, and represents Parliament in its dealing with Government Departments.

Further information on the role, background, and statutory basis, of the PAC and of the NAO is contained in the Treasury publication the 'Guide to the Scrutiny of Public Expenditure', which may be found at www.hm-treasury.gov.uk. It is strongly recommended that this document is read by those who are responsible for the day to day management of business with the NAO and PAC.

General Principles

The Department's relationship with the NAO is a strategic one.

1. The National Audit Office and the Public Accounts Committee are very influential bodies in terms both of how we conduct our business and how the conduct of our business is perceived by taxpayers (who fund all of our activities) and by Parliament (which decides on the allocations of the revenue raised through tax). The NAO base their reports around **'the three Es'**:

- Economy – minimising the cost of resources used or required – spending less.
- Efficiency – the relationship between the output from goods and services and the resources to produce them – spending well.
- Effectiveness – the relationship between the intended and actual results of public spending – spending wisely.

and the NAO definition of value for money which is "the optimal use of resources to achieve the intended outcomes."

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

- All organisations, however efficient and effective, need the benefit of professional, impartial and well informed audit. To that end, the MOD's PUS attaches particular importance to ensuring that our business with the National Audit Office, and the Public Accounts Committee, is conducted well, in the interests of the taxpayer, the public service as well as the Department. PUS appoints for each NAO study a 2 star civilian or military officer as study co-ordinator and Subject Matter Expert. The study coordinator must arrange for MoD's involvement in that report to be carefully staffed, so that the NAO have access to in depth knowledge of the specific area of study at a strategic level, and must personally engage with the NAO at each stage

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as part of the information flow/discussion of evidence. The overall MOD objective is that the NAO produces a report that is factually accurate, and presented in a fair and balanced way for MOD as a whole. This last point is an important one because whilst it is incumbent on coordinators to recognise that a report may record criticisms where they are due but that it also recognises and gives credit for occasions where we have performed well. It is also important that where the NAO has drawn conclusions in the report with which MOD is unable to agree, the MOD's disagreement is recorded in the report. PUS will not agree an NAO report which he/she considers to be unbalanced or unfairly critical but the PAC work on the assumption that (unless demonstrated to the contrary) every word in an NAO report has been agreed by MOD and the PUS. The Study Coordinator is responsible for ensuring that DG Finance and PUS are kept informed of the progress of the NAO study and, in particular, are given early warning of any points of contention. The Study Coordinator is also responsible for assembling briefing material for PUS for the PAC evidence session.

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

There is clear process governing our contribution to the work of the NAO.

3. The detailed step-by-step guide, which takes you through the process from the point at which the PUS agrees for a study to be undertaken, to the point at which you no longer are required to report against recommendations made by the PAC in the Bi-Annual Treasury Minute – Titled – Progress on implementing recommendations is at [Annex B](#). A brief summary of the key phases of the process is set out below.

4. Periodically, the NAO after consultation with the PAC, discusses the potential forward programme of studies with the PUS. Once the programme is agreed between the C&AG and the PUS, the NAO will approach the Department with specific proposals on each of the individual studies. It is at this time that the PUS will appoint a study coordinator. That individual, and any other individuals whom PUS in turn calls on, must co-operate fully with the NAO and give it all the assistance they can.

5. The Director General Finance (DG Finance) is responsible to the PUS for managing this programme of business. The study coordinator should clear the scope of the study with the PUS, through the DG Finance. Later in the process, it is vital that the DG Finance clears what is known as the 'Finance Director draft' of the report before it is submitted for final agreement to the PUS. Study Co-ordinators should make it clear to their interlocutors at the NAO that the PUS will not consider any draft until he/she is content that it has the approval of the DG Finance. This approach seeks to avoid rushed last minute, and very high level, exchanges on what should be a piece of work substantively agreed with the Study Co-ordinator and DG Finance.

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6. Once an NAO study has been agreed, and then published, the PAC will decide whether or not to hold a hearing into the study and thereafter produce its own report into the matter. It is usually the case that the PAC will wish to do this. The study coordinator will, with other experts as necessary, brief the PUS ahead of this hearing and it is vital that the views of PUS' office are sought as to what the specific requirements are likely to be. The PUS, and any supporting witnesses requested by the PAC, will attend a hearing where they will be cross examined by the committee on matters relating to the report – it is for this reason that it is important that a report is fully agreed between the NAO and the Department before it is published. Indeed, the PAC attaches great importance to the fact that NAO reports are agreed, and where agreement is not possible, then that should be clearly set out in the body of the report. The PUS will then have an opportunity to review the transcript of the hearing and to supply supplementary material which they undertook to provide at the hearing. The PAC will then publish its report, a copy of which we usually receive 48 hours in advance of publication.

7. The Department responds to the recommendations made by the PAC report through a document called a 'Treasury Minute'. Normally the study coordinator will have between 4 to 6 weeks to send the response to the Treasury, following clearance by the PUS and the Minister responsible. It is also usually the case (but not always) that a Department would agree with the PAC's recommendations. This is because the PAC is representing Parliament when it carries out its investigations, and it is not expected that Departments ignore the considered advice of Parliament.

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

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

10. Throughout the study it is important that at regular intervals DG Fin is updated on progress of the study. It is also key at appropriate moments, that study coordinators submit a short update to the APS/PUS, highlighting any key issues or concerns. It is important that the study coordinator proactively manages each step of the process and particularly that he or she considers what material is required for presentational purposes at each step of the way. Further information on what may be said, and may not be said, by the Department at certain points in response to NAO and PAC business is set out in the

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Osmotherly Rules. These important rules can be found on the Cabinet Office's website, www.cabinetoffice.gov.uk. A copy of the key paragraphs is set out at Annex C.

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Annex A



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PERMANENT UNDER-SECRETARY OF STATE

D/PUS/11/7/1

5 November 2010

LETTER OF APPOINTMENT AS NAO STUDY COORDINATOR

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

This letter confirms your appointment as the Department's coordinator for the NAO study into the [subject]. As the study coordinator, you are personally responsible to me for ensuring the delivery of a high quality NAO report that has been carefully staffed, is factually correct, and presented in a fair and balanced way. By 'balanced', I mean that the report should not only record criticisms where they are justified but also recognise and give credit for occasions where we have performed well. I look to you to take a personal interest in the development of the report at each stage of its evolution.

Attached to this letter is Chapter 2 of JSP 462, which deals with the process from now to the end requirement which is for you to set in place a system to track PAC recommendations with which the Department ultimately agrees. I recommend that you read the document carefully. In the course of a study many issues of principle or procedure may arise on which you may require supplementary advice; in this instance Head of Financial Management Policy & Accounting and his staff in particular Clare Thomson-Clark, who will provide assistance and advice on the process end to end.

I should also like you to keep in touch with DG Finance who is responsible to me for the management of the programme of NAO value for money studies relating to Defence and who also plays a formal part as MOD's DG Finance in the clearance of NAO reports.

Yours sincerely,

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Annex B

Project Initiation

- The NAO proposes programme of MOD NAO Value for Money studies.
- The C&AG and PUS agree a forward programme of studies.
- The NAO initiate a study.
- FMPA Governance identifies Departmental study coordinator at 2* level.
- The PUS issues a letter formally appointing MOD study coordinator.
- The NAO, MOD coordinator and DFM agree the scope of the study. This should be cleared by the PUS thro' the DG Finance.

NAO Report Production

- The NAO undertakes fieldwork.
- The NAO draft study.
- The NAO submit draft study for coordinator approval.
- The Coordinator, DFM and the NAO meet and amend as necessary.
- The NAO submit clean draft to coordinator, called the 'Finance Director version.'
- The Coordinator with DFM reviews revised draft and submits with advice to DG Finance.
- The DG Finance and NAO correspond to resolve outstanding issues.
- The NAO submits a draft study and press notice for the PUS's approval with a publication date for the report.
- The PUS amends as necessary and approves for publication (in reality, this may require several rounds of consultation).

- The coordinator produces a MOD press brief, including a statement for the relevant Minister to make on the day of publication (cleared by 1* in business area or coordinator, DMC and the relevant Minister's office). This statement must be in accordance with the Osmotherly Rules. Q&A should be prepared for use by the press office in the event of follow up media questions.
- The coordinator submits material for Prime Minister's Questions to SofS's office (cleared by 1* in business area). Advice should be sought from the SofS's office on specific timings. In addition, the coordinator submits material for Business Questions. Advice should be sought from the Parliamentary Clerk on specific timings.
- The NAO report is published.

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Annex B

NAO Report Publication

- The Department responds to report via the relevant Minister's press statement.
- Announcements relating to Departmental business cutting across NAO reports must not be issued at the same time as a report.

PAC Hearing

- The NAO/PAC clerk advises whether the PAC wish to take the report.
- If not, the DG Finance will write to coordinator setting out reporting requirements on the follow up of NAO recommendations.
- If the PAC decides to hold a hearing the witnesses – selected by the Committee - should where possible undertake Civil Service Learning training which can be arranged through FMPA Governance 1.
- The coordinator produces briefing material for the PUS for the PAC hearing as directed by APS/PUS.
- The PUS holds an initial meeting with the MOD study coordinator and his team.
- The PUS holds a 2nd meeting attended by MOD and HMT officials.
- The PAC hearing takes place.
- The PAC issues transcript for correction and commissions supplementary notes which the PUS undertook to provide at the hearing.
- FMPA-Governance coordinates the draft response from the PUS to the PAC.
- The Revised transcript and supplementary notes returned from the PUS's office to the PAC.

PAC Report

- The PAC produces its report, taking anywhere between 6 weeks and 6 months.
- The PAC notifies the PUS of the report's publication date.
- The PAC gives the Department an embargoed copy of the report, usually 48 hours before publication (This may include weekends).
- The coordinator produces the MOD press brief, including a statement for the relevant Minister to make (cleared by 1* in business area or coordinator, DMC and Minister's office). This statement must be in accordance with the Osmotherly Rules. Q&A should be prepared for use by the press office in the event of follow up media questions.
- The coordinator produces material for PMQs and submits to SofS's office (cleared by 1* in business area). Advice should be sought from the SofS'

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Annex B

PAC Report

- (cont'd) outer office on specific timings. In addition, the coordinator submits material for Business Questions. Advice should be sought from the Parliamentary Clerk on specific timings.
- The PAC issue report.
- The Department responds to the report via the relevant Minister's press statement.
- Announcements relating to Departmental business cutting across NAO/PAC reports must not be issued at the same time as a report.

HMT Minute

- HMT commissions Treasury Minute usually between 1 and 8 weeks of PAC hearing and gives between 4-6 weeks for returns.
- The coordinator drafts the Treasury Minute. This is cleared by DG Finance in the first instance then PUS, and the appropriate Minister. It also must be agreed with HM Treasury.
- HMT publishes the Treasury Minute.

Progress made on recommendations agreed in HMT Minute

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

Implementation of Recommendations

- The coordinator puts in place system for implementing PAC recommendations where it is appropriate.
- The coordinator reports against progress made in implementing recommendations in the bi-annual publication by HMT – referred to as "Treasury Minutes – progress on implementing recommendations". These are published in January and July.
- The coordinator drafts the Treasury Minute and this is cleared by DG Finance in the first instance then PUS and the appropriate Minister.

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Annex C

The following is an extract from the “Osmotherly rules”:

Immediate Comment on Committee Reports

“The basic principle in giving immediate comment on Committee Reports is that Departments should be careful not to pre-empt or prejudice the Government's final and considered reply to the Committee's recommendations which must first be given to Parliament. This means that comments given to the media or in other statements, especially outside the House, on publication of the Report, or in the intervening period up to the delivery of the Government's reply, should not seem to anticipate that reply.

“The Government's position on these conventions was set out in a letter of 5 June 1990 from the then Lord President of the Council to the Chairman of the Liaison Committee. This:

- a) Reaffirmed the convention that departments may respond immediately in order to correct mis-statements of fact, to provide background information, or to draw attention to particular passages in the Committee's Report or in the published Government evidence to the Committee;
- b) Asserted the right of Ministers to respond publicly to **criticisms** of the Government as robustly as seemed appropriate; this would include criticisms in the Committee's Report itself, inaccuracy or mis-statement in media reporting, or public criticisms made by individual Committee members;
- c) Confirmed that it was not the Government's intention that **recommendations** in Committee Reports should be subject to snap responses without detailed Government assessment. Nonetheless Ministers would feel free to respond immediately to certain recommendations, either positively or negatively, where the Government's policy was established and clear, or where an early response was needed in order to influence fast-moving events.”

Immediate Comment on NAO and PAC Reports

“Similar considerations apply to immediate comment on Reports from the Committee of Public Accounts (PAC). In the case of Reports to the PAC from the National Audit Office (NAO), it is important that immediate comment should not pre-empt any subsequent PAC hearing with the Department's Accounting Officer. Comment should therefore be confined to quoting or amplifying material contained in the NAO Report itself (including expressions of departmental views), providing relevant information and correcting any mis-statements of fact or interpretation in media coverage. Any comments in these circumstances should also observe the 1968 Treasury undertaking to the PAC that immediate comment would not be controversial; but this need not preclude straightforward factual correction of media reporting.

“Departments' public comments on NAO and PAC Reports which have financial implications, or which might affect substantively the subsequent Treasury Minute, should be cleared first with the relevant Treasury expenditure division.”

3: PUBLIC FINANCE – TREASURY DELEGATIONS

Introduction

This chapter covers the management of delegations. It applies to the MOD and its Agencies and will be of use to all staff who commit or authorise others to commit the Department to expenditure, and who will therefore receive or issue a letter of financial delegation.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Governance ¹	General enquiries	9621 84576

Key Points

1. The Treasury has delegated to the Permanent Under Secretary (PUS) certain categories and levels of expenditure within which the Department may **normally** incur commitments without reference to the Treasury.
2. The PUS has, in turn, delegated financial authority to the Top Level Budget Holders (TLBHs) in whom responsibility for actually consuming the Department's allocated resources resides.
3. The financial authority PUS delegates to the TLBHs **do not** allow individuals to commit to expenditure which:
 - a. Is illegal, conflicts Treasury Guidance, or may be novel, contentious, or repercussive.
 - b. Cannot be met from within a TLBH's budget.
 - c. Is outside of an individual's functional management authority (for example, only Defence Estates may purchase estate on behalf of the Department, though they may use funding from the TLB to do so).
 - d. Requires scrutiny and approval by other approving authorities – as set out in the Smart Approvals Guidance, for example.

General Principles

1. No expenditure may be incurred by the MOD or its Agencies without the approval of the Treasury. To remove the need to seek Treasury approval for every new financial commitment, the Treasury has agreed certain levels and categories of expenditure within which the Department may normally incur commitments without reference to the Treasury, provided these costs can be met from within existing budgetary limits. The levels and categories of expenditure which the PUS has delegated to each TLBH are set out in the following letter. The Treasury has reserved the right to amend or withdraw the delegations set out in the following letter to the Permanent Under Secretary at any time and may ask to be consulted about any individual project or area of work.
2. There are no circumstances where it is appropriate to incur expenditure which may conflict with legislation (including European legislation which may cover some of our

3: PUBLIC FINANCE – TREASURY DELEGATIONS

activities) and the spirit of legislation, Treasury guidance (including Managing Public Money which is a key source setting out the general principles associated with delegations), or which is novel, contentious or repercussive. Only the Treasury, through Financial Management Policy & Accounting-Finance Policy (FMPA-Fin Pol), may approve expenditure which is novel, contentious or repercussive, or in some other way at odds with its guidance. No expenditure may be incurred which is illegal. Similarly, expenditure must not be incurred if the TLBH holds insufficient funding to meet the spending commitment – even if the expenditure is within his delegated authority. Delegated financial authority does take away the need to ensure that proposed expenditure is agreed first by any internal approving authorities which exist. The principal guidance in this respect is the Smart Approvals Guidance, though other local guidance may also exist. Advice on the Smart Approvals Guidance may be sought from the Investment Approvals Board Secretariat.

3. The MOD is fully responsible for decisions taken within the scope of its delegation, and it is for the PUS, as the Department's Accounting Officer, to justify the use of those delegated powers exercised in accordance with his personal letter of delegation from the Treasury. Ultimately, the PUS may be called to explain the Department's spending activities to the Public Accounts Committee.

4. Artificial tax avoidance (such as the use of devices to artificially reduce the apparent cost of goods and services by paying less tax or National Insurance contributions) is always regarded as a novel and contentious use of public resources. Any proposal which involves tax avoidance requires approval by HM Treasury and HMRC before proceeding. In the absence of explicit Treasury agreement (which will only be provided if value for money can be clearly demonstrated), auditors are likely to find the use of artificial tax avoidance irregular or improper.



HM TREASURY

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(by email only)

11 May 2011

Dear Permanent Secretary,

The 2010 Spending Review set out plans for around £80 billion of savings in public expenditure. To achieve these, the Government will need to effect a step-change in spending control. On the one hand, this means strengthening arrangements for scrutiny and control of spending, both within departments and by the Treasury. On the other hand, it means focusing this enhanced scrutiny where it is most valuable.

In line with these objectives, I am writing to set out a set of delegated spending authorities for the Ministry of Defence (MOD). Similar letters have been sent to all Government departments. They supersede all previous communication on delegated authorities, and include the arrangements for approving:

- new policy proposals and announcements;
- projects and programmes;
- internal funding allocations; and
- those Cabinet Office efficiency actions and processes, set out in a letter from the Chief Secretary and Minister for the Cabinet Office on 18 February, which are expressed as delegated limits.

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

New policy proposals and announcements

New policy proposals and announcements with financial implications, including in particular those linked to Defence Reform, must be cleared with the Treasury when:

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

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

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

Internal funding allocations

MOD must obtain Treasury approval for internal funding allocations before any public announcement or commitment of resources, when these allocations fall outside the delegated authorities set out in Annex A.

Project and programme spending

When approval is required

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

Where expenditure is or is likely to be beyond the department's delegated authorities, Treasury approval must be given at a minimum at each key stage of the project or programme:

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

Additionally:

- the Treasury will normally agree with the department a set of milestones in addition to these key stages where approval must be sought for each project or programme. The Treasury reserves the right to add further approval milestones where necessary;

- the department must continue to provide the Treasury and the Major Projects Authority (MPA) with details of projects and programmes after FBC approval until the project or programme is operational, including on project performance, cost and time envelope, on a quarterly basis. This information will be collected via the MPA's Government Major Project Portfolio; and
- the department is required to share its post-implementation review for each project with the Treasury.

Before Treasury approval can be given, the Treasury will normally expect the expenditure to have undergone the appropriate MPA assurance processes. Guidance on major projects approvals and assurance is available at http://www.hm-treasury.gov.uk/psr_major_projects.htm.

In addition, the Treasury requests to be kept informed on a regular basis of details of planned savings measures, especially where they are novel or contentious. These include the specific savings programmes outlined in MOD's Spending Review settlement letter, namely property, land and asset sales, electromagnetic spectrum, redundancy savings, non-frontline running costs, military and civilian allowances, commodity procurement savings, and contract renegotiations. As set out in the Spending Review letter the Treasury expects MOD to designate a named senior official for these savings and to put in place appropriate governance mechanisms to guarantee delivery of these measures and any additional measures agreed as a result of MOD Planning Rounds.

Spending commitments beyond 2014-15

In line with Managing Public Money, any new spending proposal which would entail contractual commitments to significant levels of spending in future years for which plans have not been set must be approved by the Treasury.

In addition, the Treasury requires departments to report on a quarterly basis on the total amount of spending which has been committed per financial year beyond the current Spending Review period, which ends in 2014-15. For the time being, and until the residual over commitment in the MOD programme is dealt with, HMT approval will be required for all spending commitments.

Process for obtaining approval

Before any expenditure outside the delegated authorities is submitted by the department to the Treasury for formal approval, it should already have passed the highest level of scrutiny within the department, which as a minimum will require sign-off by the Principal Accounting Officer, Finance Director, or other official with full delegated powers.

Policy proposals and projects

Applications for approval should be submitted to the spending team, who will then advise you in writing as to whether approval has been granted.

Projects outside delegated authority will be scrutinised through the Treasury Approval Point process or the Major Projects Review Group for Government's largest and riskiest projects and programmes. You will normally receive a response within 28 days of the business case formally being received, or within 2 weeks of the Chief Secretary receiving a request for approval. Updated guidance on project approval processes is attached.

Cabinet Office efficiency actions and processes

The Cabinet Office efficiency actions and processes are summarised in Annex B. Applications for approval in areas where these actions and processes introduce specific delegated limits – ICT, marketing & advertising, and certain property expenditure – should be submitted to the ERG and copied to your spending team at the same time. Cabinet Office and Treasury will then work together and inform you in writing as to whether approval has been granted.

In addition, redundancy schemes under the Civil Service Compensation Scheme (and relevant by-analogy schemes) should be agreed with ERG before they are offered to staff. Departments also need to seek Treasury approval for redundancy schemes where these fall outside delegated authorities, including where this involves a request to draw down funding ring-fenced for redundancy costs in the Spending Review.

Delegated authorities for Arms Length Bodies

The delegated authorities to MOD's executive agencies, non-departmental public bodies or other sponsored bodies are set out in the relevant financial memoranda of the bodies concerned. These should be reviewed regularly and shared with the Treasury. MOD may approve without reference to the Treasury any expenditure proposal from the body which falls outside the body's own delegated authority provided it does not fall outside MOD's own delegated authority. The Treasury reserves the right to satisfy itself about the adequacy and scope of MOD's internal financial control arrangements for handling expenditure within these delegated authorities.

Review of delegated authorities

MOD's delegated authorities will be reviewed annually in March or when requested by either department. Notwithstanding these regular reviews, the Treasury reserves the right to withdraw or reduce or amend these delegated authorities. Before doing this, the Treasury will set out its reasons for making the changes and give MOD the opportunity to comment.

ANNEX A: DETAIL OF MOD DELEGATED AUTHORITIES

MOD's delegated authorities are set out below. Notwithstanding these delegations, certain categories of spending proposal override any delegated authority and must be submitted to the Treasury. These are proposals which:

- could create pressures leading to a breach in Departmental Expenditure Limits, administration costs limits, or Estimates provision;
- would entail contractual commitments to significant levels of spending in future years for which plans have not been set;
- could set a potentially expensive precedent;
- could cause significant repercussions for others;
- require primary legislation;
- are novel and contentious; or
- where Treasury consent is a statutory requirement.

In addition:

- MOD will act at all times within the rules of Managing Public Money.
- The department will abide by any specific agreements reached with Treasury Ministers or officials during Spending Review discussions or otherwise. This includes the current moratorium on all new equipment spend above MOD's delegated authority which is not directly related to operations in Afghanistan or to the replacement of the Strategic Deterrent.
- If spending falls under more than one category of delegation, the lower delegated limit applies.

The delegated authorities for MOD are set out in the following table:

Nature of delegation		Delegated limit	Disclosure threshold (for information only; does not necessarily require approval)
All projects and programmes; and announcements and policy proposals with a defined lifetime	Procurement (including equipment, PFI/PPP, estates, SOSP, IS/IT and service provision projects); Defence Reform proposals	£100m (forecast outturn cost)	N/A
Announcements and policy proposals creating on-going expenditure	Procurement (including equipment, PFI/PPP, estates, SOSP, IS/IT and service provision	£100m	N/A

	projects); Defence Reform proposals		
Internal funding allocations	Procurement (including equipment, PFI/PPP, estates, SOSP, IS/IT and service provision projects); Defence Reform proposals	£100m	N/A
Stock Write-Offs and Impairments	Equipment, SOSP, IS/IT, etc.	£100m	N/A
ERG controls	ICT	£5 million	£1 million
	ICT spend on systems that support administration	£1 million	N/A
	Marketing & Advertising	£100,000	N/A
	Property-related*	£100,000	N/A

*This category comprises the signing of new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Private Finance Initiative provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls. The detailed scope of this delegation is set out in the *Guidance on Actions and Processes* that accompanied the letter of 18 February 2011 from the Chief Secretary and Minister for the Cabinet Office to Cabinet. In addition, certain other types of spending always require Treasury approval:

- there is no delegation to MOD to waive Commercial Exploitation Levy (CEL) entirely without Treasury approval but MOD can negotiate an abatement of the standard levy rates in respect of sales less than £15 million value if the normal rates would raise the contractor's selling price to a level that would frustrate commercial sales or result in unrealistically low profit. In this case, a profit sharing agreement may be negotiated if MOD has adequate confidence in the contractor's cost accountancy system;
- any single change to Armed Forces pay and allowances which results in expenditure increase in excess of £5 million or change in pay which exceeds the most recent AFPRB pay award percentage for the targeted pay group must be referred to the Treasury unless it is: a change to LOA resulting purely from exchange rate fluctuations; already permitted by the strict application of a Treasury-agreed formula; or approved within the most recent AFPRB pay award;
- changes to the status of any MOD owned corporate asset;
- new revenue grants paid to local government. In line with the Government's commitment to greater financial freedoms for local government, these would need to be un-ringfenced and have no restrictive conditions;
- spend on public private partnerships, which generally creates commitments beyond the current Spending Review period and requires complex contracting which is considered novel or contentious; and
- spend on a complex or non-standard commercial model (e.g. joint venture) for a service or Business Process Outsourcing is considered as novel or contentious spend and any

negotiations or legal disputes with government's strategic suppliers is considered as spending that could cause repercussions elsewhere in the public sector.

The last of these forms part of the Cabinet Office efficiency actions and processes which are outlined in more detail in Annex B.

Notes:

1. Approval is required if spending falls outside one or more of the applicable delegated limits.
2. This includes all new projects and proposals/announcements, even when they are part of a larger programme or payment that was provided for as part of a Spending Review or other Treasury written approval and that are not covered by prior written approval from the Treasury.
3. This also includes renewal of existing projects and programmes where significant changes are being proposed.
4. The cost is the sum of all payments committed to a body, organisation or individual from a single programme (i.e. costs should not be "unbundled" to fall below the delegation).
5. The Cabinet Office efficiency actions and processes are automatically set at the minimum of the ranges set out in the letter from the Chief Secretary and Minister for the Cabinet Office of 18 February. If Treasury approves an increase in these ERG related delegated limits, this letter will be reissued to reflect the updated position.

ANNEX B – CABINET OFFICE EFFICIENCY ACTIONS AND PROCESSES

The following actions and processes supersede those introduced in May in MS FD(10)16 and took effect from 18 February 2011. Detailed guidance and definitions on the actions and processes below are contained in the letter from MCO and CST to Cabinet of 18 February 2011. As always, these controls will be operated in line with the principles of Managing Public Money.

In particular, departments should note that spend on a complex or non-standard commercial model (e.g. joint venture) for a service or Business Process Outsourcing is considered as novel or contentious spend and any negotiations or legal disputes with government's strategic suppliers is considered as spending that could cause repercussions elsewhere in the public sector. In these examples the Treasury will not normally approve spending without Cabinet Office agreement.

Delegated Limits

HM Treasury will not normally approve spending without Cabinet Office agreement for:

1. any marketing and advertising spend over £100,000 (this may be increased to £500,000 by agreement);
2. any ICT spend over £5 million (with flexibility for this to be raised to £20 million by agreement) and specifically any ICT spend over £1 million on systems that support administration including finance, HR or procurement activities or upgrades and hosting contracts for such systems; and
3. spend over £100,000 on the signing of new leases, renewals of existing leases, the non-exercise of lease break options, any new property acquisitions (including those made through a Private Finance Initiative provider), new build developments, sale and leaseback, and any freehold sales as part of national property controls.

Government Policy

In addition, the departments should also note the following Government policies run by the Cabinet Office will affect the approval of certain activities. These policies do not affect departments' delegated limits:

- Departments must commit volume spend and buy from centrally sourced contracts and approved frameworks for all common goods and services categories covered by central procurement strategies, which will be delivered from March 2011 (energy, office solutions, professional services, travel, fleet, generic learning and development, ICT commodities, advertising and media, print and print management).
- A government wide policy on major projects to support government's management of its major projects portfolio.
- Redundancy schemes (both under CSCS or other schemes) are agreed by the Cabinet Office before they are offered to staff.

Departments should also note that the following strategies will have an impact on departmental spending once they are approved through the relevant Cabinet Committee:

- a government online service strategy based on the recommendations of the DirectGov strategic review, which will affect spending on online information and services;
- a set of core ICT infrastructure solutions and standards, which will affect spending on spending on ICT systems; and
- a shared services strategy, which will affect business process spending.

In addition, the controls on recruitment spend and consultancy spend set out in the May 2010 MS FD (10)16 letter will continue and will be reviewed at the end of this Financial Year.

4: ROLES AND RESPONSIBILITIES – SUPPORTING THE ACCOUNTING OFFICER

Introduction

This chapter outlines the role and responsibilities of the Permanent Under Secretary (PUS) as MOD's Principal Accounting Officer (PAO) and of those officials, led by the Director General Finance, who are tasked with supporting the PAO in managing the Department's resource consumption.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Governance1	Finance Policy	9621 84576
DFM-FMPA-Ahd-Governance	Finance Policy	9621 86949

Key Points

1. In accordance with the Government Resources and Accounts Act 2000, the Permanent Under Secretary (PUS) holds a separate Treasury appointment as Principal Accounting Officer (PAO) for MOD. The responsibilities of an Accounting Officer are contained in [Chapter 3 Managing Public Money](#). If additional senior managers are made responsible for particular Requests for Resources within the Departmental Estimate, the Treasury appoints them as Additional Accounting Officers, subordinate to PUS.
2. The PUS has the personal duty of signing the resource accounts and the annual report; and, by virtue of that duty, being a witness before the Public Accounts Committee (PAC) to deal with issues arising from those accounts or, more commonly, from reports made to Parliament by the Comptroller and Auditor General (C&AG) under the National Audit Act 1983 (see JSP 462 under Public Finance Chapter 2).
3. The PUS combines the PAO responsibilities with a duty to serve the Secretary of State (SofS), to whom he/she is responsible for the efficient administration of the Department. SofS is in turn responsible to Parliament in respect of the policies, actions and conduct of the MOD.
4. The PUS is advised by the Director General Finance (DG Fin) on all financial issues. The role of a department's senior financial adviser is detailed in [Annex 4.1 Managing Public Money](#).

General Principals

Main responsibilities of PUS

1. The PUS has personal responsibility for the organisation, management and staffing of MOD and for MOD-wide procedures in financial and other matters. He/she must ensure that:
 - There is a high standard of financial management in MOD as a whole.
 - Financial systems and procedures promote the efficient conduct of business and safeguard financial propriety and regularity throughout MOD.

4: ROLES AND RESPONSIBILITIES – SUPPORTING THE ACCOUNTING OFFICER

- Financial considerations are fully taken into account in decisions on policy proposals.

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

3. The PUS must ensure that a sound system of internal control is maintained in MOD to support the achievement of its policies, aims and objectives, and should regularly review the effectiveness of that system. He/she should also ensure that managers at all levels:

- Have a clear view of their objectives, and the means to assess and, wherever possible, measure outputs or performance in relation to those objectives.
- Are given well-defined responsibilities for making the best use of resources (both those consumed by their own business areas and any made available to organisations or individuals outside MOD), including a critical scrutiny of output and value for money.
- Have the necessary information (particularly about costs), training and access to expert advice to exercise their responsibilities effectively.

“Joined-up” activities

4. The PUS should ensure that the impact of MOD activities on others is properly identified and, where appropriate, taken into account. For example, it might be decided that MOD should take part in a combined activity working with one or more other bodies and, although this would not directly contribute to the achievement of MOD’s own objectives, participation would assist in the achievement of other government objectives. PUS will need to be satisfied that participation represents good value for money for the Exchequer, and that appropriate controls are in place to safeguard propriety and to provide proper accountability.

5. In some circumstances, an activity proposed by MOD might lead to additional expenditure pressures arising on another department’s programme, or have an impact on the amount of revenue collected by the Exchequer. PUS should ensure that any such activity would provide value for money for the Exchequer and that, in implementing the activity, MOD staff have as much regard to value for money being secured as they would if the impact fell directly on their own Department.

Regularity and propriety of expenditure

6. PUS has particular responsibility for ensuring compliance with Parliamentary requirements in the control of expenditure. A fundamental requirement is that funds should be applied only to the extent and for the purposes authorised by Parliament. Parliament’s attention must be drawn to losses or special payments, by appropriate notation of the relevant account. In the case of voted expenditure, any expenditure incurred or payments made must be within the **ambit** and amount of the Estimate and parliamentary approval

4: ROLES AND RESPONSIBILITIES – SUPPORTING THE ACCOUNTING OFFICER

must have been sought and given. Amounts appropriated in aid, as set out in the Estimate, must be within the limits approved by Parliament. In cases not covered by the original Estimate – e.g. in connection with a service not contemplated when that Estimate was presented, or where a temporary advance from the **Contingencies Fund** has been sanctioned by the Treasury – PUS must ensure that Parliamentary approval is sought and given at the earliest practicable opportunity by way of a Supplementary Estimate or, if necessary, **Excess Vote**.

7. PUS is responsible for ensuring that specific Treasury sanction for expenditure has been obtained in all cases where it is required. It is required for any expenditure not covered by any standing authorities delegated by the Treasury to MOD. It is required before expenditure is incurred on any section of a Request for Resources (RfR) in excess of the amount specified for that section in the Departmental Estimates, even though savings may be available elsewhere and the expenditure itself falls within MOD's delegated authority. PUS is also responsible for ensuring that adequate machinery exists for the collection and bringing to account in due form of all income and receipts of any kind connected with the Estimate and accounts for which he/she is responsible.

Advice to Ministers

8. PUS has particular responsibility to see that appropriate advice is tendered to Ministers on all matters of financial regularity and propriety and, more broadly, on all considerations of efficient administration. PUS is now required to consider whether proposed policies or activities are feasible when considering whether to seek ministerial direction (for further advice see Chapter 3 MPM section 3.4 and Box 3.2).

9. If SofS is contemplating a course of action involving a transaction which the Accounting Officer considers would infringe the requirements of regularity or propriety (including where applicable the need for Treasury authority), PUS should set out in writing his/her objections to the proposal, the reasons for those objections and his/her duty to notify the C&AG should the advice be overruled. If the SofS nonetheless decides to proceed, PUS should seek a formal written direction to take the action in question. Having received such a direction, he/she must comply with it, but should then inform the Treasury (TOA) and the C&AG of what has occurred. The C&AG will normally draw the matter to the attention of the PAC, who will attach no blame to the accounting officer.

10. If a proposed course of action raises an issue not of formal propriety or regularity but relating to PUS' wider responsibilities for economy, efficiency and effectiveness, he/she has the duty to draw the relevant factors to the attention of SofS and to advise in whatever way he/she deems appropriate. If PUS' advice is overruled and the proposal is one which he/she would not feel able to defend to the PAC as representing value for money, he/she should seek a written direction before proceeding. He/she must then comply with the direction, informing the Treasury and the C&AG as in cases of propriety or regularity. More detailed guidance is contained in [Chapter 3.4 Managing Public Money](#). All ministerial directions will be published. The aim is to publish no later than the report and accounts. There are no restrictions if it is published earlier.

4: ROLES AND RESPONSIBILITIES – SUPPORTING THE ACCOUNTING OFFICER

Appearance before the Public Accounts Committee (PAC)

11. Under the National Audit Act 1983, the C&AG may carry out examinations into the economy, efficiency and effectiveness with which MOD has used its resources in discharging its functions. The PUS may expect to be called upon to appear before the PAC from time to time to give evidence on the reports arising from these examinations; and to answer questions concerning the resource accounts and other accounts, or parts of accounts, for which he/she is Accounting Officer. The PUS may be supported by other officials who may, if necessary, join in giving evidence.

12. The PUS will be expected to furnish the PAC with explanations of any indications of weakness in the matters to which its attention has been drawn by the C&AG, or about which they wish to question him/her.

13. The PUS will have delegated authority widely, but cannot on that account disclaim responsibility. Nor, by convention, does the incumbent PUS decline to answer questions on activities which took place before he/she took up appointment.

Other issues

14. The PUS now has a wider scope criteria for appointing other accounting officers. PUS can now determine a significant area of the business of their department for which an additional accounting officer may take responsibility. This is a matter at the PUS's discretion.

15. In the event of serious failures within Arm's Length Bodies (ALB), the PUS can arrange for the governance of the ALB to be adjusted, or replaced, if that is necessary to bring about required improvements. Leaders of ALBs must be alerted to this responsibility on appointment.

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Introduction

This chapter describes the roles of the Budget Holder and the Budget Manager and the relationship between the two. It also describes the functions of Director of Resources and provides guidance on some of the key tasks carried out by Budget Managers and their teams.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Governance ¹	Roles and Responsibilities – Budget Holders and Budget Managers	9621 84576

Key Points

1. Budget Holders are personally accountable for delivering agreed outputs as effectively, efficiently and economically as possible, for safeguarding regularity and propriety and for remaining within control totals.
2. The powers of Budget Holders must be set out in a personal letter of delegation from a superior Budget Holder or from the Permanent Under Secretary (PUS). Budget Holders have no powers to act unless that power has been specifically delegated to them in a letter of delegation.
3. Budget Managers advise Budget Holders on all financial matters and are responsible to the Budget Holder for sound, effective and efficient financial management of the budget.
4. Directors of Resources at TLB level are functionally responsible to the DG Finance for financial systems and process. Budget Managers support the Director of Resource in this activity.
5. Any financial proposal which is not endorsed by the Director of Resource or Budget Manager is deemed to be outside the delegated authority of the Budget Holder and must be referred to higher authority.

General Principles

Budgets

1. Budgets are used to allocate resources for the activities of the different parts of MOD. They form a hierarchical structure from Top Level Budgets (TLBs) through Higher Level Budgets (HLBs) to Basic Level Budgets (BLBs).

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Budget Holders

2. Budget Holders are Service or Civilian Officers formally designated within the Service chain of command or civilian line management structure as being personally accountable for delivering agreed outputs and targets as effectively, efficiently and economically as possible, and for safeguarding regularity and propriety, while remaining within resource and capital control totals. The authority under which Budget Holder operates, and the requirements and conditions attached to that authority, are set out in a personal letter of delegation from a superior budget holder or, in the case of TLB holders, from the PUS. An example of a letter of delegation from the PUS to a TLB holder can be found within the following link: [Defence Intranet | Library | Top Level Budgets - Letters of Delegation](#). Budget Holders have no authority to act unless the authority is specifically and explicitly granted in a letter of delegation. Budget Holders are encouraged to sub-delegate to ensure that business is managed efficiently and at the right level.

Director of Resources

3. Each TLB has a senior official appointed as Director of Resources by the DG Finance. The general duties of a Director of Resources are to ensure that:

- They advise their TLB holder on the most efficient management of resources, ensuring that at every level of the TLB there is a culture of seeking new efficiency at all times.
- Appropriate financial and accounting systems and processes are established and functioning properly.
- Instructions and guidance on finance matters are issued, as necessary, to the staff concerned.
- All finance staff have the degree of knowledge and expertise required for the effective discharge of their responsibilities, through completion of the Financial Skills Certificate, robust on the job coaching and other appropriate training.
- The TLB is managed in accordance with the principles set out in Managing Public Money, particularly in respect of regularity and propriety.

4. Directors of Resources are functionally responsible to DG Finance for delivery of the above tasks and for the integrity of MOD's financial systems within the TLB (or other area for which a Director of Resource is appointed).

5. An example of a letter of appointment for a Director of Resource is at [Annex A](#).

6. For Defence Agencies, DG Finance looks to the Chief Executive, supported by his/her financial adviser, to discharge the responsibilities of the Director of Resources. The relevant TLB Director of Resource remains responsible for pan-TLB systems and for overseeing the interface between the agency and the rest of the TLB. The TLB Director of Resource should be consulted by the Agency Chief Executive on any issue which might bear on PUS' responsibility for the department's financial processes and systems.

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Budget Managers

7. Staff who fill the role of Budget Manager are responsible for advising the Budget Holder and others on all financial matters and are responsible to the Budget Holder for sound, effective and efficient financial management of the budget. Budget managers also have a functional responsibility to and support the Director of Resource in the performance of the Director of Resource's duties. Budget Holders will look to the Budget Manager for specific and specialist advice and general guidance on all financial matters (including rules and procedures). The Budget Holder remains accountable for action taken on the advice of the Budget Manager.

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

- Financial Scrutiny. Scrutiny of expenditure or income generation proposals against the criteria of regularity and propriety, value for money, affordability and contribution to the objectives set out in the business plan.
- Planning. Formulation of a taut and realistic programme within available resources and against the correct Resource Account Codes to ensure expenditure and receipts are accounted for properly and in accordance with Supply Estimates.
- In-Year Management. Control and monitoring of expenditure and receipts to ensure that agreed outputs are delivered within control totals and remedial action is taken if there is any risk of control totals being exceeded.
- Receipts and debt management. Ensure that invoices in respect of repayment and other activity are raised promptly and accurately and that action is taken to hasten outstanding debts.
- Treasury correspondence. Act as the focal point for correspondence with Treasury on financial matters falling outside delegated powers, consulting FMPA-Finance Policy as necessary.
- Parliamentary business. Support the Parliamentary Supply Estimates and Departmental Annual Report and Accounts processes and act as the focal point for finance-related PQs, Ministerial Correspondence and FOI requests and for business with the National Audit Office and the Public Accounts Committee.
- Records. Maintain full and accurate records and payments and receipts to provide a robust audit trail acceptable and accessible to Defence Internal Audit and the NAO.
- Training. Ensure that all members of the budget management team have the appropriate skills and opportunities for training and development.

Disputes

9. If a Budget Holder does not wish to accept the formal advice from the Budget Manager or Director of Resource on any aspect of an expenditure or income generation

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

proposal, the proposal is deemed to fall outside the Budget Holder's delegated authority and must be referred up the management chain for resolution.

10. Similarly, in any case when the finance staff of an agency have recommended against a course of action on grounds of regularity and propriety, the Chief Executive must inform the Agency owner before proceeding or making any commitment.

Guidance on Budget Management Tasks

Financial Scrutiny

11. All expenditure and income generation proposals must be scrutinised against the criteria of regularity and propriety, value for money, affordability and consonance with departmental objectives. This is an integral part of the daily work of budget managers but needs to be conducted in concert with other members of the management team. There must be an auditable record of financial scrutiny of proposals. The main questions to be addressed during financial scrutiny are:

- Is the proposal within the MOD's delegated authority from the Treasury?
- Is the proposal within the delegated authority of the Budget Holder?
- Is it novel or contentious?
- Does it represent a way of doing business which could be justified to the PAC?
- Has a clear distinction been drawn between public funding and any non-public funding?
- Has a proper requirement scrutiny been carried out?
- Is the proposal supported by a robust investment appraisal? Have all options, including "do nothing" been considered?
- Have all related issues been considered (eg the timing of expenditure, manpower implications, training requirements and support services)?
- Are there arrangements for project evaluation and lessons learned review?
- Has financial provision been made within the Annual Budget Cycle (ABC)?
- Is the proposal affordable within control totals?
- Does the proposal contribute to departmental objectives?

Detailed advice on regularity and propriety and on the treatment of novel and contentious proposals can be found in Chapter 18 under Sound Governance JSP 462.

Requirement Scrutiny

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

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

- Have been correctly drawn up, both procedurally and in substance.
- Have been formulated with due regard for Government policy, cost effectiveness and the likely availability of resources and money, and;
- Are publicly defensible as proper, sensible and cost-effective demands on the resources voted by Parliament.

13. The essential difference between requirement scrutiny and financial scrutiny is that requirement scrutiny focuses on the validity of the requirement whereas financial scrutiny focuses on the means of meeting the requirement. So while financial scrutiny is carried out by budget management staff (who have responsibility for ensuring that requirement scrutiny has been carried out), requirement scrutiny itself is not necessarily carried out by the budget management team. An illustrative list of questions to be asked during requirement scrutiny is at [Annex B](#).

Receipts and Debt Management

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

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Annex A

MINISTRY OF DEFENCE

Floor 3, Zone D, Main Building, Whitehall, London, SW1A 2HB
Telephone (Direct Dialling) 020-7218- 6361
e-mail: jon.thompson791@mod.uk

From: Director General Finance

File Reference

Name of Director of Resources
Director of Resources Title
Address

Date

Dear

APPOINTMENT AS DIRECTOR OF RESOURCES

1. This letter confirms your formal appointment as the Director of Resources to the Top Level Budget (.....). In sending it, I am acting on behalf of the Principal Accounting Officer in accordance with my responsibility to him for the procedures and systems of financial management within the Department.
2. As a Director of Resources, you have a functional responsibility to me for the integrity of your part of the financial system and processes relating to resource consumption within the I look to you to discharge this responsibility in accordance with the relevant provisions of this letter.
3. The general duties of Director of Resources are to ensure that:
 - (a) They advise their TLB Holder on the most efficient management of resources, ensuring that at every level of the TLB there is a culture of seeking new efficiency at all times;
 - (b) Appropriate financial and accounting systems and processes are established and functioning properly;
 - (c) Instructions and guidance on finance matters are issued, as necessary, to the staffs concerned;
 - (d) All finance staff have the degree of knowledge and expertise required for the effective discharge of their responsibilities, if necessary by arranging for them to receive appropriate training;

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Annex A

- (e) Decisions which involve the expenditure of public money are properly informed by financial considerations.

4. You have a functional responsibility to me (and ultimately to the Accounting Officer) for the exercise of these duties. You are also to ensure that all finance staff within your area are aware that they have a functional responsibility to you in respect of your Director of Resources duties. The functional standards to which Director of Resources and finance staff are required to work are contained in “Managing Public Money” and other publications such as JSPs, Defence Instructions and Notices (DINs) and in instructions which I issue direct to Director of Resources or are published on my behalf. I look to the Chief Executives of Defence Agencies to take responsibility for the financial systems operative in their Agencies. As Director General Finance, I have a clear responsibility for ensuring that the required processes operate as intended throughout TLBs and look to Directors of Resources to ensure that this is the case. As well as acting as financial adviser to your budget holder, I expect you to be proactive in ensuring that the responsibilities set out in this letter are actively and effectively discharged within your TLB.

5. The detailed responsibilities of Director of Resources and budget managers are set out in JSP 462 Chapter 5 under Role and Responsibilities. I set out below what I consider the key elements upon which you need to focus.

6. Approval of expenditure

A key responsibility of the Director of Resources is to establish and maintain processes to ensure that Defence expenditure best meets Defence objectives. There are three elements to this:

- (a) Requirement Scrutiny. The requirement for which it is proposed to commit expenditure must not only be valid in the propriety sense, it must also represent priority within the budgetary constraints which apply. Where the expenditure is on behalf of a requirement in another budgetary area, it remains the responsibility of the spending budget to satisfy itself that the requirement is valid.
- (b) Value for Money. The proposed solution to the requirement must demonstrably represent value for money. Where capital expenditure is concerned, value for money will normally need to be demonstrated through an investment appraisal.
- (c) Affordability. The expenditure must be containable within agreed budgets, with offsetting savings identified and judged to be of lower priority where necessary.

7. Planning

With regard to the construction of the TLB Plan, it is your responsibility to ensure that the costing represents an efficient and effective plan for delivery of your TLB's agreed objectives and key targets, within the Resource and Capital Control Totals.

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Annex A

8. In-Year Management

The most important task in In-Year Management is to manage expenditure within the control totals, whilst maintaining both the quality and integrity of outputs. Potential underspends or overspends should be highlighted as early as possible so that timely corrective action can be implemented as required. Outturn and forecast information must be reported promptly and accurately to the Centre.

9. Receipts, Cash and Debt Management

The management of receipts, debts, cash and control accounts are important basic accounting processes. You should be mindful that all debts belong to your TLB and not to the DBS Fin IR; therefore, adequate and effective management control must be maintained. Local knowledge and contacts should be used to complement the work undertaken by DBS Fin IR. You should take full account of the provisions of JSP 368 in relation to the charges which must be levied when providing public goods or services to external customers.

10. Regularity and Propriety

As Director of Resources you have particular responsibility for ensuring compliance with Parliamentary requirements in the control of expenditure. A fundamental requirement is that funds should be made available only to the extent and for the purposes authorised by Parliament. You are responsible for providing advice to your budget holder. In this context, you act as the guardian of your budget holder's conscience and must not be afraid of offering him or her your clearest advice about what represents an appropriate use of public money. All Deputy Head Finance Policy (DFM-FMPA-DHd-Finance Policy) advice on significant issues of financial propriety will be copied to you and, in turn, I require you to assure yourself that the advice has been implemented or, if you have agreed an alternative course of action, that you formally advise Deputy Head Finance Policy of your decision. I recognise that this is a key area where I may need to lend you my support. If you can not reach agreement with your budget holder on such an issue, you should advise me.

11. Novel or Contentious Expenditure

The Department has no delegated authority to commit to expenditure which is novel or contentious. I expect you to ensure that this message is clearly understood by all budget holders and managers within your TLB. You are to ensure that you have the appropriate financial controls in place to identify all potential cases of novel or contentious expenditure, and to ensure that they are forwarded to you for consideration, review and/or onward reporting to HM Treasury, and that the subsequent decision is implemented in a timely manner. Deputy Head Finance Policy's advice should be sought on all novel or contentious expenditure.

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Annex A

12. The ARAc, and the Comptroller and Auditor General's audit opinion of it, are key factors in assessing the Department's financial performance, particularly for those outside the Department. You must therefore take a strong personal interest in ensuring that the input to the ARAc for your area is complete, accurate and complies with JSP 472.

13. Accountability and Audit/Assurance

I look to you to ensure that financial records and records of decisions or precedent are adequately maintained and are made available for audit if required. You should ensure that effective processes are put in place to manage both external and internal audit and relationships with the NAO and DIA. Whilst ultimate responsibility for corporate governance rests with your TLB holder, he or she routinely looks to his or her Director of Resources to plan and deliver it. Ensuring that the appropriate framework of control is in place is one of your key functions. You need to balance risk effectively against resources. I look to you to provide me with assurances that internal control within your TLB is adequate and effective and, in particular, that assets are safeguarded and resources consumed economically and efficiently. You should also ensure that all budget staff within your TLB are fully aware of their responsibilities in this respect and are supported and coached where necessary.

[original signed]

DG Finance

5: ROLES AND RESPONSIBILITIES – BUDGET HOLDERS AND MANAGERS

Annex B

Questions to be asked during Requirement Scrutiny

- Is the requirement consistent with Defence Policy?
- Is the requirement sensible in relation to the defence programme and the TLB programme?
- What is the military task to which this expenditure contributes – is the expenditure necessary in order to prosecute the military task successfully?
- Is the case convincingly supported by an Investment Appraisal?
- Are the assumptions underlying the expenditure consistent, both in their own right and with assumptions made in other cases?
- Is the case properly and convincingly made in relation to: Function, Numbers, Timing of related expenditure, Support and Manning?
- Does the proposed expenditure represent Value for Money in terms of its expected benefits and costs?
- Has the risk been evaluated? Would likely slippage or cost overrun affect the judgement of the Value for Money of the expenditure?
- Is funding available? If not, can it be made available (by diversions from elsewhere if necessary)?
- Have all options been thoroughly explored?

6: THE MOD PLANNING AND FINANCIAL PROCESS – THE PLANNING PROCESS

Introduction

This Chapter provides an overview of the Department's Planning Process. More detailed guidance is available in the Planning Round Instructions and the supplementary guidance issued by the Corporate Centre for each Planning Round. The latest version can be found on the Defence Intranet by following this link:

[Defence Intranet | Policy & Processes | Planning Process](#)

Points of Contact

Further information and guidance can be obtained from the following points of contact in the Corporate Centre:

Who	Topic(s)	Telephone Number
Def Res-Hd	Policy and Planning Process In Year Management	9621 87056
Strat Man-Hd	Policy and Programmes	9621 86436
Strat Man-Asst Hd Prog	Programming	9621 83228
Def Res-Planning AD	Planning Process	9621 87647
Def Res-Planning 1	Planning Process	9621 86662

Key Points

Policy Framework

1. The main objective of the Planning Round is to construct a Forward Defence Programme that fully reflects the Adaptable Britain posture that was the outcome of the Strategic Defence and Security Review (SDSR 10) and is aligned with Defence programming priorities. The Forward Defence Programme should be:

- a. Affordable within the Defence Budget set during the latest Spending Review with HM Treasury (Spending Review 10) and the assumed longer term Defence Budget out to Year 10 of the planning horizon;
- b. Balanced across people, equipment and support and non-equipment investment;
- c. Coherent across all lines of development, leading to the generation of effective military capability.

2. Further objectives for individual Planning Rounds will vary and are set out in the instructions issued by the Corporate Centre (see link above).

6: THE MOD PLANNING AND FINANCIAL PROCESS – THE PLANNING PROCESS

General Principles

Policy Framework

3. The Strategy for Defence (SfD) sets out the Department's purpose and high-level priorities and goals. Detailed, classified direction on implementing these is set out in Defence Strategic Direction (DSD), which sits alongside the Defence Plan and ensures coherence between the long-term vision and the resource-centred delivery plan. DSD 11 focuses on the period out to 2020 and defines the Adaptable Britain posture (Future Force 2020) as the principal planning objective. It identifies the route to Future Force 2020 through today's 'Directed Force' and the 'Interim Force' at 2015. DSD 11 also looks out to 20 years or beyond, as necessary. It will be reissued after each SDSR, with direction updated between SDSRs through Technical Instructions.

4. Further information on DSD and related documents can be found on the Defence Intranet by following this link: [Defence Strategic Direction](#).

Planning Round

5. The Planning Round is the process by which the Department internally allocates the Defence Budget in order to deliver Defence capability in line with the Policy Framework explained above.

6. The frequency and content of individual Planning Rounds will vary according to the context within which the process is being run. Thus, a Planning Round may be used to inform a Spending and/or Defence Review, implement the outcome of the Review(s) or to re-prioritise resource based plans between Reviews. Since PR 07, Planning Rounds have been held annually, although this is currently being reassessed in light of the recommendations in Lord Levene's report on Defence Reform.

7. The Defence Resources organisation within the Corporate Centre is responsible for managing the conduct of the Planning Round. At the start of the process they issue TLBs and the Capability Sponsor with Control Totals which provide an allocation of the Defence Budget based on the outcome of the previous Planning Round. This provides a financial ceiling for the conduct of the current Planning Round, although this may change as the process progresses. In parallel, Defence Resources issue detailed instructions for the conduct of that Planning Round, including Corporate Planning Assumptions (CPAs) which provide costing direction for rates of inflation, fuel prices, exchange rates etc., together with a timetable. Further Supplementary Guidance Notes (SGNs) providing additional clarification on specific elements of the Planning Round are issued throughout the process, as required.

8. The Planning Round is conducted in three separate Stages as follows:

- **Stage 1 – Recosting**

6: THE MOD PLANNING AND FINANCIAL PROCESS – THE PLANNING PROCESS

The final outcome of the previous Planning Round is updated and recosted by TLBs and the Capability Sponsor to take account of any changes to Corporate Planning Assumptions and other realism changes. Departmental outputs remain unchanged from the previous Planning Round during Stage 1, although resources may be re-allocated or transferred between TLBs/Capability Sponsor to deliver agreed outputs more efficiently.

- **Stage 2 – Internal Re-Programming**

During Stage 2, TLBs and the Capability Sponsor will review their risk assumptions, seek to find further new efficiencies and make internal reprogramming changes to their costed plans with the intention of bringing these into line the Control Totals issued by the Corporate Centre whilst maintaining outputs at previously agreed levels.

- **Stage 3 – Central Programming**

Stage 3 is centrally led re-programming activity aimed at producing a balanced, coherent and affordable Forward Defence Programme. This is achieved either through further internal reprogramming action (see Stage 2 above) and/or the issuing of candidate savings and enhancement measures (usually referred to as Options) which would make significant changes to the existing Forward Defence Programme and which will, in many instances, directly alter Defence Final Outputs. Options allow the financial and associated output consequences (usually referred to as impacts) of proposed measures to be assessed across the Department.

The Corporate Centre is responsible for prioritising Options and for building packages of savings and enhancement measures which would deliver a balanced, coherent and affordable Forward Defence Programme. These packages are submitted for approval to the Secretary of State chaired Defence Board. Once a final package of measures has been approved, these are implemented and costed programmes and management plans are adjusted accordingly by TLBs and the Capability Sponsor. This marks the end of the Planning Round process.

9. In steady state the full Planning Round process takes between nine to twelve months from issue of the Corporate Centre instructions to completion of final recosting of TLB and Capability Sponsor programmes. However, the Defence Board may direct that this timeframe is extended or curtailed, if circumstances require.

10. Following the conclusion of the Planning Round, the Defence Plan is updated to reflect the final outcome. Similarly, TLB management plans (which aggregate up to deliver the Defence Plan) are also updated. Progress in achieving the objectives in the Defence Plan is reported to the Defence Board through the Quarterly Performance and Risk Report (QPRR) and the annual Strategic Performance and Risk Report (SPRR).

11. The Planning Round is a complex process involving staff at all levels in the Department. Although this Chapter sets out the basic elements, the process is constantly evolving. More detailed guidance on context, processes, responsibilities, deliverables and timelines is therefore provided in the Planning Round Instructions issued by the Corporate

6: THE MOD PLANNING AND FINANCIAL PROCESS – THE PLANNING PROCESS

Centre (accessed using the link within Introduction to this Chapter) rather than this Chapter.

7: THE MOD PLANNING AND FINANCIAL PROCESS: IN-YEAR FINANCIAL MANAGEMENT

Introduction

The MOD is required to live within the resources voted by Parliament. To assist in monitoring the Departmental position, and to provide early warning of impending problems, In-Year Management (IYM) reports are required from all Top Level Budget (TLB) areas, including the Armed Forces Pension Scheme (AFPS), on a monthly basis.

Points of Contact

Who	Topic(s)	Telephone Number
Def Res-C1 (IYM TL)	In-Year Management	9621 87436

Key Points

1. Monthly reports include actual expenditure to date and forecasts against budgets.
2. Forecasts should take account of expenditure accrued to date, and the progress against the defence programme for the year, including any future changes to the programme.
3. TLBs are responsible and accountable for the detailed management of their resources in-year, in terms of actuals, budgets and forecasts. They are required to monitor accrued expenditure and commitments to ensure that the forecasts that are reported are as accurate as possible. The Centre will exercise management responsibility in a more strategic manner, by re-allocation of resources or adjustment in outputs, as necessary.
4. IYM reports are required for the following reasons:
 - a. To monitor performance against external and internal financial control totals.
 - b. To provide an early indication when problems arise with performance against objectives so that remedial action can be put in place.
 - c. To feed into overall departmental performance reports.
 - d. To be used by managers at all levels to assist in decision-making.
 - e. To inform the Annual Budget Cycle (ABC).
 - f. To complete monthly reports on the Combined On-line Information System (COINS) to the Treasury, and underpin Supplementary Estimates.
5. These reports are brought together to produce the monthly "Model Submission", where variations to the budget and forecast are identified and explanations given that identify where changes to the planned outputs have occurred.

General Principles

1. The Defence Resources division (Def Res) brings together all elements of Departmental Performance for the Defence Board (DB) in the form of the Defence Performance Framework.

7: THE MOD PLANNING AND FINANCIAL PROCESS: IN-YEAR FINANCIAL MANAGEMENT

2. The Centre will set the control framework required for IYM and will review, monitor and report performance externally. The Centre will not usually intervene in the normal course of business, but will send out general management guidance to TLBs detailing particular areas of concern, e.g. levels of capital spend.

Background

The Treasury Control Regime

1. The Treasury manages the Department using two control totals as follows:
 - Capital Departmental Expenditure (CDEL).
 - Resource Departmental Expenditure Limit (RDEL).
2. RDEL is, in turn, broken down into “near cash” (known in MOD as RDEL Direct including the Administration Budget, which is a separate control within RDEL) and “non-cash” (RDEL Indirect).
 - Non Voted.
3. Non Voted included Non Departmental Bodies
 - Non Budget.
4. Parliament will vote four Departmental aggregates, as follows:
 - Net total resources by Request for Resources (RfR).
 - Operating Appropriations in Aid by RfR.
 - Non-operating Appropriations in Aid.
 - Net Cash requirement.

The IYM Timetable

5. TLBs are required to submit a Flash Forecast to Def Res Fin & Ops. This will be at total Departmental Expenditure Limit (DEL) level and should be submitted on working day 7 of the month in advance of the main submission. A template, to aid the completion of this task, will be sent to each TLB with their control totals on work day 1 of the month and will essentially be designed to capture any significant changes from the previous to current forecast. The IYM timetable requires TLBs to submit their forecasts and associated commentaries and schedules to Def Res Fin & Ops via mailbox DefRes-In-YearManagement by working day 15 of the month. Thus, for AP3 (June), the submission should be received by working day 15 of July. The TLBs must submit Actual, Budget and Forecast Statement of Comprehensive Net Expenditure (formerly known as Operating Costs Statement) and Statement of Financial Position (formerly known as Balance sheet) each month, along with a commentary, variance analysis and supporting schedules.

7: THE MOD PLANNING AND FINANCIAL PROCESS: IN-YEAR FINANCIAL MANAGEMENT

Budgets

6. Resource budgets are set at the conclusion of every ABC, and may then be further amended during the IYM period itself. This process will provide a budget for each TLB holder, at Level 4 of the Chart of Accounts (COA) for each of the Accounting Periods (APs). TLB holders will then cascade subsidiary budgets through the budgetary structure to Management Groupings (MG) and BLBs.

Forecasts

7. Fully profiled resource-based forecasts are required from TLBs monthly throughout the financial year, from AP3 onwards, and are consolidated to present the Department's financial position picture to the Director General Finance. At the end of each quarter the TLB forecasts are subject, as required, to formal IYM reviews by the Director General Finance. These are consolidated for presentation, and action as necessary, to the DB. Managers should review and update their forecasts on a monthly basis, in line with good commercial practice, to reflect the current expected outcome.

8. The MOD is still subject to control on a cash basis by HMT. The Department must provide daily cash flow information monthly to support HMT reporting requirements. Although Planning, Budgeting and Forecasting (PB&F) is able to deliver an NCR report for AP4 onwards, supplementary information will be required at AP11 addressing the cash flow forecast for the first quarter of the following FY. Further information may also be requested on individual invoices in excess of an agreed threshold.

Monthly Reporting and Review Process

9. TLBs are required to make a monthly submission on PB&F, supported by a commentary detailing major issues and variance analysis. The form of the commentary is set out in the annual IYM instructions at the beginning of the financial year. All TLBs are visited regularly by their focal point within the Defence Resources team. Additional meetings can be held where TLBs encounter specific problems or issues that need to be resolved quickly.

Further Technical Guidance

10. Further technical guidance is available from the IYM Instructions issued annually. Guidance on Oracle and PB&F usage can be found in the appropriate System User Guides. See Link: [In Year Management Instructions for Financial Control and Reporting Requirements - FY 2011/12.](#)

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Introduction

This chapter provides guidance on the approach to be adopted where UK forces are deployed overseas in an international crisis, and on the general principles to be observed when determining the financial, contractual and accounting arrangements. These arrangements will need to be adapted to the circumstances of an individual deployment; Financial Management Policy and Accounting – Charging Policy (FMPA-Charging Policy) will issue supplementary deployment-specific guidance as necessary. UK forces may be deployed under national command or as part of an allied military operation conducted by NATO, the EU, or the UN, or by an ad-hoc coalition under UN or other auspices. The guidance in this chapter covers all operations outside the UK, except as part of a force under direct UN command.

Points of Contact

Who	Topic(s)	Telephone Number
PJHQ-J8-DepHd	Operational Finance Policy	9621 55828
PJHQ-J8-ACS-CFA	PJHQ Chief Financial Accountant	9621 55805
Def Res-Dep Hd (Fin Ops)	Scrutiny of IYM in relation to Costs of Operations	9621 85678
Def Res-C1 (Ops & IYM)	Def Res focal point for PJHQ-Operations and Peacekeeping Costs	9621 82846
Def Res-SO1 Joint	Military advice in support of scrutiny for Costs of Operations	9621 87698
DFM-FMPA-DHd-Finance Policy	Finance Policy – Regularity & Propriety Issues	9621 81627
DFM-FMPA-Ahd-Charging Policy	Charging Policy	9621 80221
DBS Fin-FDMT-Cash Con1-C1	Cash and Banking Services	9355 82888

Key Points

1. Minor operations are absorbed within the Defence core budget.
2. Major operations are charged to the Treasury Reserve under RfR2.
3. Costs lie where they fall.
4. Only the net additional costs of an operation can be charged to RfR2.
5. Manpower is not normally an allowable charge to RfR2.
6. The commitment of money on Operations is rapid and may be novel/contentious; finance staff must be particularly alert for the need for financial scrutiny.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

7. Complete and consistent forecasting is required on a monthly basis to update HMT on the Department's position.

General Principles

Funding Arrangements

1. There are a number of established principles which will apply to any overseas operation:

- The cost of overseas operations are not included in the forward programme. The defence budget includes no provision for overseas operations.
- MOD undertakes to absorb the cost of an operation where it is able to do so without detriment to other commitments.
- From the start of planning, FMPA-Charging policy and/or the Head Defence Resources (Hd Def Res), in consultation with Permanent Joint Headquarters (PJHQ), liaise with the Treasury and Other Government Departments (OGDs) on funding and accounting for the costs of the deployment.
- Unless the costs are attributed to OGDs, the costs of an overseas operation will be a charge to the defence budget.
- The Treasury expects the costs of lesser operations and minor deployments to be absorbed by MOD, but the Defence Secretary retains the right to make a claim on the Reserve for the marginal costs of major operations.
- FMPA-Charging Policy are responsible for Financial Instructions for operations which involve cost recovery, the Defence Resources (Finance & Operations) (Def Res Fin & Ops) being responsible for Finance Instructions when the costs are recovered from the Reserve. Both instructions are issued by the Director Financial Management (DFM).

2. Costs may be recovered from:

- Contributions from other nations, either burden sharing or Host-Nation Support (HNS).
- NATO common-funded expenditure, where a portion of the expenditure is reimbursed by NATO.
- EU common-funded expenditure, where a portion of the expenditure is reimbursed by EU.
- Costs of humanitarian assistance, which are reimbursed by the Department for International Development (DFID).
- Journalists and contractors, which are reimbursed from their companies.
- Costs of peacekeeping operations may be reimbursed by the Conflict Pool (CP) where these operations are accepted by one of the Pool programmes.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

3. The Conflict Pool is a tri-departmental budget jointly managed by FCO, MOD and DFID. It pays for UK discretionary peacekeeping, stabilisation and conflict prevention activities around the world, and is organised into five programmes: Africa; South Asia; Wider Europe; Middle East; and a thematic programme called Strategic Support to International Organisations. From the start of Financial Year 2009/10, peacekeeping operations (which were previously charged to the FCO Peacekeeping Budget) must be covered by the relevant Conflict Pool programme. Approval and a budget must be obtained from the appropriate tri-departmental programme board. All requests to gain access to this source of funding should be routed through the Security Policy & Operations Delivery Unit in the first instance.

Contributions from Other Nations

4. When operations are conducted as part of a wider international effort, or wholly or partly in defence of countries other than the UK, consideration should be given to seeking support from other nations. Such support may take the form of burden sharing or HNS.

Burden Sharing

5. Burden-sharing usually involves a cash contribution to the UK's costs by nations regarded as benefiting from the operation, or by those sharing the objectives of the operation but not making a significant military contribution. Early consideration should be given to opportunities for burden-sharing as part of MOD's examination of the operation's financial implications. A decision to seek burden-sharing would need to be agreed inter-departmentally, with negotiations initiated at government-to-government level, and led by the FCO.

6. There may be scope for seeking assistance in kind from allies and others for items such as transport, equipment, spares and medical services. These must be recorded, valued and accounted for. Valuation should represent the equivalent cost of providing the same service from UK resources. When this is not available (e.g. for certain types of equipment), details of the item and period of loan should be recorded separately so that a value may be attributed to the assistance later.

Host Nation Support (HNS)

7. HNS covers civil and military assistance provided during an operational deployment by a host nation to allied forces located in, or in transit through, its territory.

- Assistance may include the provision of basic infrastructure and facilities, petrol oil and lubricants (POL), transport, labour, communications, water, food and accommodation. This can reduce the logistic task of the deploying forces, and certain assistance may be supplied free of charge.
- Early in operational planning, MOD should explore the availability and potential for HNS with host nations and agree a cost/burden sharing formula, accepting that in some circumstances a host nation may not be able or willing to cover the costs of HNS.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

- The HNS lead rests with the Assistant Chief of the Defence Staff (Logistic Operations) (ACDS(Log Ops)) in consultation with the International Policy Plans (IPP) staffs and PJHQ.
- Where there are contingency plans for possible future operations, the availability of HNS should be considered together with the terms under which it would be provided.

8. In-theatre, PJHQ has the responsibility, in conjunction with the deployed military logistics staffs, to negotiate the provision of HNS to meet the requirements of the deployed force.

- The preferred option is provision in kind, but purchase by UK forces with recovery of costs from the host nation is an alternative.
- Any arrangement for provision in kind must safeguard HMG should the host nation be unable to meet supply commitments. For example, the option might be retained for UK forces to procure their own items or facilities with recovery of costs if the host nation is unable to meet a requirement within a specified number of days.
- The outcome of these negotiations should, where practicable, be confirmed in a formal agreement.
- The extent and value of HNS received must, where practicable, be recorded.

Financial Management and Advice

9. In any deployment, finance and secretariat arrangements will need to be set up at the outset alongside the military chain of command. The Chief of Joint Operations (CJO) is responsible for planning and executing UK-led joint, potentially joint, combined and multinational operations. CJO exercises operational command of UK forces assigned to combined and multinational operations led by others. The Command Secretary PJHQ is responsible to CJO for financial and secretariat arrangements.

10. As soon as a decision is taken to deploy UK forces, Commitments staff and PJHQ need to consider the provision of financial, secretariat and contractual support to the forces in-theatre. Where significant in-theatre expenditure or supply commitments are expected, an in-theatre PJHQ, Civil Secretary (Civ Sec) and appropriate supporting staff should deploy at the start of the operation. (See [Annex A](#))

11. For every operation, a series of delegation letters will be issued to ensure that everyone is aware of their responsibility to ensure full and proper financial management. For most operations, CJO will delegate financial authority to the Joint Force Commander (JFC). In parallel, Comd Sec PJHQ will issue the in-theatre Civ Sec with a similar letter placing responsibility for financial scrutiny, regularity and propriety. The lead Assistant Director Commercial (ADC) will delegate contractual powers specific to the operation.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Treatment of Expenditure

12. Costs incurred in supporting an overseas operation are to be treated in accordance with the following principles:

- **Costs incurred will rest with the TLBs where they fall**, and should be authorised and reported accordingly. These costs are then booked to the Treasury Reserve under Request for Resources Two (RfR2) as a Net Additional Cost of the Military Operation (NACMO) – historically referred to as the Conflict Prevention Fund. Advice can be sought through the following link: [IYM Instructions](#).
- Manpower costs of deployed personnel will rest with their parent Commands. The Operational Allowance is currently charged to CJO who reclaim it under RfR2.
- In-theatre expenditure should be controlled by (and except for costs which articulate to other TLBs, should be charged to) CJO's TLB, with PJHQ Comd Sec as the Senior Financial Officer. PJHQ will promulgate a unique UIN for each operational theatre for such expenditure.
- Operational Costs are reported in the monthly Forecast of Outturn to Def Res (Fin & Ops) on the Planning, Budgeting and Forecast (PB&F) reporting system. Def Res (Fin & Ops) advise Treasury of the claim against the Treasury Reserve and seek funding through the Main and Supplementary Estimates for Resources.

Accounting Officer Interests

13. Arrangements should be made at the outset to protect the interests of PUS as the MOD's Principal Accounting Officer, whose responsibilities remain undiminished in an operational deployment.

- Senior Central Staff (e.g. Deputy Head Finance Policy, Deputy Head Defence Resources (Finance & Operations) and ACOS J8 PJHQ and/or their staff – see [Points of Contact](#)) must receive copies of papers with significant financial implications highlighting issues such as value for money; regularity and propriety.
- Finance staff must be particularly alert to the need for financial scrutiny, as the commitment of money will move rapidly and possibly in unconventional ways.
- In conducting an operation, the crucial test must be whether Value for Money (VFM) is being obtained, and procedures adopted which PUS could defend.
- Much of the day to day management of NACMO expenditure is routine business for TLBs. Clear Departmental guidance on TLB delegations for NACMO spend is shown below at Table 1. Additionally, Treasury sanction is required for expenditure outside the Department's delegated powers (including "novel" or "contentious" expenditure). Such cases should normally be referred to FMPA-Charging Policy or to ACOS J8 PJHQ, as appropriate. Further guidance is covered in [JSP 507](#).

Table 1: NACMO Requirement TLB Approval Limit

DESCRIPTION	DELEGATION
Consumable items (inventory, fuel, etc)	£30M

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

DESCRIPTION	DELEGATION
Equipment Support costs, where not already approved as a UOR	£10M
Infrastructure	£10M
Guided Weapons Missiles and Bombs	£10M
New requirements	£5M
Training	£5M
SIT support	£2M
Backfill charter	2008 DIN03-018 dated Oct 08
Novel and contentious – none	None. BC must be submitted
Backfill of personnel – none	None. BC must be submitted
Terms and conditions of Service (TACOS) on ops	None. BC must be submitted

Recording Expenditure

14. Costs incurred, and the value of items consumed, on deployments and operations are to be recorded for control and accountability purposes and to provide broad cost figures (e.g. for use by Ministers in Parliament, and in support of arrangements for financing the operation). Budget managers must, subject to instructions given at the time, identify and record:

- All additional in-year expenditure directly attributable to the operation (i.e. expenditure which would not have arisen but for the operation), including the purchase or hire of additional equipment, stores and services; additional cost of equipment refurbishment; additional freight and passenger movement (both in and out of theatre); the additional cost of deploying units; extra civilian overtime, allowances or staff recruitment; additional payment of Service allowances; and receipts forgone.
- Additional receipts attributable to the operation.
- Expenditure likely in-year to replenish stores, equipment and ammunition depleted by the operation.
- Expenditure which would otherwise have occurred, but because of the operation did not (e.g. on allowances ceasing on assignment to an operation for which exercises were cancelled).
- Additional expenditure (e.g. to replenish inventories) and savings likely to result (e.g. due to expenditure brought forward) beyond the current year.
- At each Accounting Period (AP) budget managers should, subject to guidance at the time:
 - Reflect in their forecasts any additional expenditure and receipts which have arisen or are forecast to arise in year.
 - Provide any additional returns called for by FMPA-Charging Policy in specific Financial Instructions for reimbursement activities.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Budget managers should refer to [IYM Instructions](#) for further guidance.

Comd Sec PJHQ and relevant TLB managers should keep records, in accordance with standing procedures for stores accounting, of equipment, stores and other items of significant value which are consumed, destroyed or otherwise disposed of either in the theatre of operations or as a result of the operation. TLBs are responsible for proper recording of IT purchases, and ensuring that such purchases are compatible with existing facilities and functional standards.

Equipment Spares and Requirements

15. An operational deployment is likely to lead to additional requirements for equipment, communications infrastructure, IT, medical stores, spares and supplies. The normal principles of financial approval will, except as below, continue to apply, including requirement scrutiny. In carrying out these activities, staff must ensure that the requirements of regularity and propriety are complied with and that VFM is achieved.

16. SFOs and central staff should quickly formulate and promulgate any necessary streamlining of procedures, striking a balance between ensuring that the potential needs of an operation are met and avoiding nugatory expenditure. They should make known any delegation of responsibility for equipment requirement scrutiny.

Urgent Operational Requirements and Urgent Sustainability Requirements (UORs and USRs)

17. The UOR/USR procedures may need to be invoked if urgent requirements are to be met on time. UORs/USRs are appropriate where:

- A requirement is unforeseen and is considered essential for the support of current or imminent operations in an active theatre, for the saving of life, or for Special Forces operations; and
- The equipment is available either from suppliers or from MOD inventories (i.e. no development is needed), and rapid purchase is possible.

18. Where development is needed, and the project is considered capable of completion within two years the Operational Emergency (OE) procedure is appropriate. Effective teamwork will be needed to ensure the swift consideration and implementation of all operational and logistic support requirements. Guidance on the handling of UORs is contained in the UOR Standing Instruction (see: [2009 DIN04-129-UOR Guide Standing Instruction](#)) which outlines the end to end UOR process, the activities that support it and to define stakeholder responsibilities.

19. Budget managers should keep complete records of all expenditure incurred and committed and seek advice from their TLB on TLB processes. DGE will arrange for comprehensive records to be kept of UORs and USRs approved.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Contractual Issues

20. Budget staff must be aware of the contractual implications of their decisions, and of the need to adopt contracting arrangements for overseas operations which are as robust as those in place in the normal course of business.

- Only officials holding delegated contractual authority are empowered to enter into contractual commitments (including local purchase) on MOD's behalf, and these powers may be exercised only after financial authority has been given.
- Commercial and local purchase officers should deal with requirements expeditiously and consider all available procedural options to ensure that operations are not hampered.
- Further guidance is contained in the [Commercial Toolkit-UORs](#) or the [Acquisition Operating Framework/Strategic Guide to Acquisition](#) and in [JSP 332](#) supplemented by Local Purchase Notices.
- MOD is not empowered to direct contractors to divert equipment from other customers' orders to meet MOD requirements. Any such diversions need to be negotiated with the contractor concerned by the appropriate Commercial staff and the extra costs (if any) noted.
- On the conclusion of operations, outstanding contracts should be reviewed to decide whether value for money would be best served by cancellation or by letting them run their course. Significant factors will include cancellation charges, and the usefulness of the equipment etc. in other contexts.

Charging Issues

21. Operational deployments may result in services, facilities or stores being provided to OGDs or by the Armed Forces of another government. Normal charging procedures as laid down in [JSP 368](#) are to be followed except where:

- International agreements apply. (e.g. existing Memoranda of Understanding (MOUs), NATO Standardisation Agreements (STANAGs) or special interdepartmental agreements)
- Support is provided to other governments who are providing services or deploying personnel or equipment free of charge to make up shortfalls in the UK's own resources.
- Agreements exist between governments not to charge for reciprocal services of roughly equivalent value. (Apart from routine mutual support, these will be rare and will require FMPA-Charging Policy).

22. If it is intended to enter into an agreement with industry to supply MOD stores and equipment to other governments on other than standard repayment terms (e.g. on the basis of replacement in kind, the arrangement must be approved by FMPA-Charging Policy) and an appropriate agreement signed by representatives of the MOD procurement branch and the company before any stores or equipment are released. MOD's overhead charges must be taken account of.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

23. If it is intended to enter into an arrangement to supply manpower, equipment, services or stores to commercial companies to undertake commercial work for other governments either before, after or during a deployment, the arrangement must be approved by FMPA-Charging Policy and an agreement signed by representatives of the appropriate MOD procurement branch and the company before any assistance is provided. Any such assistance provided to another government through an OGD will be subject to the interdepartmental rules normally applying or, if there are none, to normal repayment rules.

Gifting Issues

24. Requests for gifting which arise as a result of a deployment must be considered in accordance with the normal criteria (see JSP 462 under Transactions Chapter 16), and authorised in accordance with normal procedures:

- All items considered for gifting must be valued, even if only a notional scrap value is appropriate.
- The delegated authority applies to the totality of the proposed gift, not the value of individual items.
- Any decision to proceed with a gift must be supported by a business case.
- The interests of the Accounting Officer must be safeguarded at all times.
- When in doubt, FMPA-Charging Policy or the Disposal Services Authority (DSA) advice should be sought. Def Res – Fin & Ops should also be consulted.

Personnel Issues

25. The peacetime pay and allowances structure cannot be extended to cover all the circumstances that may arise in a major emergency. Points to note are:

- Adaptations may be needed to meet special circumstances, and particular welfare-related measures may have to be worked out.
- A checklist of pay, allowance and welfare issues to be considered at the outset of any major deployment is available from DCDS Pers-PM-Allowances.
- Any departure from the normal rules must be justified, and must not lead to invidious comparisons elsewhere.
- The rationale for the “X-factor” must not be undermined.
- Once special concessions have been made, it is difficult to withdraw them.
- No decisions to change normal pay and allowance arrangements are to be made locally, and any such proposals are to be referred to DCDS Pers-PM-Allowances through the in-theatre J1 staffs and PJHQ.

Local Accounting

26. Units are likely to need access to cash in-theatre, both for local purchase and, in some cases, for the payment of cash allowances.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Accounting for Cash

27. The arrangements for using cash in support of an overseas operation must be tailored to minimise the risks.

- Cash must be accounted for through imprest accounts, or through sub-imprests linked to an imprest account held by a higher formation.
- Holding large sums of cash should be avoided wherever possible.
- Except for cash for immediate use, funds should be lodged in local banks (where these are available), subject to the advice of DBS Fin-FDMT-Cash and Banking who can arrange funding through bank accounts in most parts of the world at short notice.
- Cash is held by the Imprest Holder, a military officer trained in cash handling and accounting.
- Financial limits applying to each Control Account should be clearly defined, and as far as possible the correct Resource Accounting Code (RAC) for different categories of expenditure indicated.
- Official credit cards already in the possession of deploying units should not be used on operational deployments without the specific authority of the PJHQ Civ Sec, who will ensure that the proper accounting and requirement approval procedures are followed.

Accounting for Equipment

28. Even in an operational deployment, all possible steps must be taken to safeguard public property.

- Special care should be taken in accounting for equipment at the completion of the operation, for which unit rear parties with the required expertise should normally be tasked.
- Arrangements should be made for the return of all stores and equipment with appropriate documentation except where such action is not cost effective. In these latter cases, properly documented local disposal should be arranged. PJHQ should be consulted in cases of doubt.

Local Purchase and General Accounting Arrangements

29. Local Purchase Orders should normally be placed only by staff with commercial and local purchase experience, and who have delegated contractual authority to do so. Arrangements should be supervised by commercial officers on the staff of the PJHQ Civ Sec, who may sub-delegate local purchase powers in appropriate circumstances.

30. Normal arrangements for cash and equipment accounting will continue to operate except in accordance with specific dispensation. The standing Service Instructions should be followed, supplemented where necessary by additional guidance prepared by the appropriate SFOs or their finance staffs.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Captured Prisoners of War and Equipment

Prisoners of War

31. Treatment of prisoners of war is governed by the *Geneva Convention Relative to the Treatment of Prisoners of War 1949* (known as the Third Geneva Convention). They are MOD's responsibility, whether inside or outside the UK and the financial aspects of the Convention's requirements are reflected in the Manual of Army Pay Duties. Responsibility for internees and detainees in the UK, including any related costs, rests with the Home Office.

Equipment

32. Captured equipment becomes the property of the Crown.

- Arrangements for its disposal must be made in good time before the end of any conflict.
- No such equipment must be brought back to the UK without official sanction.
- Items for in-service use or scientific evaluation should have priority.
- Whole-life cost implications must be considered before captured stores or equipment are taken into service, including the identification of offsetting savings where necessary.

Transfer of Equipment to UK

33. Where they can be carried within spare capacity, items may be brought back under the following charging conditions:

- For display by MOD units – free of charge.
- For display by museums not in receipt of a Grant-In-Aid (either MOD or an OGD) – at the marginal cost rate.
- For other purposes- at the full-cost rate.

Sponsors will meet all costs from the port of arrival as well as the cost of subsequent upkeep. Items retained by museums will be gifted to them formally. For further reference see JSP 462 under Transactions Chapter 16.

Ceremonial Events

34. In the aftermath of a deployment, there may be proposals for the Services to be involved in, or contribute to, ceremonial events (parades, services of thanksgiving, etc).

- It will be for MOD Ministers to decide whether there are to be any officially sanctioned ceremonies, in which case a steering group should be set up to coordinate arrangements.
- Public funds must be spent in a proper manner and costs kept to the minimum consistent with the importance of the occasion.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

- For any ceremonies or events not sanctioned by Ministers, FMPPA-Charging Policy must be consulted and the responsibility for funding established at the outset before any commitments are agreed. For these events, any additional costs incurred must be recovered to the defence budget.
- Ceremonial events overseas are usually the financial responsibility of the FCO. Agreement on responsibility for funding must be reached before any commitments are entered into.
- For further reference see JSP 462 under Transactions Chapter 16.

Public Accountability

35. The Public Accounts Committee (PAC), House of Commons Defence Committee (HCDC) and NAO take particular interest in the arrangements for the financial management of operational deployments. Systems for identifying and recording costs must be in place and working effectively.

Deployments under UN Command

36. Where individuals or units are deployed as part of a UN force (as distinct from under UK or allied command in pursuit of a UN resolution), the FCO is responsible for both the policy and funding. A financial instruction will normally be issued but, in cases of doubt, FMPPA-Charging Policy should be consulted on charging levels.

37. Robust accounting practices must be followed, and documentation provided to identify all the costs arising, so that reimbursement of costs may be secured. Procedures for UN reimbursement are contained in the ***Manual on Policies and Procedures Concerning Reimbursement and Control of Contingent Owned Equipment of Troop-Contributing Countries Participating in Peace-Keeping Missions (not available electronically)***. PJHQ will ensure that the strict rules and procedures that the UN impose are followed to ensure maximum reimbursement.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Annex A

ROLE OF IN-THEATRE POLICY ADVISERS (POLADs) AND CIVIL SECRETARIES

Reporting

1. The in-theatre POLAD/Civ Sec reports to Commander British Forces (COMBRITFOR), but is also functionally responsible to Cmd Sec, PJHQ for the operation's financial and secretariat matters. A handbook of procedural guidance will be provided for use in-theatre.
2. The POLAD/Civ Sec must:
 - Alert PJHQ without delay to any developments likely to require the notification of Ministers or the seeking of Ministerial decisions.
 - Provide Comd Sec PJHQ with a monthly submission report, highlighting forthcoming issues.

Policy Advice

3. The POLAD/Civ Sec must provide advice to COMBRITFOR on:
 - Current defence policy and to support the development of new policy.
 - Local, national, international and UK political implications on operational decisions.
 - Support PJHQ and the Operations Directorate in providing accurate, timely and relevant information to Ministers.

Financial Concurrence

4. The POLAD's/Civ Sec's powers of financial concurrence are delegated by Comd Sec PJHQ. Purchases must not be split to remain within this financial limit. Any requirement above delegated authority must be referred to the Comd Sec PJHQ for prior approval.

Contracting Authority

5. Contracting authority is distinct from financial authority. The POLAD/Civ Sec does not have contracting authority, but will be supported by commercial officers.

Stores Accounting

6. Responsibility for stores accounting lies with the owner of the asset. Independent oversight of the accounting activity is the responsibility of the appropriate Supporting Command HQ staff. This is achieved by a range of inspections carried out at regular intervals by both UK and in-theatre HQ staff. The POLAD/Civ Sec must ensure that inspections are conducted regularly, and are achieving adequate and effective coverage of the stores accounting function.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Annex A

Civilian Management

7. The POLAD/Civ Sec has line management responsibility for all MOD civilian staff and locally employed civilians within the Secretariat. Where staffs have a separate chain of delegated authority, they will have the right of direct access up that chain where questions of financial regularity and propriety arise which may affect their delegated authority.

Claims against British Forces

8. The POLAD/Civ Sec must ensure that all claims against UK Forces are dealt with promptly and on the basis of legal liability.

- No acceptance of liability must be given before a full and thorough assessment has been completed.
- To assist with resolving potential claims arising from the use of land or hired equipment, adequate condition surveys (in/out) are to be conducted and formally recorded.
- The POLAD/Civ Sec will normally be supported by a claims officer. When such support is not available, the advice of the MOD Chief Claims Officer (CCO) is to be sought. The CCO will set out POLAD/Civ Sec responsibilities more fully. These responsibilities should be discharged through the deployed claims officer.
- A monthly report of claims settled should be provided to the CCO.

Disposals by Sale

9. The POLAD/Civ Sec must ensure that full consideration is given to the disposal of all surplus stores and equipment. Any decision to proceed with local disposal must be supported by a financial appraisal and the interests of the Accounting Officer safeguarded at all times. Even where the disposal falls within the level of delegation set out in the letter issued to the POLAD/Civ Sec by CE/DSA, the POLAD/Civ Sec must consult DSA staff, case by case, before any decision is taken.

10. Disposal can present difficulties in determining the most cost-effective solution and setting a reasonable target sale price. Particular issues are likely to be:

- The formula used to depreciate equipment. Guidance on assessing the residual value of stores and equipment is in preparation by the equipment managers; Comd Sec PJHQ and FMPA-Finance Policy can offer assistance.
- The process (i.e. financial appraisal), to establish whether disposal in-theatre represents the most cost-effective option.

The POLAD/Civ Sec must provide DSA with a quarterly report on sales, copied to PJHQ J8.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Annex A

Gifting

11. FMPA-Charging Policy will confirm the authority delegated by the POLAD/PJHQ-J8 Fin/Ops to gift stores and equipment. This must be done in accordance with JSP 462 under Transactions Chapter 16.

12. The POLAD/Civ Sec must submit a monthly return on gifting to FMPA-Charging Policy, copied to PJHQ-J8 Fin/Ops.

Write-Off

13. Write-off powers are delegated from CJO and the supporting Commanders-In-Chief to COMBRITFOR, who is encouraged to sub-delegate this authority to the appropriate level. COMBRITFOR will issue a separate letter of delegation to the POLAD/Civ Sec.

- It is the POLAD/Civ Sec's responsibility to ensure that delegated powers are exercised properly, that all write-off cases are thoroughly staffed and that appropriate remedial action is taken to avoid recurrence.
- A write-off register must be maintained and submitted to PJHQ-J8 Fin/Ops quarterly. The register must distinguish between writes-off exercised on behalf of CJO and those exercised on behalf of the supporting Commanders-In-Chief.
- All writes-off in excess of COMBRITFOR's delegated powers must be staffed in-theatre and submitted to the appropriate UK HQ for action.

Duties

14. As POLAD, the POLAD must:

- Provide advice to COMBRITFOR and the HQ on political aspects of the operation.
- Ensure that political aspects of the operation are reflected in advice to the COMBRITFOR from other deployed elements of the General Staff.
- Maintain close links with international organisations, non-government organisations, other HQs in-theatre (through POLADs), PJHQ and MOD HQ.
- Contribute to PJHQ and MOD HQ staffing of national UK issues, keeping both HQs informed of work in hand.
- Represent COMBRITFOR at meetings with local politicians and authorities as required.

15. As Civ Sec, the Civ Sec must:

- Exercise, on behalf of the JFC and Comd Sec, PJHQ requirement and financial scrutiny over all in-theatre requirements related to the operation and to ensure regularity and propriety are observed at all times.

8: ACTIVITIES: OVERSEAS OPERATIONAL DEPLOYMENTS

Annex A

- Exercise financial control over all in-theatre expenditure, and establish procedures and systems to ensure proper control and monitoring. In conjunction with the Commander SPS, advise COMBRITFOR on cash management in-theatre.
- Advise the JFC on the handling of UORs/USRs and provide advice to the relevant SFOs and MOD staffs as required.
- Provide financial information, as required, on costs incurred in-theatre and the value of goods, services and facilities provided free to UK Forces by other nations.
- Arrange reimbursement to or from other nations, international organisations or agencies for goods and services, either provided to or by the UK.
- Advise PJHQ on the observance of stores accounting procedures in-theatre, and any requirement for further guidance or instruction.
- Act on COMBRITFOR's behalf in exercising his/her delegated powers of write-off.
- Settle claims in accordance with specific delegated authority issued by the Directorate of Business Resilience – Common Law Claims and Policy.
- Dispose of surplus goods and equipment in accordance with specific delegated authority issued by DSA. All proposed disposals are to be supported by an appraisal covering both financial and operational aspects. Disposals in excess of the DSA level of delegation should be, in parallel with reference to the DSA, referred to DCS PJHQ for financial concurrence. The authority of ACDS (Log Ops) must be sought in all instances where equipment may be considered to be War Maintenance Reserve.
- Overseeing the gifting of goods and equipment in accordance with the provisions of JSP 462 under Transactions Chapter 16 under specific delegation from FMPA-D Hd-Finance Policy.
- Advise COMBRITFOR on the application of the rules on gifts, rewards and hospitality contained within [Defence Intranet - Gifts, Rewards and Hospitality](#), and ensure that hospitality books are subject to periodic checks.
- Ensure that proper records are kept and that a clear audit trail, including financial appraisals, is maintained for all decisions. On completion of the operation, or at an agreed time before, all Secretariat files and other records are to be returned to PJHQ for retention.
- Ensure that any requests for national funding from UK personnel serving in NATO posts in-theatre are referred back to PJHQ/FMPA-Charging Policy.

9: ACTIVITIES – SPONSORSHIP

Introduction

This policy provides guidance where sponsorship is sought to support core Defence activities. Sponsorship to support non-core activities is covered in [Annex E](#).

Sponsorship is the payment of a sum of money, or the giving of a “benefit in kind”, by an organisation **in return for the rights to an association with an activity, event, team or item**. The money received can contribute towards the cost of an activity, while goods and services (“benefits in kind”) can support or enhance the activity. It provides an opportunity for MOD to work in partnership with external organisations in support of recognised defence activities. Sponsorship differs from donations. For guidance on what constitutes a donation and the necessary treatment see JSP 462 under Sound Governance Chapter 18 paragraphs 2 -7.

MOD occasionally sponsors the activities of an outside body or individual. This is known as “outward sponsorship” and is dealt with in paragraphs 22 - 25 below.

Points of Contact

Top Level Budget (TLB) Sponsorship Focal Points

Who	TLB	Telephone Number
FLEET-RP Fin Dec Spt 2 SO2	Navy Command	93382 5152 or 02392 625152
LF-RES-FRAUD-REG&PROP-C1	Land Forces	94344 6241 or 01264 88 6241
Air-DResFPP-CG-PRSec-C2C	Air Command	95221 6517 or 01494 496517
JFC-Fin-Coord	JFC	9360 58580 or 01923 958580
DIO Fin-DCFO Fin	Defence Infrastructure Organisation	94421 3807 or 0121 311 3807
DES FIN FGA-FG	Defence Equipment & Support	9352 35112 or 0117 91 35112
HOCS Fin-Governance	Head Office	9621 82753 or 0207 218 82753

General Contacts

Who	Topic(s)	Telephone Number
DFM-FMPA-Charging Policy 3	Advice on Sponsorship Policy	9621 80259 or 020 7218 0259

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Who	Topic(s)	Telephone Number
DIPR-CTML	Defence Intellectual Property Rights (Use of MOD logos and insignia)	9679 32861 or 0117 913 23861
DES Comrcl Pol-Help Desk	Commercial Policy	9679 81876 or 030 679 81876
DBR-CLCP-SCO Policy	Insurance and Liability	9621 78741 or 020 7807 8741
DMC-Ops PR Strat Mktg SO2	Public Relations	9621 87953 or 020 7218 7953
DCDS Pers-ACDS-CECT SO1	Policy coordination of all tri-service ceremonial and heritage events	9621 70978 or 020 7807 0978
DMC-Ops PR Strat Mktg Events Off	Reputation, public relations and Service marketing initiatives	9621 86162 or 020 7218 6162
DMC-Ops PR Navy SO2 Marketing	Defence Media and Comms, PR (Navy)	9621 87508 or 020 7218 7508
DMC-Ops PR Army SO2 PlansCoord	Defence Media and Comms, PR (Army)	9621 81673 or 020 7218 673
DMC-Ops PR RAF SO2 Marketing	Defence Media and Comms, PR (RAF)	9621 86043 or 020 7218 6043

Key Points

1. When accepting Sponsorship the following key points should be followed to assure coherence with other MOD policies:
 - a. Impartiality, honesty, integrity.
 - b. Avoidance of conflict of interest.
 - c. Safeguarding of the MOD's reputation.
 - d. Accountability.
 - e. Regularity and Propriety.
 - f. Avoidance of any form of endorsement of the sponsor or sponsor's products or services.

General Principles

Benefits

1. Sponsorship can offer the MOD and the external organisation a number of benefits.

9: ACTIVITIES – SPONSORSHIP

For the **MOD** it can:

- Help offset costs to the public purse.
- Improve recreational and welfare facilities.
- Enhance the defence profile in the public eye.
- Enhance relationships with industry and the local community.
- Enable activities to take place which would not otherwise be affordable within existing budgets.

For the **Sponsor** it can:

- Enhance relations with the MOD.
- Enhance public awareness of the sponsor.
- Associate the sponsor's brand with MOD activities.
- Provide tax benefits - Sponsorship may be an allowable expense for tax purposes.

What we can offer a Sponsor

2. Acknowledgement of the sponsor may be made through the use of on site advertising material and use of standard logos on equipment and vehicles loaned to MOD (See paragraphs 18 - 20). Acknowledgement can take various forms:

- **Branding** – The use of the organisation's name and/or logo on promotional material or publications.
- **Advertising** – Advertisements for sponsoring organisations may appear in any relevant brochures or literature associated with the activity or recipient of the sponsorship. This should be outlined in the formal written sponsorship agreement.
- **Accreditation** – The direct association of the sponsor's name with an activity. A sponsor should not be offered accreditation within the title of the defence activity as this would present too close an association with the sponsor and might also imply ownership. Forms of accreditation which are acceptable include:
 - "Sponsored by ..."
 - "In association with ..."
 - "Supported by ..."
 - "Made possible with the assistance of ..."
 - "The Ministry of Defence gratefully acknowledges the support of ..."

Or, in the sponsor's advertising material:

- "Sponsor of ..."
- **Product Placement** – Publicising (but not endorsing) an organisation's products or services as part of the activity being sponsored through exhibition or use.

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- **Networking** – Allocation of places to sponsors for attendance at Defence activities.

Key Issues

3. The Cabinet Office has issued guidelines to ensure that a consistent approach to sponsorship is adopted by Government departments. The MOD policy reflects the guidelines offered by the Cabinet Office – see [COI - Sponsorship Guidelines 2007](#).

4. MOD has a very strong relationship with industry and other external organisations, particularly in relation to its procurement business. The MOD must at all times deal with external organisations in a fair and open way, allowing no opportunity for, or the perception of, undue influence to be exerted in the decision-making process. Inappropriate sponsorship arrangements could leave the MOD open to accusations of being influenced by a particular organisation, e.g. through access to officials and Service personnel which might not be available to competitors. The underlying theme is that:

Any sponsorship arrangement must be able to withstand public scrutiny.

5. The following points must be observed when considering sponsorship to ensure that any arrangement is justifiable and defensible:

- Sponsorship must add significant benefit to an existing MOD message or activity.
- No matter how great the commercial advantage to the Sponsor, or the financial advantage to MOD, the need to safeguard the Services' and the MOD's reputation must be paramount.
- The activity must not be entirely dependent on sponsorship support for its funding.
- Sponsors must not receive benefits which are disproportionate to the value of sponsorship offered. It is common for a proposal (and often unsolicited proposals) to MOD to involve the delivery of small value goods or services, particularly to areas that are experiencing funding gaps, with a corresponding requirement for MOD to appear in advertising or to actively endorse such products or services. Any such approach should be rejected. Individuals within MOD (and service personnel in particular) should actively avoid situations where they trade their participation or endorsement (or even perceived endorsement) for such goods or services, as they are unlikely to pass public scrutiny and may bring the MOD, and the individual, in to disrepute, risking disciplinary action.
- Publicly funded resources must not be used to generate income or profit for external organisations or private individuals.
- Sponsorship must be sought in an open and fair manner from businesses competing in a particular field.
- A sponsored activity must not use MOD resources without the prior written approval of the TLB.
- Events must not take place if there is concern that costs to public funds may not be recovered.

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- Large-scale and/or complex proposed sponsorship must not be treated as an ad-hoc activity but as an essential part of the TLB's planning process, featuring in the TLB business plan. This ensures that the level of sponsorship support needed is considered alongside other defence priorities, that activities are identified in advance of sponsorship being sought, and that there is proper consultation with interested parties before the decision is made whether to approve the sponsorship proposal.
- The MOD must not be placed under obligation to any sponsor that goes beyond an agreement relating to the activity. Neither must a sponsor be placed under obligation to MOD which goes beyond the agreement relating to the activity.
- Sponsorship must be of activities, not of individual persons, Ministers or Crown Servants.
- Sponsors must not be, or appear to be, given privileged access to Ministers or officials in return for cash or benefits in kind.
- Sponsors must not receive ownership rights to any MOD assets, and their support must always be seen as secondary to MOD's aims.
- There must be no **overt** commercial advantage to the sponsor in terms of direct sale of their products or brands as a result of their association with MOD.
- As above, and a point that must be laboured, the MOD must not "endorse" or be seen to endorse, the sponsoring organisation or its products. In other words, names insignia and logos must not be used to imply that the MOD particularly favours a contractor's products or services, or certifies the suitability or quality of them. This also includes ensuring that individuals do not make statements credited to them personally in any official capacity being used by the sponsor if they endorse or appear to endorse the sponsor. There is guidance in the Contact with the Media and Communicating in Public DIN ([Defence Intranet | Library | DIN 2011DIN03-025: Contact with the Media and Communicating in Public](#)).
- Sponsors must not use the MOD's activity as a direct sales channel for their products or services.
- The MOD must not normally enter into agreements lasting longer than two years. Exceptionally, any deals lasting over two years should be regularly reviewed i.e.: at the two year point and at the end of the third year to consider renewing the association. New contract arrangements should come into force at the end of year four subject to the agreement to continuing the association.
- The activity is relevant to a defence core task and is within the funded programme.
- Sponsorship is an appropriate way for promulgating the Defence/Service message and is linked to business objectives.
- The level of resources has been identified and does not conflict with other core Defence business or PR campaigns.
- The impact on the core programme has been properly assessed.
- All relevant parties have been consulted including the relevant TLB Sponsorship Focal Point.

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Use of Military Trade Marks

6. The MOD and Service names, insignia and logos, such as the MOD Departmental crest, the name “Royal Navy”, the Army “cross swords” logo, the RAF roundel, and Army Regimental cap badges, are all MOD owned assets, many of which have been registered as trade marks in the name of the Secretary of State for Defence. Individuals within MOD do not have the right (or delegation) to allow any third party to use such marks for any purpose beyond the permission given in this JSP. In particular, individual units cannot authorise third parties to use any MOD formation names, insignia or logos for any purpose. The DIN - MOD Names, Insignia and Logos ([Defence Intranet | Library | DIN 2009DIN05-052: MOD Names, Insignia and Logos](#)) refers. If you have any doubts as to any proposals, please contact Defence Intellectual Property Rights for advice.

7. Sponsors must not be permitted to use any MOD and Service names, insignia and logos without the approval of Defence Media and Communications and the written approval of Defence Intellectual Property Rights. Whilst each request for use of a MOD owned name, insignia or logo is considered on its individual merits and benefits to the department, it is MOD policy not to licence any third party use of the MOD Departmental Crest except in relation to projects being delivered jointly by the MOD and a contractor.

Use of Sponsors’ Logos

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

- As a guide, the sponsor’s logo should not take up more than 2% of the total area of the cover of a publication or other printed material (e.g. poster leaflet) or be greater than 50% of the size of the MOD/military trademark or logo. The prominent mark should be the MOD/military trademark or logo.
- A sponsor’s logo must not usually be placed on the front cover of a publication – a highly valued position. Use on the back cover is acceptable but such use, and any exceptional use on the front cover, should make it clear that the sponsor is a supporter of the publication and not an equal partner.
- A sponsor’s main corporate logo must be used in preference to a brand/product logo.
- Sponsors must not be allowed to use sales messages or advertising statements as part of their logo.
- Sponsors may be permitted to use the logo of the activity being sponsored (e.g. a conference logo) subject to clearly defined parameters (e.g. on what it is used). Approval must be given for the usage of the logo on each item of publicity material. Directorate Intellectual Property must be consulted to put in place the necessary agreements for these requirements.

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- Sports clothing and equipment. The size of a sponsor's registered logo or trademark must comply with the instructions laid down by the UK National Governing Body for the sport concerned. Where a minimum size is stipulated, this must not be exceeded. Where a Governing Body stipulates only for a maximum size, agreement should be reached with individual sponsors for the logo to be the smallest size mutually acceptable, subject to the first point mentioned in this list.
- To avoid creating the perception of a link between the two organisations, the sponsor's logo and the MOD/military logo must not appear side by side. The marks should preferably appear on opposite sides of the page, and consideration should be given to how they appear on products (if applicable) to ensure that endorsement is not implied. Seek guidance from Defence Intellectual Property Rights if you are unsure.

Crown Servants and Propriety

9. In terms of sponsorship of defence activities, sponsors may offer hospitality to Crown Servants. Hospitality can take many forms, but will typically be an invitation to attend the sponsored activity.

10. The scale of hospitality offered by a sponsor of approved Service or Departmental activity (the policy already, exceptionally, allows for Service or Departmental sporting events) must be reasonable in the context of overall attendance and the nature of the hospitality offered. In terms of sporting events or social events MOD must not give the impression that the widespread acceptance of hospitality is acceptable. It is not acceptable for an organisation not sponsoring an activity to offer hospitality at events.

11. Crown Servants must not accept personal gifts or derive personal benefit from sponsors. Where a gift (which includes any items of equipment provided by the sponsor not directly in support of the formal agreed activity) has been offered to the Department, this must be brought to the attention of the relevant Director of Resources. Crown Servants should not become involved in product or service plans or improvements, and nor should they make statements that can be accredited to them personally, without the express permission and oversight of Defence Media and Communications.

12. It is important that Regularity and Propriety is maintained and that Crown Servants familiarise themselves with the policy governing the acceptance of gifts, rewards and hospitality and Outside Appointments and Activities issued by the HRD Employment Framework team on the People Services Channel. See links below:

- [Policy Rules and Guidance: Standards of Conduct and Behaviour: Annex - Gifts, Reward and Hospitality.](#)
- [JSP 462 - Financial Management Policy Manual - Chapter 18 Annex C.](#)
- [Policy Rules and Guidance: Outside Appointments and Activities.](#)

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Defence Business and Types of Sponsorship

Core Defence Activities

13. “Core” defence activities are those which are publicly funded. Resources are allocated to TLBs in order to enable them to deliver their outputs and key targets. A clear audit trail must be maintained for all expenditure from public funds.

14. MOD undertakes, as part of its core defence objectives, activities which raise the profile of the Services within the community. Such activities attract interest from potential sponsors because there is likely to be strong public interest and attendance.

Benefit-in-kind Sponsorship

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

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

17. A benefit-in-kind sponsorship agreement should include mention of a value to the MOD of any “in-kind” sponsorship. This can be measured by considering the opportunity cost, i.e. how much it would have cost if the MOD had paid for the support provided (or how much was allocated for the product or service within the relevant budget).

Loaned and Sponsored Vehicles

18. Where the vehicles are provided the additional cost implications should be considered. For example, the cost of maintenance, fuel, insurance, etc. as well as the limitations on the display of the sponsor’s branding on the vehicle. Vehicles supporting core activities will be covered by the MOD’s self insurance indemnity and are entitled to draw fuel at public expense. Full details of the procedure for accepting loaned and sponsored vehicles including trials vehicles can be found in [JSP 800 Vol 5](#).

19. Prior approval is required from the TLB Director of Resources before acceptance of loaned or sponsored vehicles in accordance with JSP 800 Vol 5. Once accepted by the MOD, sponsored vehicles must be managed and operated in accordance with this JSP.

For reporting purposes – See [Reporting and Reviewing](#).

External Support for Activities

20. Instead of offering sponsorship, where there is a mutual benefit offered by both parties, an outside organisation may choose to provide support in the form of discounted goods (at its own business risk). The relationship in this case is governed by a standard

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contractual arrangement drawn up by the appropriate commercial staff between the Department and the supplier. No sponsorship agreement is required, and therefore such an activity should not be recorded as sponsorship.

Outward Sponsorship

21. “Outward sponsorship” takes place when MOD supports activities of an external body or individual, typically for recruiting or PR purposes.

22. Public money should not be used to support a non-public activity unless there is a direct benefit to MOD’s core business, e.g. recruiting, and the requirement – together with any necessary funding – has been approved by the TLB Director of Resources and included in the Annual Budget Cycle and Business Plan. For example, MOD could sponsor a table at a corporate business event if it were considered a good opportunity to promote MOD business. Permission to use public funds in this way should be given by Director of Resources and should be subject to the normal rules of regularity and propriety and value for money.

23. All “outward sponsorship” proposals should follow the same broad sponsorship principles i.e. they should be staffed through the Director of Resources, or any formally sub-delegated individuals or organisations. A written sponsorship agreement must be prepared to cover the proposal.

24. For any large scale outward sponsorship e.g. on a national level to support recruiting activity, contracts can be placed through the Central Office of Information (COI) – for further guidance on this please refer to the [COI - Sponsorship Guidelines 2007](#).

Roles and Responsibilities

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

The role of the TLB

26. Before agreeing to sponsorship, the TLB must ensure that consideration is given as to whether an activity is appropriate in terms of purpose, content, use of facilities and resources – and whether the right message is being sent.

27. The Director of Resources is responsible for the implementation of sponsorship policy within the TLB. Day-to-day management of sponsorship may be conducted by the TLB Sponsorship Focal Point – [Points of Contact](#).

28. TLBs are also responsible for reporting of all core sponsorship agreements with a value of £5,000 or greater, excluding VAT – see paragraphs 56 - 59 on Reporting and Reviewing.

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The Role of the Sponsorship Organiser

29. Within the TLB, the business area organising the activity where sponsorship is being sought is responsible for the planning, execution and review of sponsorship. They must ensure sponsorship does not cut across existing regulations or MOD-wide campaigns. See [Points of Contact](#) for details.

30. An individual nominated to perform this role would have the following tasks:

- Liaising with the TLB Sponsorship Focal Point. (See Points of Contact)
- Engaging with TLB Commercial Staff. (See paragraphs 33 -35)
- Discussing any public relations aspects and any possible conflict with Service marketing initiatives with TLB PR staff and Directorate Media & Communications Public Relations.
- Discussing any intellectual property matters with the Directorate of Intellectual Property Rights.
- Discussing any insurance and indemnity matters with Directorate of Business Resilience, Common Law Claims & Policy.
- Discussing any tri-service ceremonial and heritage issues with the Ceremonial Events Commemoration Team.
- Identifying a Suitable Activity for Sponsorship. (See paragraph 37)
- Identifying Potential Sponsors. (See paragraph 38)
- Assessing Suitability of Sponsors. (See paragraphs 39 - 42)
- Preparing the Sponsorship Business Case for approval. (See [Annex B](#))
- Negotiating a Sponsorship Agreement. (See paragraphs 43 - 47)
- Drafting a Sponsorship Agreement. (See paragraphs 48 - 51)
- Implementing a Sponsorship Agreement. (See paragraphs 52 - 54)
- Recording a Sponsorship Agreement. (See paragraph 55)
- Reporting Sponsorship Agreement to the Sponsorship Focal Point. (See paragraph 58)

The Role of the Sponsorship Focal Point

31. An individual nominated by the Director of Resources to perform this role would be responsible for:

- Advising on any sponsorship activity within their respective TLBs.
- Promoting sponsorship best practice within the TLB, and publicising the role and issue local guidance if appropriate.
- Providing assistance with PQ and FOI requests relating to sponsorship.
- Scrutinising sponsorship activities across the TLB.

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- Ensuring sponsorship business cases are dealt with at the appropriate delegated level and refer cases as required to the TLB Director of Resources for approval.
- Holding records of sponsorship deals within the TLB.
- Promoting risk management techniques (including utilising TLB Risk Registers) where appropriate.
- Ensuring all core sponsorship arrangements are underwritten by contracts.
- Distributing the annual request for details of core sponsorship with a value of £5,000 or greater per activity excluding VAT, to the appropriate people within the TLB (including HLBs, BLBs, Agencies and MOD commercial partners such as Landmarc, Flagship, Aspire etc) and producing the consolidated sponsorship report on behalf of the TLB, checking and filtering the information to ensure accuracy before submitting to DFM-FMPA-Charging Policy. Individual amounts of less than £5,000 **in support of the same activity**, regardless of the sponsor, must be collated and disclosed **where the total is £5,000 or greater exclusive of VAT**.

The Role of Commercial Staff

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

33. Commercial staff must be brought into any negotiations at the outset. This will ensure that MOD interests are not compromised and that the sponsorship arrangement is established on an appropriate contractual basis.

34. It is important that both parties understand and abide by the Agreement. Any failure by MOD to meet its obligations may result in a breach of contract and possibly an action for damages. Only Commercial staffs with the appropriate Commercial Licence have the authority of the Accounting Officer to negotiate and draft Sponsorship Agreements.

The Role of the Common Claims and Policy Division (CLC&PD)

35. MOD self-insures core defence activities, paying claims for compensation for injury or damage arising from acts of negligence on the part of its employees, servants or agents from its core budget. If any sponsored activity risks giving rise to claims which outweigh the benefit to be derived from it, the organiser must either refrain from undertaking the activity, or purchase commercial insurance to cover the additional risks. If it is decided to purchase insurance, the sponsorship organiser will be responsible for arranging and funding the purchase. In this instance advice must be sought from MOD's Senior Claims Officer (Policy). (See [HOCS/Common Law Claims & Policy \(CLCP\)](#))

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Planning and Undertaking a Sponsorship Activity

Identifying a Suitable Activity for Sponsorship

36. A wide range of defence activities may be suitable for sponsorship. Each must be evaluated on its own merits. The sponsorship organiser of any activity using public funds or publicly funded resources must submit a business case to the TLB Director of Resources giving details of the proposal.

A Process Chart, Checklist and Business Case template can be found at [Annexes A, B and C](#) respectively.

Identifying Potential Sponsors

37. To avoid any suggestion of preferential treatment towards any organisation – particularly in the case of defence contractors – the organiser must seek potential sponsorship from a range of external organisations, especially where there is a competitive environment for the goods and services which a sponsor supplies to the MOD. It is important that the TLB Director of Resources ensures that the same sponsors are not repeatedly approached. The TLB Sponsorship Focal Point or TLB Assurance Cell must maintain details of sponsors with whom agreements have been agreed.

Assessing Suitability of Sponsors

38. Sponsorship must be sought or accepted only from reputable organisations. All potential sponsors should be assessed by the sponsorship organiser, consulting interested parties as necessary for suitability in terms of reputation, financial capability and value for money.

39. A sponsor must be excluded where the organisation:

- Represents unwelcome associations. (e.g. with violence, unsocial behaviour or extremism), or has had its image tarnished and therefore has low credibility in the eyes of the public and media.
- Is associated with an unacceptable campaign, e.g. legalisation of drugs.
- Is a tobacco company. (Any association with an **alcohol** company should only be entered into after the most careful consideration)
- Has a poor financial record.
- Has known political connections, and/or is known to give political donations and/or support. Guidance that may be of assistance can be found at: [Guidance - Electoral Commission](#).
- Is known to be environmentally unsound.
- Is undergoing government or financial investigations.

Potential sponsors must be asked to state any current or proposed contracting involvement with the MOD. Where it is found that a potential sponsor **is** bidding for contracts with the MOD, (so that acceptance of the sponsorship might lead to accusations

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of unfair competition from other bidders) then the TLB Sponsorship Focal Point or TLB Assurance Cell must be consulted before proceeding further.

40. For large-scale activities, assessments must be carried out by the Director of Resources in conjunction with the organiser. For low-value activities, assessment of sponsors may be performed by the sponsorship organiser and the result of the assessment included in the business case. Where sponsorship spans more than one TLB, the TLBs affected must decide which of them will act as the lead co-ordinator.

41. Once a business case has been approved, the sponsorship organiser must consult with commercial staff, who will negotiate all sponsorship agreements and ensure that legal undertakings are properly established.

Sponsorship Agreements

Negotiating a Sponsorship Agreement

42. During negotiations, and in agreements, the MOD representatives must make it clear to the sponsor that no preference will be accorded to sponsors, their subsidiary partners, or their parent organisations in relation to any current or future MOD acquisition contract or in the MOD's relationship with the organisations concerned. It may be prudent to decline significant offers of sponsorship from Defence contractors currently engaged in tendering for major MOD equipment, supplies or services contracts. Such sponsorship might be viewed as compromising fair competition and also provide the company with a PR platform from which to promote its own interests and indirectly seek unfair advantage. If in doubt, advice must be sought from Commercial staff and the MOD branch operating the competition.

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

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

45. Sponsorship can be offered in the form of cash payments, benefits in kind where goods or services are provided or a combination of both. Where more than a single sponsor is sought for an activity, several benefits packages with different values could be offered to a wider range of organisations. This may help to attract sponsorship from both large and small companies. When accepting benefit in kind sponsorship, agreement must

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be reached as to whether any items are non-returnable or, if not, the timescale and arrangements for their return. The assumption should be that items must be returned at the end of the loan period. The only exception is for goods or clothing that is worn by individuals and if these are to be retained then they must be entered in a hospitality book.

46. It is important to allow enough time for the sponsor to decide whether the sponsorship is right for them and, if so, whether they can allocate the funds/benefits in kind required. Under no circumstances must pressure be placed on sponsors to accept MOD proposals.

Drafting an Agreement

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

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

- The parties to the agreement.
- The duration of the agreement.
- The benefits on offer to both parties.
- The obligations of the parties. (including delivery, servicing, etc)
- That exclusivity is to be avoided.
- Licensing and protection of intellectual property. (use of the MOD names/insignia, logos, photographs, software licences, etc)
- Financial arrangements. (payments, refunds and VAT)
- Dispute resolution.
- Insurance.
- Liabilities and indemnities.
- Termination in the event of cancellation and if either party suffer adverse publicity; financial loss or other consequence arising from the cancellation.
- Use of MOD public resources/assets.
- Current/future contractual business.
- Confidentiality.
- Product or service endorsement. (not allowed)

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

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

Implementing Agreements

51. It is the responsibility of the sponsorship organiser to ensure that the terms of the agreement are fulfilled.

52. To ensure that there are no misunderstandings, clear lines of communication must be established between the organiser and the sponsor. The organiser must act as the contact point for sponsors and:

- Initiate and maintain regular communications to ensure that the sponsor is kept fully informed with the planning of the activity and that they are satisfied with the arrangements for the delivery of the benefits.
- Accompany the sponsor during their attendance at events associated to the activity.
- Ensure branding which appears in publicity items is in accordance with the Agreement.
- Ensure they are fully conversant with the contract terms, conditions, liabilities and obligations.

53. On the cessation of an agreement all logos and MOD references must be removed from the sponsor's headed notepaper, web-sites, equipment, etc. Removal of logos on vehicles, balloon canopies etc. could have a cost associated with it and this should be included in any agreement. It may mean that replacement canopies etc. are required instead of using sponsor provided equipment at the end of the contractual relationship.

Recording Agreements

54. A continuous record of all sponsors must be maintained by the TLB to avoid the same sponsors being repeatedly approached. A second or subsequent sponsorship with

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the same external organisation must be exceptional, and justification must be made to the Director of Resources for approval.

Reporting and Reviewing

Reporting Sponsorship of Core Activities

55. Government departments are required to disclose all sponsorship of core activity where:

- The value of the sponsorship to support the activity is £5,000 or greater, exclusive of VAT.
- Core activities are those which fall as a legitimate charge to the defence budget.

56. This mandated disclosure in the ARAc must include the value of goods and services provided “in kind”. Individual amounts of less than £5,000 **in support of the same activity**, regardless of the sponsor, must be collated and disclosed **where the total is £5,000 or greater exclusive of VAT**.

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

58. The TLB holder will report all such core sponsorship agreements to Financial Management Policy and Accounting – Charging Policy via their TLB Sponsorship Focal Point.

59. Financial Management Policy and Accounting – Charging Policy will issue an annual instruction requesting the necessary information in the prescribed form – see [Annex D](#).

Reviewing Sponsorship Activities

60. Sponsored activities must be subject to a system of evaluation and post-implementation reviews. This ensures that sponsorship agreements have been fulfilled in accordance with the business case presented and the agreement made.

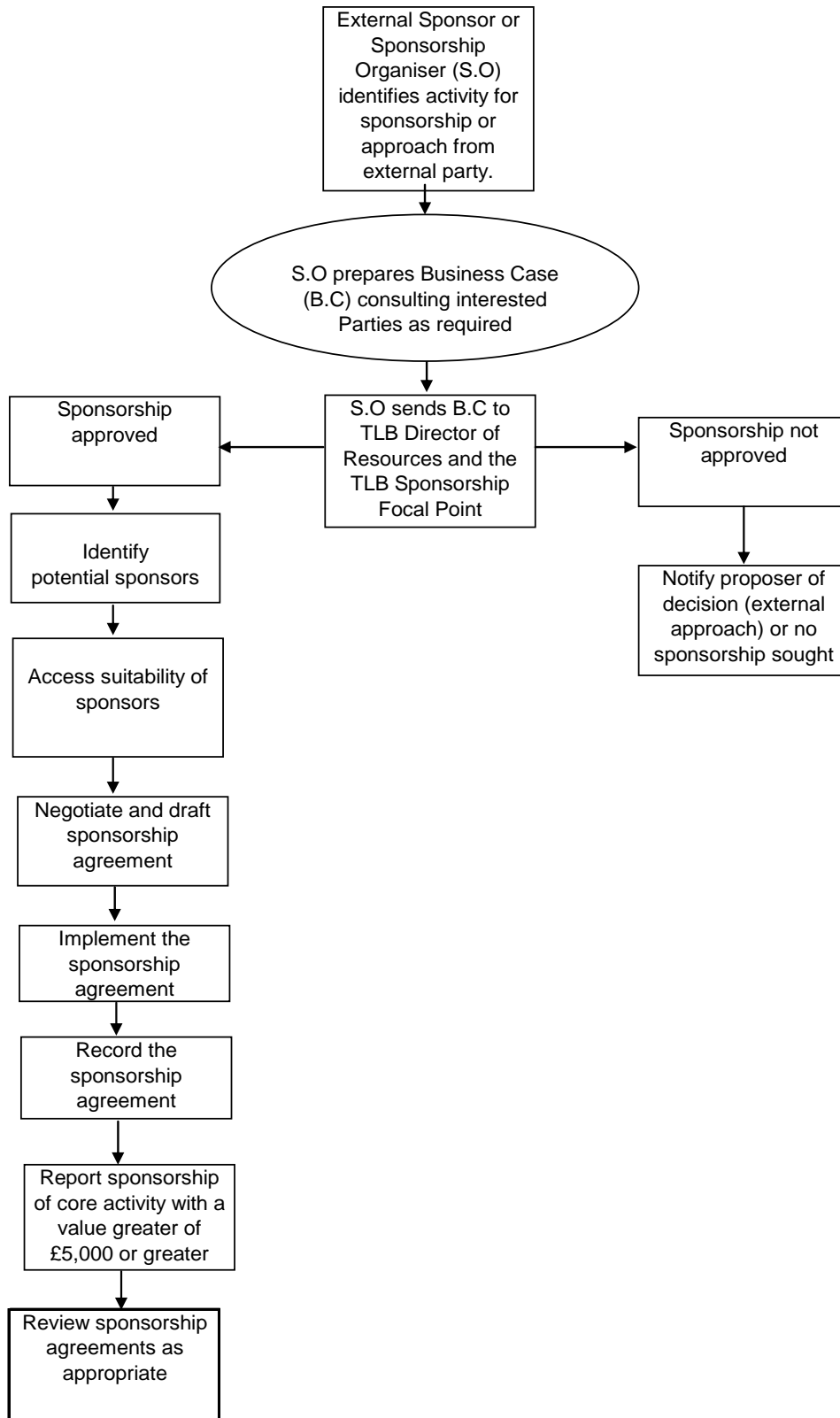
61. Regular reviews of sponsorship activities must be undertaken with the Director of Resources with the results compared with the original objectives and, if appropriate, with the previous results.

62. The evaluation must consider the question of whether or not the sponsorship provided value for money and the lessons to be learned for future sponsorship activities.

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Annex A

PROCESS CHART



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Annex B

SPONSORSHIP CHECKLIST

Name of Sponsor	
Nature of the sponsored project	
Start/End date of the sponsorship period	
Duration of the sponsorship	
Total cost of the project	
Total amount contributed by the sponsor	
How the sponsorship was awarded	
Date and reference of the written sponsorship arrangement	
Lead branch contact details	

	Y/N	Details:
Will the sponsor benefit? If so indicate how.		
Are there any procurement decisions or issues pending with the MOD or the UK Government, which could lead to a potential conflict? If yes, please give details. (The TLB Sponsorship Focal Point or TLB Assurance Cell should be consulted before proceeding)		
Are any MOD personnel actively involved in the promotion of the company or its product?		
Applicable VAT has been treated in accordance with VAT instructions.		
If the sponsorship covers provision of vehicles, please also answer the following questions:		
Is insurance offered by sponsor as part of the loan agreement?		
Has an Insurance certificate and/or letter of indemnity been lodged with the MOD?		
Have you received full vehicle details including registration number? If yes, please give details.		
If the loaned vehicle is for an extended period, who is responsible for the vehicle during the loan period? Please give Name, Rank and full contact details.		
Will only standard logos be used? It should not be emblazoned with the company's identity.		

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Annex C

SPONSORSHIP BUSINESS CASE TEMPLATE

1. **Issue** – A statement of the requirement and/or a brief summary of the proposal.
2. **Timing** – This will normally be routine. If a shorter turnaround time is required (e.g. urgent or immediate), a clear explanation should be given.
3. **Recommendation** – This must include a clear statement of what the approving authority is being asked to approve and what they are merely being asked to note. It should take the form of a bulleted list, with one aspect of the proposal per bullet.
4. **Background** – This must include a brief history of the project to date, explain the proposal and the departmental/financial/political/commercial implications of proceeding or not proceeding. It must guide the reader to your conclusions in a logical structured way. It should include:
 - The nature and duration of the activity.
 - A list of suitable potential sponsors.

It should explain:

- What has prompted the sponsorship offer.
- How the sponsor will benefit.
- How the MOD will benefit, with an estimated value of the sponsorship being sought.
- Implications for MOD business if the sponsorship is not authorised.
- Assessment of effect on MOD's reputation and public relations.
- Any potential conflicts of interest.
- Whether the potential sponsors have been approached before and, if so, why they are being approached again.
- Confirmation that MOD personnel will not be actively involved in the promotion of the company.
- Whether the project will proceed regardless of commercial sponsorship.
- The MOD's, and the sponsor's, liabilities in the event that the activity is cancelled.
- Any up-front costs to the MOD.
- What will happen at the end of the sponsorship/project.
- Any Intellectual Property Rights, staff or security issues.
- The degree of risk. (e.g. insurance implications, health and safety, withdrawal of support from sponsor and its associated costs included in the business case)
- Any issues relating to the provision of MOD resources/assets, e.g. vehicles.

9: ACTIVITIES – SPONSORSHIP

Annex C

- Consultations with other interested parties including confirmation that the TLB Sponsorship Focal Point has been informed of the offer.

5. **Financial Data** – This must give a clear breakdown of project costs and show the split between MOD and sponsor funding streams over the whole life of the project. Where MOD contributions are necessary, confirmation of affordability is required.

9: ACTIVITIES – SPONSORSHIP

Annex D

COMMERCIAL SPONSORSHIP RETURN

(Please read the notes below before completing this record)

- Serial 1 TLB
- Serial 2 Contact Details (See Note 1)
- Name
Post
Full Address
Phone
Fax
E-mail address
- Serial 3 Name of Commercial Sponsor (See Note 2)
- Serial 4 Nature of MOD Project/Activity/Campaign Sponsored (See Note 3)
- Serial 5 Duration of Commercial Sponsorship (See Note 4)
- Start Date
End Date
- Serial 6 Total Cost of MOD Project/Activity/Campaign to Defence Funds (£K including VAT)
- Serial 7 Commercial Sponsor's Contribution
- Money (**£K excluding VAT**)
Value of Goods/Services (**£K excluding VAT**)
Nature of Goods/Services
- Serial 8 Sponsor Selection Method
(See Note 5)
- Open Competition
Sponsor Approach
MOD Selected
- Serial 9 Sponsorship Agreements
Date of written sponsorship agreement
(See Note 6)

9: ACTIVITIES – SPONSORSHIP

Annex D

Notes

1. This should be an individual who can answer detailed questions about the sponsorship arrangements covered in the record.
2. A separate record should be completed for each sponsor.
3. A short description of the project/activity/campaign is required. Any abbreviations used for the first time should be spelt out.
4.
 - (a) If the duration of the sponsorship does not correspond to the duration of the project/activity/campaign under sponsorship please provide a short explanation as to why.
 - (b) If the sponsorship has been in existence for longer than 2 years please briefly explain the basis for this.
5. If other than open competition please provide a short explanation and briefly outline the benefits of the arrangement for the sponsor.
6. If the date of the written agreement is after the date the sponsorship commenced please provide a short explanation of why.

9: ACTIVITIES – SPONSORSHIP

Annex E

Non-Core Defence Activities

1. Activities are undertaken by TLBs which do not directly support Defence objectives but are designed to raise funds and/or benefits in kind to support non-publicly funded activities associated with defence.
2. It would be improper to fund such non-core defence activities from public sources. They are normally funded by non-public funds (for example Service charities). Where a non-public activity wishes to use public resources, normal charging policy as stated in [JSP 368](#) must apply. Non-public funds must be accounted for separately and there must be no mixing of public and non-public funds.
3. The risks and liabilities associated with accepting sponsorship in support of non-core activities are no different from those associated with core activities and they must be covered by the organisation responsible for the activity. It is recommended that written agreements are put in place for all such non-core sponsorship activities.
4. It is important that the organiser of a non-public activity understands that their association, and quite possibly themselves, will be legally liable for all commitments undertaken and their associated risk.
5. Service sporting activities although often (and appropriately) publicly funded for travel, are primarily non-publicly funded and as such are considered to be non-core activities.
6. MOD must not support individual crown servants who seek to secure sponsorship for private activities (e.g. sponsored walks). In such instances public resources or assets must not be used to raise sponsorship. MOD officially headed paper must not be used to give the impression that such activities have official MOD support. (This is not to say that a sponsor's association with a private activity will not sometimes be beneficial to the individual's parent organisation)
7. Where vehicles are provided as part of non-core sponsorship, the cost of maintenance, fuel, insurance etc. must be met by the sponsor or from non-public funds.
8. An organiser may sometimes seek to use publicly funded assets and resources in support of non-publicly funded activity. The organiser must consult the TLB sponsorship focal point to ensure that the wider interests of defence are represented and must also ensure that all costs to public funds are reimbursed before any receipts are disbursed to non-public organisations.
9. Where MOD resources are used on a repayment basis, when undertaking non-core sponsorship activity, sponsorship organisers must purchase insurance to cover all the risks which will be incurred, and use non-public funds to do so. All liabilities attaching to a non-core activity must be covered by the non-public organisation responsible for the activity.

9: ACTIVITIES – SPONSORSHIP

Annex E

10. Sponsorship of non-core activity does not need to be reported in the ARAc.
11. For sponsorship of non-core defence activities the following points must be complied with:
- When a serving member of the Armed Forces or Civil Servant acts on behalf of a non-public body, the following protocol must be adhered to:
 - The non-public body which is legally and financially liable must be identified in all communications and it must be made clear in all dealings, that it is this body and not the MOD or Royal Navy, British Army or RAF that is engaging in the activity.
 - All correspondence and contractual business must be conducted under the auspices of the non-public body e.g. sports association notepaper. When corresponding or signing an agreement on behalf of a non-public body, you are **not** to use MOD letter headings, not to sign under your official MOD capacity or on behalf of the Secretary of State (SofS). You must also ensure that when signing on behalf of the organisation that you are representing e.g. Trustees, officials of a club etc, you do so in the capacity you hold with the organisation and not in your official MOD role e.g. Secretary of the association, rather than the Commanding Officer or Garrison Commander etc.
 - You must not use the MOD or Royal Navy, British Army or RAF name, insignia, logos etc, nor the names, insignia or logos of any of their formations, in any aspect of the event/team taking place, nor may you seek to permit the sponsor to use such insignia.
 - The body you are representing must be properly constituted and a legally established trading body.
 - The body you are representing must hold insurance to protect the controllers/managers of the body e.g. Trustees, its funds as well as its members. The non-public body is also likely to require Public Liability insurance if members of the public could be involved in an activity or event.

10: TRANSACTIONS – ADVANCE, INTERIM AND DEFERRED PAYMENTS

Introduction

This chapter sets out MOD's policy on advance, interim and deferred payments and gives guidance on the practical considerations, including:

- General Rule for Payments
- Advance Payments
- Interim Payments
- Deferred Payments

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Governance3	General Policy Advice	9621 81491
DGDC CS-2-Dep-Hd	Contractual Aspect	9352 32827
DFM-FMPA-Ahd-A&TM-Banking ServTA	Cash and Banking Services	9355 83312

Key Points

General Rule for Payments

1. The general rule is that payments should be made in arrears after the specified goods or services have been satisfactorily provided; and that when they have become due, they should be paid promptly in accordance with the Late Payment of Commercial Debt (Interest) Act 1998 (see [Acquisition Operating Framework-Commercial Toolkit-Commercial Awareness Guide](#) and [JSP 895](#)). Advance, interim and deferred payments breach this rule and must be properly justified and approved. Further information is in [Annex 4.6 of Managing Public Money \(MPM\)](#).

2. The responsibility for negotiating contract terms and conditions, including advance, interim and deferred payments, rests solely with commercial staff.

3. In particular, public sector organisations should observe the Better Payments Practice Code ([Late Payment Legislation](#)), which advocates:

- a. Explaining payment procedures to suppliers;
- b. Agreeing payment terms at the outset and keeping to them;
- c. Paying bills in accordance with agreed terms, or as required by law (see [JSP 895](#));
- d. Telling suppliers without delay when an invoice is contested; and settling quickly when a contested invoice gets a satisfactory response.
- e. Failing to seek a repayment or rebate due from a contractor is tantamount to making an advance payment. Every effort should be made to recover amounts due from contractors at the earliest possible opportunity.

10: TRANSACTIONS – ADVANCE, INTERIM AND DEFERRED PAYMENTS

General Principles

Advance Payments

1. It is not good value for money for public sector organisations to act as a source of finance for contractors who have access to other forms of loan finance. So requests for advance payments from contractors should therefore be exceptional, and should only be considered if a good value for money case can be made for them, e.g. a price discount commensurate with the time value of the funds in question. Even then, as advance payment lead to higher Exchequer financing costs, such payments are novel and contentious and will require Treasury approval. There may nevertheless be occasions where advance payments are felt necessary. In such a case, the commercial staff and budget manager should carry out a financial appraisal to establish whether there is a value for money case.
2. Advance payments expose the MOD to risk, for example, if a contractor goes into receivership before the work is satisfactorily completed. They may also reduce the incentive on the contractor to make progress on the work. Action should be taken to reduce this risk, typically by requiring a bond or financial guarantee issued by a reputable bank for the value of the advance, payable upon non-performance. The cost of such a guarantee should be included in the financial appraisal.
3. The case for making advance payments must be submitted to the Treasury for approval, as MOD has no delegated authority to make advance payments. Treasury approval is required **before** agreeing to make advance payments.

Interim Payments

4. Interim payments may have an element of prepayment and so public sector organisations should consider them carefully before agreeing to them. However, if they are genuinely linked to work completed, or physical progress satisfactorily achieved, as defined under a contract, they may represent acceptable value for public funds. Once legal advice has been taken as necessary, organisations should, however, consider whether:
 - The contractor's reduced need for working capital should be reflected in reduced prices;
 - The contractor should provide a performance bond in the form of a bank guarantee to deal with possible breach of contract.
5. When it is decided on balance of advantage that interim payments can be allowed, adequate contractual safeguards to protect MOD's exposure should be drawn up by commercial staff, linked to the prior achievement of milestones.
6. Interim payments should not, however, be used to circumvent public spending controls. For example, it is not acceptable to make interim payments where value has not been received, simply to avoid under spending. It is the responsibility of project managers

10: TRANSACTIONS – ADVANCE, INTERIM AND DEFERRED PAYMENTS

or sponsors to ensure that expenditure on a project is fully matched by physical performance.

Deferred Payments

7. Deferred Payments are generally not good practice. They normally mean paying more to compensate the contractor for higher financing costs and are thus poor value for money (at the margin the Exchequer can always borrow more cheaply than the private sector). So any proposal for deliberate late payments is potentially novel and contentious. Any department or NDPB, considering deferred payments must thus seek Treasury approval before proceeding.

8. Sums of money retained under a contract as a guarantee of maintenance commitments or the acceptable performance of delivered equipment, are not considered to be deferred payments.

9. Any departure from this policy will need compelling justification, and Treasury approval.

Exceptions/Special Cases

Advance Payments

10. With reference to Advance Payments under General Principles there are the following exceptions to the guidelines:

- Service and maintenance contracts which require payment when the contract commences, provided that the service is available and can be called on from the date of payment.
- Payments for activities carried out by, or on behalf of, a public sector funder, e.g. grant in aid to NDPBs or grants to small voluntary or community bodies where the recipients needs working capital to carry out the commitment for which the grant is paid; and
- Minor services such as training courses or attendance at conferences, where local discretion is acceptable.

11: TRANSACTIONS – AUTHORISATION AND PAYMENT OF INVOICES

Introduction

This chapter provides guidance on the responsibility that finance and purchasing staffs, at every level, have to ensure that all invoices are properly authorised and payments properly recorded to ensure efficient handling and avoidance of duplicate payments.

Points of Contact

Who	Topic	Telephone Number
DFM-FMSSC-ContactPoint (MULTIUSER)	DBS Finance Contact Point	94552 2000

Key Points

1. Invoice authorisation and payment must be subject to control to ensure that invoices are properly authorised by an individual who has delegated authority to do so, paid promptly when due, paid only once, and that auditable records are maintained.
2. The Defence Business Services – Finance - Invoicing and Revenue (DBS Fin-IR) is the principal invoice payment processing authority including recovery of overpayments.
3. The Guidance is based on [Managing Public Money \(MPM\) Chapter 4.5 \(Internal Management\)](#), [MPM Annex 4.6 \(Expenditure and Payments\)](#) and [MPM Chapter 4.11 \(Overpayments\)](#).
4. Purchasing and payment policy is contained in [JSP 895 – The MOD Simplified Purchasing and Payment Process Manual](#).

General Principles

Verification

1. No payment should be made unless it has been properly authorised by an individual who has personally been given delegated authority to authorise payments. There are normally five checks which need to be made during payment authorisation:
 - That there is proper authority for the service or supply ordered.
 - That the service or supply has been performed or received and payment is properly due.
 - That the order number and supplier details are correct.
 - That the change accords with the terms of the contract or order and is arithmetically correct.
 - That payment has not already been made.

11: TRANSACTIONS – AUTHORISATION AND PAYMENT OF INVOICES

Control

2. Proper control over expenditure and payments should be maintained at all stages. Top Level Budgets (TLBs) and Management Groups (MGs) should construct and operate systems to ensure that appropriate information is recorded on the Departmental Financial Management System (DFMS). TLBs and MGs should respond to developments in payment systems by:

- Regularly assessing the risks associated with different methods of payment and adopting a selective approach based on that assessment.
- Designing, documenting and operating systems appropriate to those levels of risk.
- Evaluating management controls (a task of Defence Internal Audit).

3. Common themes which should be addressed in system design include:

- Segregation of duties. No one person should be able to control all aspects of the payment process and, wherever possible, the authorisation of payments should be performed separately from those issuing payments.
- Absolute clarity in the roles and responsibilities of those involved at each stage of the process, including issuing appropriate letters of delegation to staff empowered to authorise payments.
- The need, especially in electronic commerce, for authentication systems to ensure that only authorised personnel can make payments.

4. The following tasks must be carried out:

- A Unique Order Number to be generated by the system, which must be used on all correspondence. Invoices received without a MOD order number should be queried immediately.
- Timely processing of invoices and logging of payments against orders, to reduce the risk of duplication.

The Government's Better Payments Practice Code

5. Timing of payments should reflect the following four principles, adopted by all departments:

- Agree payment terms at the outset of a contract and abide by them.
- Explain the payment procedures to suppliers.
- Pay invoices in accordance with any contract agreed with the supplier, or as required by law.
- Tell suppliers without delay when any invoice is contested, and settle quickly on receiving a satisfactory response.

11: TRANSACTIONS – AUTHORISATION AND PAYMENT OF INVOICES

Prompt Payment

6. In October 2008 the Prime Minister committed Government organisations to quickening the payments process, paying suppliers wherever possible within 10 working days. This timeframe was shortened to 5 working days in the Chancellor of the Exchequer's budget speech in March 2010.

The Late Payment of Commercial Debt (Interest) Act 1998

7. The Act provides a statutory right for suppliers to claim interest on late payment of commercial debt. The provisions of the Act apply to the whole of the public sector. All contracts entered into must comply with the terms of the Act.

Overpayments

- If an overpayment or duplicate payment occurs, MOD should seek recovery, although there may be practical or legal limits to how cases are handled.
- Recovery of overpayment arising out of business transactions with suppliers should be pursued in all cases, irrespective of the cause of overpayment. If a request for repayment is not accepted, and set-off against subsequent payments or other Government debt is not possible, budget managers should consider taking legal action.
- Where recovery action is successful, it is essential that it is paid through the same account as the original payment. If the original payments were made through the DBS Fin-IR, the recovery must also be received through the DBS Fin-IR so that accounting records may be amended.

TLBs/MGs must ensure that:

- Overpayments are recorded as soon as they are discovered, are followed up properly and, where write-off action has to be taken, the consequent loss is recorded in the Departmental Resource Account.
- Any decision not to pursue recovery, or not to pursue recovery in full, is defensible in the public interest.
- Legal advice is sought where necessary.

Retention of Records

8. All relevant documents must be retained for a minimum of six years to provide an audit trail.

12: TRANSACTIONS: CASH FEEDER PROCESSES

Introduction

This chapter outlines how cash transactions are accounted for, and corrected, within the Resource Accounting and Budgeting (RAB) environment.

Points of Contact:

Who	Topic(s)	Telephone Number
DBS Fin-FDMT-COA1-D	Chart of Accounts Focal Point (including RAC and TLB/MG Level Organisational Change)	9355 85110
DBS-SDS Input Team (MULTIUSER)	SDS Input Management	9355 84036
DFM-FMSSC-Contactpoint(MULTIUSER)	DBS Finance Contact Point	94552 2000 Option 2
CRUISEMailbox@dfms.mod.uk	Cash Office Accounts Processing Focal	9355 82649
DFM-FMPA-A&TM-VATPOL1	VAT Focal Point	9355 82788
DFM-FMPA-Ahd-A&TM-Banking ServTA	TLB Control Account Focal Point	9355 83312

Key Points

1. A cash transaction refers to any payment or receipt made either using cash or through a bank (e.g. through the use of cheques/payable orders or electronic transfers).
2. All MOD cash transactions are processed through a 'Cash Feeder'.
3. There are currently four cash feeders: the Defence Business Services – Civilian Human Resources (DBS-Civ HR), the Service Personnel and Veterans Agency (SPVA), the CRUISE feeder who processes the transactions of numerous cash offices and Foreign Military Sales (FMS).
4. The Defence Business Services – Finance - Invoicing and Revenue (DBS Fin-IR) Liverpool comprises of two independent Oracle-based systems, which are integral components of the Defence Financial Management System (DFMS) rather than Feeds.

Background

Cash Feeder Transactions

1. All cash transactions that flow through MOD's accounting systems must be coded with relevant accounting codes to show what the transaction represents, who it is to be charged to, and what VAT treatment is applicable. MOD uses an account coding structure called the Departmental Chart of Accounts (CoA). Further understanding of the Departmental CoA can be found in [JSP 530](#).

12: TRANSACTIONS: CASH FEEDER PROCESSES

2. All cash transactions have to be input to feeders with a valid Resource Account Code (RAC), VAT Code and, if applicable, a Local Project Code (LPC). This is in addition to the organisational codes such as the Unit Identification Number (UIN). For any financial code to be valid it must be recorded on the Standing Data System (SDS), which is maintained on the behalf of code users by DBS-SDS staff in Bath. To ensure that the financial codes held on the SDS reflect the business requirements, various focal points are set up in TLBs to co-ordinate standing data change requests and to provide advice on the use of these codes.
3. Further information on how to request changes to the standing data can be found in the Budget Manager's Information Package (BMIP) which is published within the Defence Intranet/Finance Hub/A to Z Finance Document Listing.
4. Listings of valid codes held on the SDS for each accounting period can be found on the Generic Standing Data pages within DFMS website. Standing Data files are also provided electronically directly to major cash feeders and management groupings for validation purposes.
5. Full details on CoA code policy, particularly on the RAC and LPC (including Single Point Management codes), can be found in [JSP 530](#). Details of VAT policy are available on the VAT Page on the Finance Sub Channel or through the relevant TLB VAT focal point.
6. How a transaction is originated and dealt with depends on which of the cash feeders and teams are processing it, and those variations are outlined below.

Contract Payments

7. Contract payments are made through DBS Fin-IR Liverpool. In the case of contract payments, 'coding at source' is the application of coding when the contract is placed. This is achieved by entering the financial and statistical coding on the DEFFORM 57 (DF57), which is raised with each new contract. Although commercial officers raise the DF57s, section 3 containing RAC, VAT and LPC, is completed using information supplied by the Financial Authority, usually on the Request for Contract Action form. A copy of each completed DF57 is copied to DBS Fin-IR Liverpool and referred to when invoices are processed. In most cases the DBS Fin-IR can only apply financial coding which captured on the DF57, and the UIN used for payment is that which is annotated on the invoice (both the AG 173 and MOD Form 640 has boxes that capture the UIN of the consuming/ordering department).
8. However, the DBS Fin-IR cannot use the UIN annotated on the invoice in those cases where the contract states otherwise e.g. where an LPC has a cost UIN associated with it, the Oracle System will override the consuming UIN and charge the cost UIN accordingly.
9. For POL invoices which are paid on sight the UIN is also dictated by the contract.
10. Contracts can have more than one cluster of financial codes to be applied depending on which items of the contract have been supplied or which MOD financial branch

12: TRANSACTIONS: CASH FEEDER PROCESSES

authorised the expenditure. Suppliers are contractually obliged to include details of items supplied on submitted invoices, so that DBS Fin-IR can determine which cluster is applicable for the payment.

The role of MOD Form 640 and AG 173

11. Suppliers who supply against contracts (as opposed to local purchases) are contractually required to use special MOD forms for the supply of goods or services to MOD. The MOD Form 640 has five pages, all colour coded as to their use:

- **Mauve** – The information copy. The distribution of this copy is governed by the contract schedule.
- **Yellow** – The supplier's copy. This copy is to be retained.
- **Red** – The packaging and stores accounting copy. This copy is despatched with the consignment and the consignee retains it as the store accounting copy.
- **Green** – The advice copy. This copy (with the brown copy) is sent by the post to the consignee who retains it as an accounting copy.
- **Brown** – Acknowledgement copy. This copy details the goods supplied and the amounts payable and is sent to the consignee for a signature to confirm that the supply has met the terms of the original order. Once signed by the consignee, the brown copy is returned to the supplier who will forward it to the DBS Fin-IR with a request for payment.

12. The AG 173 is used in a similar way to the brown copy of the MOD Form 640, but acknowledges receipt of services received so that the supplier can claim due payment.

Amendments to Contract Coding

13. Any amendments to the coding of contract clusters must be made using a DEFFORM 57A (DF57A) which can only be raised by the commercial branch that owns the contract. Those wishing to establish the owner of a contract should contact the DBS Fin-IR Contact Point who will be able to provide assistance. Care should be taken only to change the coding on the relevant cluster, as a change to the wrong cluster will affect other users of the contract.

14. If an amendment to a contract coding (RAC/VAT/LPC) is required, a DF57A must be completed and attached to a loose minute stating the effective date of the revised codes. A transfer entry request (MOD Form 1100) must not be raised.

15. Upon the receipt of complete documentation, the DBS Fin-IR will take the appropriate action as per the effective date, which must always be provided;

- If all current year spend is to be transferred to the revised codes, the DBS Fin-IR will then complete an accumulated transfer of all in year spend on that cluster, to the new codes.

12: TRANSACTIONS: CASH FEEDER PROCESSES

- If only part of the current year spend is to be transferred to the new coding, the values must be clearly provided on the accompanying loose minute so that the specific journal can be actioned accordingly.
- If an accumulated transfer of previous spend on the cluster is not required the necessary changes will be actioned, no transfer will be applicable.

If the DF57a involves attributing additional finance to a value contract, a formal contract amendment must accompany the DF57a. If the additional finance relates to an enabling contract, a loose minute will suffice.

Miscellaneous Payments and Receipts

16. DBS Fin-IR Liverpool deals with invoice payments, both contract-based and miscellaneous. The vast majority of invoice transactions are contract-based and are covered by paragraph 9 above. The rest of the invoice payments, whether foreign or sterling, are classed as miscellaneous payments. There are various input media for miscellaneous payments: some are submitted by automated feeds from commercial companies like Barclaycard (the Government Procurement Card) and Network Rail, while others are submitted by electronic input by authorised staff through Bills Direct. The latter inputs are coded with CoA codes at individual invoice level on submission, whereas the automated feeds are coded by look up tables held at DBS Fin-IR.

17. Amendments to the coding of DBS Fin-IR miscellaneous payments are initiated using MOD Form 1100. The Form 1100 cannot be raised for values less than £1000.

18. A full range of input forms and information is available on the DBS Fin-IR website or using the external website www.mod.uk. Alternatively, contact the FMSSC Contact Point: Tel 0151 242 2000 Option 2 or e-mail: DFM-FMSSC-Contactpoint.

Pay

19. Transactions which go through JPA and DBS-Civ HR relate to payment of staff, so all coding is done internally based on pay codes and then mapped to CoA codes before the pay file is forwarded to the DFMS. The only interfaces with the pay systems where CoA coding at source is required are on the DBS-Civ HR Fees and Miscellaneous Claim Forms (1108 and 382) and on the MOD Form 1100 which can be used by budget staff to initiate corrective transfer entries on either pay system.

Correction of errors through cash feeders (non contract or contracts not requiring accumulated transfers)

20. All transfer entries should be directed through the feeder in which the error originated.

21. Any transactions which are output from cash feeders (with the exception of the CRUISE and JPA Feeders) can be amended within the financial year by transfer entry, using MOD Form 1100, provided that the sum of the transfer entry is greater than £1000. This minimum value does not apply to CRUISE transfer entries (see paragraph 23).

12: TRANSACTIONS: CASH FEEDER PROCESSES

22. All MOD Forms 1100 to be actioned by the DBS Fin-IR must include the VAT amount, even if there is no intention of changing the VAT coding, and even if the VAT value is nil. If VAT is not visible in the Management Grouping Ledger, it should not be assumed that there was no VAT on the transaction. VAT coded as Contracted Out Service, Sales or 100% recoverable is separated from the net line of the transaction by the PORTAL or CRUISE and is redirected to DFM A&TM-Banking Services to be accounted for centrally. This applies to transactions coded with VAT codes C, R, S or T. Where this is the case, refer to the original invoice or telephone the FMSSC Contact Point to obtain the VAT value.

23. The VAT-only line of transactions coded with VAT codes C and R should be coded with the same RAC/LPC/VAT code as the net line on all cash office and feeder inputs.

24. The coding of the VAT-only line on sales transactions varies from system to system, but on DBS Fin-IR inputs the VAT line should have the same RAC/LPC/VAT code as the net line. Refer to local system instructions for guidance on this matter.

CRUISE Feeder

25. Cash Offices are only permitted to raise TEs to enable the clearance of ELL000 if instructed to do so by their Management Group (MG) or TLB. Invalid coding on a cash office transaction will result in the transaction being directed, by CRUISE, to RAC ELL000. TEs other than those relating to ELL000 (e.g. a mis-booking or exchange rate variance) which have originated through a Cash Account and will be inter-MG should be raised at the MG level using a source code and batch number issued by the CRUISE Accounting Team. The TE itself is raised electronically on an Excel spreadsheet, and on its completion is saved as a CRUISE-compliant file.

Manual Journals (NOT processed through Feeders)

26. Manual Journals should not be used except to account for accruals at the period end. Errors must be corrected through the appropriate feeder to ensure that DFMS systems and feeders which produce external reports are kept in line.

27. Policy guidance on Inter-Management Grouping Transfers is currently available within Chapter 1 [JSP 472](#), the Financial Accounting and Reporting Manual.

Summary of Appropriate Correction Method

28. The table below details some examples of the different types of cash feeder transaction coding errors which may require corrective action.

12: TRANSACTIONS: CASH FEEDER PROCESSES

Error	Correction Method
Incorrect RAC-DBS Fin-IR transaction.	For contract payments raise DF57A to change RAC from this point on. For miscellaneous payments raise MOD Form 1100 and forwarded the completed form to: <i>DBS-Fin-IR-AMI-2 Accounting, Zone C, 2nd Floor, Walker House Exchange Flags, Liverpool L2 3YL.</i>
Invalid RAC/VAT Code/UIN – Cash feeder transaction (except CRUISE – Cash Office feeder)	As all feeders validate coding before submitting files to the PORTAL, they will redirect transactions containing invalid RAC and VAT transactions to Corrupt Ledger Heading Suspense Account and invalid UIN transactions to Feeder Suspense Budget. Should a feeder miss an invalid code the PORTAL will catch it and post the transaction to the relevant feeder CLHSA. However the transaction arrives at CLHSA or FSB, the originating feeder is responsible for investigating the correct coding and clearing the transactions within one month.
Invalid RAC/VAT Code/UIN – Cash Office (CRUISE Feeder only) Transaction	Invalid coding on a cash office transaction will result in the transaction being directed, by CRUISE, to RAC ELL000. The MG which owns the offending cash office is responsible for ensuring that erroneous transactions are cleared from ELL000 by instructed Cash Office personnel to raise a TE on the Cash Office system to redirect the transaction using valid codes.
Incorrect RAC/VAT Code/UIN/LPC – Cash Office CRUISE Feeder only.	A transaction can be posted to a valid but incorrect code: this is known as a mis-booking. In these instances, correction can be made through the CRUISE Feeder by the owning MG using their own facility for raising a CRUISE compliant file or using the electronic facility supplied by the DBS SDS Input Team (previously known as the CRUISE Accounting Team). A MG will also require a Source code and set of batch numbers (issued by DBS-SDS Input Team to achieve this).
Error	Correction Method

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Incorrect VAT Code (except CRUISE feeder)	Transfer Entry by MOD Form 1100 to originating feeder that will reverse out original transaction and re-post to correct VAT code. For contract payments raise DF57A to change VAT Code from this point on.
Omission of Type 2 LPC (Feeder supported-FMI LPC) ¹	Opt 1) MOD Form 1100 to originating feeder (except CRUISE). Opt 2) Manual Journal (GL009) the LPC onto the transaction in General Ledger.
Omission of Type 2 LPC (Feeder supported-FMI LPC) (Cont'd)	For contract payments raise DF57A to add the LPC to the contract cluster from this point on. For CRUISE Feeder – Raise electronic TE at MG level.
Omission of Type 3 LPC (SPMC ²) (Highly likely that transaction has gone to wrong UIN/MG)	TE action on MOD Form 1100, reverse out original transaction and re-post to LPC and correct VAT and RA Code. For contract payments raise DF57A to add the LPC to the contract cluster from this point on.
Invalid LPC	Will result in the LPC being removed from the transaction and the LPC field being reverted to spaces. The transaction will be processed to the consuming UIN. Corrective action should be taken, dependent on whether the intended LPC was a type 2 or type 3 as detailed above. For contract payments raise DF57A to correct the LPC on contract cluster.
Incorrect UIN	Check that this is not due to omission of a Single Point Management Code. If it is, follow instructions above for Omissions of Type 3 LPC (SPMC). If incorrect UIN, raise a TE request on MOD Form 1100, reversing out original transaction and re-posting to correct UIN.

Links to Related Documents

29. [JSP 530 Chart of Accounts Manual](#)

[JSP 891 Imprest Accounting, Banking and Control Accounts Manual](#)

[JSP 472 Financial Accounting and Reporting Manual](#)

¹ For detailed definitions on Local Project Codes please refer to Finance Instruction 38/03 or [JSP 530](#).

² Single Point Management Code – Directs spend to centrally managed budgets, replaces ctrl accts and category A, B, C IACs. Further details can be found in [JSP 530](#) or FI 38/03.

12: TRANSACTIONS: CASH FEEDER PROCESSES

Managing Public Money (MPM)

13: TRANSACTIONS – IMPORT DUTY AND WAIVER CERTIFICATES

Introduction

This chapter sets out the responsibilities of finance and budget management branches in respect of import duty on imports for military purpose.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-A&TM-VATPol1	MOD focal point for Import Duty Waiver, Policy and Guidance help line, issue waiver certificate numbers, HM Revenue & Customs (HMRC) & EC reporting	9355 82788
DIA-AH4	Import Duty Waiver Audit	0117 9130210
DES Fin FA-AMET Policy Group (MULTIUSER)	Subject Matter Expert	0161 9083016
DES DSCOM-FRT Cust & Imports Cell Clerk	Customs and Import	0306 7981110
HMRC Classification Helpline	Tariff Classification Helpline	01702 366077
Acquisition Operating Framework – Commercial Toolkit	Overseas Procurement	9352 32829

Key Points

1. Goods imported into the UK from outside the European Union (EU) (a list of countries in the EU is at [Annex A](#)) are subject to import duty. This has budgetary implications for the MOD when procuring goods from non-EU countries, such as the USA.
2. European Council Regulation (EC Reg) 150/2003 allows for the suspension (waiver) of import duty on certain weapons and military equipment. Providing certain conditions are met the EC Reg allows a competent authority to issue a Waiver Certificate so that import duty can be suspended.
3. Goods imported from other EU countries are not liable for import duty, providing the goods are in free circulation.

General Principles

1. The use of the import duty waiver means the MOD must abide by the rules and requirements laid out in EC Reg and HMRC Notice 770.

13: TRANSACTIONS – IMPORT DUTY AND WAIVER CERTIFICATES

Suspension of import duty on certain military equipment

2. The regulation allows for the suspension (waiver) of import duty on certain military equipment, providing that the goods imported are to be used by, or on behalf of, the military forces of a member state. This must be for defence of the member state or for international peacekeeping or support operations. The key points of the regulation are as follows:

- Goods will only be used for military purposes as defined in the regulation.
- Goods will fall within a defined list of Combined Nomenclature (CN) codes, also known as commodity codes (listed at [Annex B](#)). This list gives a high-level description of platforms or equipment/systems with their related CN code, which must be shown on the certificate. Goods not covered within the CN list will be liable for any applicable import duty.
- 'Goods' include the parts, components or sub-assemblies for incorporation or fitting into the listed goods at [Annex B](#) and the repair, refurbishment or maintenance of those goods. Also included are goods for use in the training or testing of the listed goods. Use of goods for temporary military or civil use to deal with unforeseen or natural disasters arising in the Customs Territory of the Community are also permitted.
- The tariff code (10 digit) required on the import documentation will be longer than, and may numerically differ from, the CN code. This is because the tariff code relates to the specific item being imported, as opposed to the higher level equipment/platform code required on the waiver certificate.
- Goods will be certified as eligible military goods by the competent authority.

3. Any goods ordered from NETMA or the NATO Maintenance and Supply Agency (NAMSA) in Luxembourg should be treated as an import from outside the EU and declared at Customs as being for military end-use. Goods owned by NATO should be treated as an import from outside the EU.

4. Goods can only be certified as eligible military goods by the competent authority.

5. Goods must be end use monitored for three years following delivery to the MOD.

6. At import goods are declared for military end use. End-use authorisation and waiver certificate numbers must be shown on import documents.

7. Non-compliance with the EC Reg and/or HMRC Notice 770 may lead to financial penalties including payment of suspended import duty.

End Use Authorisation

8. All imports on which import duty is waived are classed as goods for military end use and are imported against an end use authorisation number issued by HMRC. End-use

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authorisation does not relate in any way to the waiver certificate itself, they are completely separate in both number and purpose.

9. The importer must be authorised by HMRC to use the end use procedure. Without this authorisation and the waiver certificate, goods imported from outside the EU will be subject to import duty. The importer's authorisation number and the certificate number must be shown on the importing documentation. The importer has the responsibility to apply directly to HMRC for end user authorisation. A copy of the import duty waiver certificate is required to accompany the contractor's end use authorisation application.

10. MOD should only issue import duty waiver certificates to prime contractors at contract award stage. Sub-contractors can be authorised for military end-use in their own right, or can be listed within the prime contractor's authorisation.

11. The MOD, as an importer, holds an end-use authorisation number to be used for goods imported directly by the MOD. This number is for MOD use only. It can only be issued to a contractor when finished goods are transferred from the contractor to MOD. It is at this stage the contractor discharges any potential duty liability to MOD. The discharge note can be added to any normal commercial documentation, e.g. invoice.

Import Duty Waiver Certificates

12. The MOD's Director General Finance is the competent authority within the UK. Delegation to sign waiver certificates is cascaded through the Finance chain. Finance staff are responsible for the signing and issuing of waiver certificates. They must be content that the goods do qualify for suspension of import duty and that the use of the goods is within the scope allowed by the EC Reg. The originator of an import duty waiver certificate is responsible for ensuring compliance with the rules of EC Reg, and is liable for settlement of any financial penalties issued by HMRC.

13. The waiver certificate number only suspends import duty, applicable VAT will still be payable.

14. Only one valid waiver certificate is required per contract, raised and issued when a contract is let. 'Contracts' include those placed by UKDPO, FMS Cases (Letter of Offer and Agreement), MOUs etc. Certificates can also be raised against each Non-Basic Ordering Agreement. A waiver certificate can be raised for GPC purchases if financially beneficial.

15. The waiver certificate number must be obtained from the Tax and Duty team. When applying for a certificate number, the following details should be supplied:

- Contract number, Non-Basic Ordering Agreement Commercial Requisition Number or Letter of Offer and Agreement (LOA).
- Unit Identification Number (for identification purposes only).
- IPT or requesting area name.

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- Contact name and phone number.
- Contractor name and address.

16. If an issued number is found at a later date not to be required, the DFM Tax and Duty team should be advised accordingly. The certificate number will be cancelled.

17. A blank copy of the waiver certificate is reproduced at [Annex C](#). Please note that the certificate was issued by the EU when the new regulation came into force. The instructions in the following paragraphs concerning certificate completion and distribution were agreed jointly by the MOD and HMRC. Box headings and notes within the certificate do not apply in all cases. The instructions given below should be adhered to.

18. The following boxes must be completed before issue:

- Certificate number – obtained from the DFM Tax and Duty team.
- Box 1 – date and number of contract, Non-Basic Ordering Agreement Commercial Requisition or LOA.
- Box 2.1 – prime contractor name and address. (Box 2.2 to be completed if known).
- Box 3 – issuing authority. This is the finance branch. The PT/area rubber stamp can be used, or name and address provided.
- Box 5 – brief description of contract. The platform name or type should be mentioned e.g. aircraft spares for Harrier.
- Box 6 – CN code (listed at [Annex A](#)).
- Box 8 – contract value (if not known in euros, please state currency used). The value of Enabling Contracts does not need to be shown. The exact value may not be known, or it may be that this information should not be cascaded to the contractor. But the estimated value will need to be given to the DFM Tax and Duty team for record and audit purposes, and 'Enabling Arrangement' quoted on the certificate.
- Box 10 – date of last expected delivery or contract end-date. This will be the day the waiver certificate expires and becomes invalid for use at import.
- Box 11 – finance officer signature.

Failure to complete these boxes correctly will cause delays at Customs.

19. The original waiver certificate must be retained paid by the issuing finance branch. For audit purposes, the certificate and its related contract and/or requisition must both be available. Defence Internal Audit is the MOD's audit authority. They will include within their audit a check on the import duty waiver justification.

20. Copies should be sent to prime contractors and DFM Tax & Duty team. If the MOD is doing the import a copy should be sent to DSCOM Customs & Import Cell.

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21. It is important to note that waiver certificates must be relevant to the contract. Any amendments to a contract which changes the information held within a waiver certificate, must be reflected by a change to the waiver certificate. The certificate can be re-issued using the same certificate number providing it is still valid. The re-issued certificate should be amended to reflect the changes, and Box 11 signed with the date of re-issue and the date on which the original certificate was issued. Copies should be distributed as with the original certificate. Copies must be issued to the Prime Contractor, and cascaded by the Prime to Sub Contractors as appropriate, as soon as possible.

22. Expired or cancelled certificate numbers can-not be re-used. A new certificate number must be requested if the contract involved needs a new waiver certificate.

23. Exceptionally, goods can be imported from outside the EU on the assumption that military end use should, and can, be used and that a waiver of import duty certificate has been issued. If it is subsequently discovered that a waiver certificate was not in place at the time of import, HMRC regulations do allow for one to be issued retrospectively. However, retrospection can only go back for a maximum period of one year. If the imported goods are eligible for waiver of import duty, a certificate should be raised in accordance with the steps outlined below. In addition, a note should be added in the area below Box 11 stating that:

- *'This is a retrospective waiver certificate raised to cover imports against the named contract from (give date of import/first import which should be no further back than one year from date certificate is being completed).'*

Goods imported before the given date may be liable for payment of import duty.

24. If a live contract is transferred between MOD areas the original contract owners should cancel any valid waiver certificate. The receiving area should issue a new certificate. This ensures responsibility for EU Reg compliance is transferred.

25. When the procurement contract is not the responsibility of the MOD area which requires the goods, both areas must confirm that import duty waiver is appropriate. The area responsible for the contract should raise and issue the waiver certificate. On import, responsibility for ensuring compliance with EC Regulation 150/2003, including end-use monitoring (detailed in Paras 27 – 35), should be transferred from the purchasing to the requesting area. The transfer should be done in the form of an auditable document such as a formal letter or e-mail.

http://defenceintranetds.diiweb.r.mil.uk/sites/polestar/cs/DocumentLibrary/14/1613_2010DIN08-033.pdf

26. All certificates raised against a contract are required to be retained for 7 years. The 7 year period starts from the date the last issued certificate expires i.e. the validity date. This retention period is made up of the 3 year monitoring period required by the EU Reg plus the HMRC end use relief requirement that records be held for a period of 4 years following release from customs supervision.

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End Use Monitoring

27. One of the requirements of the EC Regulation is that any items imported for military use, on which import duty has been waived, must be end use monitored for a period of three years following delivery to the MOD. This means auditable proof must be held by the MOD that these goods were utilised correctly during the 3 year period.

28. To aid the MOD's ability to provide proof of utilisation, MOD areas/Project Teams (PTs) which issue import duty waiver certificates must name a point of contact (person or post) who will be responsible for tracking and monitoring the use of items imported under the certificates they have raised. Point of contact details will need to be held for the three year period, starting from the date on which items are delivered to the MOD. Details must be kept up to date.

29. Any items imported under military end-use which are not utilised, during the three year monitoring period, for the prescribed end-use but are diverted for a use not covered by the EC Reg must be reported to HMRC. The DFM Tax & Duty team is the MOD's focal point for providing handling guidance on diversions from military end-use and should be contacted when a diversion occurs. Diversions include:

- Losses.
- Sale of goods (including disposed goods) to commercial organisations or non EU Military Forces.
- Use of goods by non-member states.
- Civil use not arising from an unforeseen/natural disaster.
- Disposal or destruction where monies are generated from the scrap value.
- Issue to an alternative MOD platform that does not qualify for import duty waiver.
- Gifts under the provisions of Chapter 16 of JSP 462.

Import duty may be payable on diversions by the appropriate MOD area/PT.

30. For EU forces, the transfer of duty waived is permissible providing the recipient nation permits the transfer under the terms of EC Reg. Allowable movements within the stated three year period of items on which import duty has been waived are:

- Transfer of items between Military End Use Authorisation Holders.
- Transfer of items within the MOD from one project/platform to another, provided that the recipient platform qualifies for import duty waiver.
- The loan of items held by UK Forces serving in Operational Theatres to EU Forces serving on the same operation.

In all instances a full audit trail must be held.

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31. The transfer of goods between MOD and another authorisation holder must be accompanied by a written statement either within the contract or by letter quoting the end use authorisation numbers the transfer is between.

32. Goods transferred between EU Member States will require a copy of the import duty waiver certificate, raised by the original importing competent authority, to be passed to the receiving member's competent authority.

33. If items imported under military end-use are to be loaned to NATO or non-EU Forces serving with UK Forces in Operational Theatres, advice must be sought from the DFM Tax & Duty team or from the DES Fin FA-AMET Policy Group.

34. Any custodian of items which have been imported under an import duty waiver certificate must be aware of the associated responsibilities. Items on which duty has been waived can only be used in accordance with EC Reg. Details of items diverted from military end-use or used outside the rules of the Regulation must be notified to HMRC, through the DFM Tax & Duty team, and any relevant import duty paid.

35. Diversions of goods from military end use, including use by non-EU members, are to be reported to HMRC through DFM Tax & Duty team and import duty will become liable and need to be paid.

Third Party Benefit

36. Third party benefit is any benefit that arises from goods imported by, or on behalf of, the MOD under EC Reg that are used by non military or non-EU military third parties within three years from delivery to the MOD. This benefit can be financial or non-financial. Examples of third party use could be:

- The use by Non-EU military staff of equipment, training facilities or spares purchased by the MOD.
- Equipment built for military use but hired out by MOD contractor during periods when equipment is not required by the MOD.

37. Due to changes in the way some equipment is now procured, certain circumstances may affect the MOD's ability to use the Waiver of Import Duty certificates on some contracts. This is of particular reference to Service Concession Arrangements. Some factors to be considered when considering raising a waiver of import duty certificate for Service Concession Arrangements are:

- If any possible civil use is anticipated.
- Possible non-EU military use which may be anticipated.
- Whether goods/equipment are to be leased or whether the MOD takes ownership. It is always necessary to review contracts on an individual basis. In contracts affected by any of the factors above or where the after delivery use of the goods is not clearly known, there are possibilities of non-Regulatory use. The DFM Tax & Duty team should be contacted for clarification.

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Retrospective Payment of Import Duty

38. Any discrepancies found, from information received by DFM Tax & Duty team, concerning imports against military end use are investigated. The PT/MOD area concerned will be fully involved and will be advised as to whether any action can be taken to rectify the issue. HMRC invoices are raised if import duty is found to be payable. Further information on the process can be found at:

http://defenceintranetds.diiweb.r.mil.uk/sites/polestar/cs/DocumentLibrary/11/1613_09015_DIN.pdf

Reclaiming Incorrectly paid Import Duty

39. The legal basis of the conditions and procedures for a repayment of duties paid is contained in EC Regulation 2913/92 (the Community Customs Code – see link [EC 2913/92](#)), Articles 235 to 242. Article 235 defines 'repayment' as **the total or partial refund of import duties which have been paid**.

Details of the procedures to follow are at:

http://defenceintranetds.diiweb.r.mil.uk/sites/polestar/cs/DocumentLibrary/11/1613_09004_DINs.pdf

Other Import Reliefs

40. Depending on the circumstances surrounding the goods being imported other import reliefs may be more suitable. These include: Temporary Importation (TI), Inward Processing Relief (IPR) and Outward Processing Relief (OPR). MOD areas should seek advice from DES Fin FA-AMET Policy Group, DSCOM Customs & Imports Cell or DFM Tax & Duty team, if considering other import reliefs.

Urgent Operational Requirements (UORs)

41. Due to the nature of UORs alternative import reliefs, such as TI, may be considered by MOD when importing from outside the EU. The procedures and requirements surrounding other duty reliefs must be fully understood and the possible implications when items return to the UK from Operations must be considered before alternative reliefs are used.

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Annex A

MEMBERS OF THE EUROPEAN UNION (as at December 2009)

Austria

Belgium

Czech Republic

Denmark

Estonia

Finland

France

Germany

Greece

Hungary

Ireland

Italy

Latvia

Lithuania

Luxembourg (except NAMSA – see paragraph 2 under General Principles of this chapter)

Malta

Netherlands

Poland

Portugal

Republic of Cyprus

Romania

Slovakia

Slovenia

Spain

Sweden

United Kingdom

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Annex B

CUSTOM NUMBER CODES ELIGIBLE FOR IMPORT DUTY RELIEF

Description	Code	Guidance Notes
Hydrogen, rare gases and other non metals	2804	Nitrogen and oxygen products e.g. breathing apparatus
Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases; other metal oxides, hydroxides and peroxides	2825	Aircraft fuel
Propellant powders, prepared explosives, incendiary agents and devices	3601 3602 3606	Self-explanatory, e.g. Guided Weapon support IPT, BVRAAM
Detonation fuses	3603	Self-explanatory, e.g. primer for shells
Signalling flare	3604	Self-explanatory
Photographic products	3701 3702 3703 3705 3707	Special projects, aerial reconnaissance etc
Chemical products and preparations of the chemical or allied Industries	3824	Runway clearance products and other chemicals
Heading covering military designed plastic containers (for explosives)	3926	Bomb disposal equipment including visors
Bags various	4202	Protective bags including casualty, EOD suit carrier and waterproof
Printed books, newspapers, pictures and other products of the printing Industry; manuscripts, typescripts and plans	4901	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Manuals etc.
Other printed matter, including printed pictures and photographs	4911	Aerial photography etc.
Camouflage nets	5608	Self-explanatory - WATCHKEEPER
Gloves (if knitted)	6116	Anti-flash gloves, combat gloves
Protective suits	6210	Explosive Ordnance Disposal
Suits (if woven)	6211	Immersion suits, combat body armour sleeveless jacket, NBC suit
Kevlar filler (if woven)	6217	Body armour
Sacks and bags	6305	Soldier back-packs

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Description	Code	Guidance Notes
Other made up articles including dress patterns	6307	Helmet covers
Other headgear, whether or not lined or trimmed	6506	Jet pilot helmets, bomb disposal headgear
Mobile or floating bridging equipment of iron or steel	7308	Self-explanatory, Mobility IPT
Containers for compressed or liquefied gas, of iron or steel	7311	Submarine equipment, HP Air cylinders
Cloth, grill, netting or fencing, of iron or steel	7314	Anti torpedo nets
Other articles of iron or steel	7326	Mobile roadways
Mobile or floating bridging equipment of aluminium	7610	Self-explanatory, Mobility IPT
Pumps for liquids, whether or not fitted with a measuring device	8413	Previous buy
Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters	8414	Bomb disposal de-mister fan assembly
Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated	8415	Previous buy
Equipment designed or adapted for installation in a military vehicle for generating or maintaining temperatures of less than -170°C (103K)	8418	WATCHKEEPER
Machinery, plant or laboratory equipment, whether or not electronically heated, for the treatment of materials by a process involving a change of temperature; instantaneous or storage water heaters, non-electric	8419	Type 45
Water purification equipment	8421	Submarine air purification units, Special projects

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Description	Code	Guidance Notes
Mechanical appliances for projecting, dispersing or spraying liquids or powders; fire extinguishers, spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines	8424	Self-explanatory
Ships derricks, cranes, transport cranes, gantry cranes, bridge cranes, mobile lifting frames and straddle carriers	8426	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Dockyard and aircraft support equipment.
Fork-lift trucks; other works trucks fitted with lifting or handling equipment	8427	Previous buy
Other lifting, handling, loading or unloading machinery	8428	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases.
Self propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers	8429	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Airfield equipment.
Other moving, grading, levelling, scraping, excavating or boring machinery, for earth, minerals or ores, pile drivers and pile extractors, snow ploughs	8430	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Airfield equipment.
Calculating machines and pocket size data recording, reproducing and display machines	8470	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases.
Automatic data processing machines and units thereof	8471	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Military computer hardware, Type 45

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Description	Code	Guidance Notes
Other office machines (includes Cryptographic equipment)	8472	WATCHKEEPER, SIFF, A400M, MERLIN
Machines and mechanical appliances having individual functions, not specified or included elsewhere in this chapter	8479	Naval related
Electrical rotary converters designed or adapted for installation in a military vehicle and designed to operate at temperatures of less than -170°C (130K)	8502	Self-explanatory
Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus; electric heating resistors, other than those of heading no. 8545	8516	Previous buy
Electrical apparatus for line telegraphy including line telephone sets with cordless handsets and telecommunications apparatus for carrier line systems or for digital line systems	8517	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Naval related.
Microphones and stands; headphones and earphones	8518	Naval-related
Video recording or reproducing apparatus, whether or not incorporating a video tuner	8521	Previous buy
Records, tapes and other recorded media for sound or other similarly recorded phenomena	8524	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Military software
Reception and transmission apparatus, jamming and anti-jamming equipment (including electronic counter-measures and electronic counter-counter-measures)	8525	WATCHKEEPER, A400M, chaff, BOWMAN, WOTAN HF radios, MERLIN, special projects, Type 45
Radar apparatus	8526	Self-explanatory, includes GPS, WATCHKEEPER, SIFF, A400M, special projects, Type 45

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Description	Code	Guidance Notes
Reception apparatus for radio-telephony, radio-telegraphy or radio-broadcasting	8527	Type 45
Reception apparatus for television; video monitors and video projectors.	8528	Type 45 (satellite receiver)
Gas alarms	8531	A400M
Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits for a voltage exceeding 1,000 volts	8535	Previous buy
Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits for a voltage not exceeding 1,000 volts	8536	Naval- related
Electric filament or discharge lamps, including sealed beam lamp units and ultra-violet or infra-red lamps; arc lamps.	8539	Previous buy
Electrical mine detonators; mine detectors; particle beam and microwave systems capable of destroying a target or aborting mission	8543	Weapon control systems and command and control systems e.g. TOMAHAWK, Type 45
Insulated wire, cable and other insulated electric conductors; optical fibre cables	8544	Previous buy
Tractors designed for military use	8701	Self-explanatory
Motor vehicles, designed for military use, for the transport of persons	8703	Self-explanatory e.g. WATCHKEEPER
Motor vehicles designed for military use, for the transport of goods	8704	Self-explanatory e.g. WATCHKEEPER

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Description	Code	Guidance Notes
Special purpose motor vehicles, designed for military use	8705	Self-explanatory e.g. WATCHKEEPER
Works trucks, self propelled, not fitted with lifting or handling equipment of the type used in factories, warehouses, dock areas or airports for short distance transport of goods	8709	Self-explanatory
Tanks and other armoured vehicles	8710	Self-explanatory e.g. beach recovery vehicles
Motorcycles	8711	Self-explanatory
Trailers and semi-trailers, designed for military use	8716	Self-explanatory e.g. WATCHKEEPER, special forces sledge
Balloons and dirigibles; gliders and hang gliders and other non powered aircraft	8801	Aerostat from LM
Helicopters, aeroplanes and other aircraft, spacecraft	8802	Self-explanatory e.g. WATCHKEEPER, A400M, SAT IPT, special projects
Parachutes	8804	Self-explanatory e.g. WATCHKEEPER, special forces
Aircraft launching gear, deck arrestor or similar gear, Ground flying trainers	8805	Self-explanatory e.g. WATCHKEEPER, A400M, simulators, centrifuges, target launchers, MERLIN, special projects
Hovercraft	8901	Self-explanatory
Inflatable boats	8903	Naval project, special forces
Other vessels including warship and lifeboats other than rowing boats.	8906	Self-explanatory
Floating structures for military use	8907	Self-explanatory
Night vision goggles	9004	Night vision goggles

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Description	Code	Guidance Notes
Binoculars, monoculars and other optical telescopes	9005	A400M (thermal imaging system), special projects, Type 45
Cameras specially designed for underwater use or for aerial survey	9006	Self-explanatory e.g. WATCHKEEPER, special projects
Image projectors, other than cinematographic; photographic (other than cinematographic) enlargers and reducers	9008	Previous buy
Laser systems designed to destroy a target or mission	9013	WATCHKEEPER, A400M
Instruments and appliances for aeronautical or space navigation (other than compasses)	9014	Sonars and spares, A400M, MERLIN, BVRAAM, special projects, Type 45
Rangefinders	9015	WATCHKEEPER, special projects, Type 45
Instruments and appliances used in medical, surgical, dental or veterinary sciences	9018	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases.
Mechano-therapy appliances, massage apparatus, psychological aptitude testing apparatus, ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapy apparatus	9019	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases.
Protective suits incorporating breathing apparatus, gas masks, self contained breathing apparatus of a kind used by divers	9020	Naval-related, NBC respirators
Orthopaedic appliances, including crutches, surgical belts and trusses, splints and other fracture appliances, artificial parts of the body, hearing aids and other appliances	9021	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases.
Apparatus based on the use of X-rays or alpha. Beta or gamma rays	9022	A400M

13: TRANSACTIONS – IMPORT DUTY AND WAIVER CERTIFICATES

Annex B

Description	Code	Guidance Notes
Hydrometers and similar floating instruments, thermometers, barometers, hygrometers	9025	Type 45
Instruments and apparatus for measuring and checking the flow, level, pressure or other variables of liquids or gases.	9026	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases.
Instruments and apparatus for detecting radiation	9027	A400M
Measuring or checking instruments, appliances and machines, not specified or included elsewhere in Chapter 90	9030	Special projects, ionospheric equipment for on shore and submarine use
Profile projectors	9031	A400M, Torpedo components
Heading covering missile launch equipment, machine gun/small cannon	9301	DUTY FREE. But some imported parts, components or sub-assemblies may be subject to duty and waiver certificates can be used in these cases. Parts of control launch units for missiles (Guided Weapon IPT), howitzers, Type 45, PAAMS.
Revolvers and pistols	9302	Self-explanatory
Flare guns	9303	Self-explanatory
Other arms (for example, spring, air or gas guns and pistols, truncheons)	9304	Self-explanatory
Cartridges (other than shotgun), bombs, grenades, torpedoes, mines, missiles and similar munitions of war	9306	Self-explanatory
Sword, cutlasses, bayonets, lances and similar arms	9307	Self-explanatory
Sleeping bags	9404	Combat sleeping bags
Shelters for mobile installation equipped with protection against electromagnetic pulsations	9406	Hardened shelters

13: TRANSACTIONS – IMPORT DUTY AND WAIVER CERTIFICATES

Annex C

CERTIFICATE FROM COMPETENT AUTHORITY

EUROPEAN COMMUNITY

1 Number and date of procurement contract	CERTIFICATE FOR MILITARY EQUIPMENT No _____ ORIGINAL			
2.1 Importer (Full name and address including Member State)	3 ISSUING AUTHORITY (pre-printed)			
2.2 Consignee (Full name and address including Member State)				
NOTES A. The original and a copy of this certificate must be presented in support of the entry for free circulation the goods B. The Customs office concerned or the other authorised office must keep a copy of this certificate, endorse the original and send it back to the issuing authority				
5 Marks and numbers – Number and kind of packages – Product number of procurement contract	6 CN code (4 digits)			
	7 Gross weight (kg)			
5 Marks and numbers – Number and kind of packages – Product number of procurement contract	6 CN code (4 digits)			
	7 Gross weight (kg)			
5 Marks and numbers – Number and kind of packages – Product number of procurement contract	6 CN code (4 digits)			
	7 Gross weight (kg)			
5 Marks and numbers – Number and kind of packages – Product number of procurement contract	6 CN code (4 digits)			
	7 Gross weight (kg)			
8. Total Value (in EUR):				
9 ENDORSEMENT of CUSTOMS or OTHER AUTHORITY	10 Last day of validity	Day	Month	Year

13: TRANSACTIONS – IMPORT DUTY AND WAIVER CERTIFICATES

Annex C

CERTIFICATE FROM COMPETENT AUTHORITY

EUROPEAN COMMUNITY

<p>Number and date of entry for free circulation:</p> <p>Name of Customs office:</p> <p>Place and date:</p> <p>Signature of the Customs officer:</p> <p>Stamp</p>	<p>11 This is to certify that the goods described above are for the use of the military forces of (Member State)</p> <p>Place and date:</p> <p>Signature of authorised person:</p> <p>Stamp</p>
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14: TRANSACTIONS: RECEIPTS

Introduction

This Chapter covers the treatment and accounting for Consolidated Fund Extra Receipts (CFERs) and Appropriation in Aid.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Ahd-A&TM-Banking ServTA	Accounting and Banking Services Policy and Advice	9355 83312
Def Res-C1 (IYMTL)	In Year Management	9621 87436

Key Points

1. CFERs are receipts that may not be appropriated in aid of gross departmental expenditure.
2. CFERs must be surrendered to the Consolidated Fund (CF).
3. Receipts in excess of the value of Appropriations in Aid in the Estimates must be surrendered as CFERs.

General Principles

1. Receipts, whose nature are outside the Ambit of the Vote may not be retained as Appropriation in Aid. There are relative few items that fall into this category, and these will generally have been agreed with HMT during the Estimates process or in-year.
2. Electronic receipts which cannot be specifically identified as belonging to the Department, and for whatever reason cannot be returned to the originator, must also be returned to the CF. Again, there are relatively few instances.
3. Appropriations in Aid are forecast separately in the Main Estimates and are subject to updates in the subsequent Winter/Spring Supplementary Estimates. Where the (outturn) value of receipts in the ARAc exceeds the value in the Estimates, this excess is required to be treated as CFER. TLBs are responsible for forecasting their Appropriations in Aid .
4. CFERs are generally paid over to the Consolidated Fund in the month following receipt. In the case of Excess Appropriations in Aid, payment over to the Consolidated Funds will generally be in the middle of the following Fiscal Year, after the ARAc has been formally signed off.

14: TRANSACTIONS: RECEIPTS

Background

Consolidated Fund Extra Receipts

5. Once a receipt has been identified as a CFER, it is the responsibility of the recipient to take the necessary accounting action.
6. This requires the raising of the accounting entries to transfer the receipt to the C&BS CFER Control Account (LPC – ZZZG80U020; RAC – GEK001; UIN – D4382A).
7. All transfers to this control account should be agreed with the point of contact (FMFA-A&TM-Banking Services) in advance accompanied by a brief explanatory note with the appropriate approvals.

Responsibilities

8. Financial Management Policy & Accounting–A&TM-Banking Services are responsible for reconciling all transactions on the CFERs control account with supporting documentation on a monthly basis, before paying over CFERs to the Treasury.
9. Financial Management Policy & Accounting-A&TM-Corporate Financial Accounting Team (CFAT) are responsible for preparing the Departmental Resource Accounts, which reports to Parliament the final outturn against the Estimates voted.
10. Defence Resources (Finance and Operations) (Def Res Fin & Ops) is responsible for consolidating TLB forecasts of income, for determining the level of Appropriation in Aid to be included in Estimates, and for preparing the Estimates and agreeing them with the Treasury.
11. TLBs are responsible for forecasting the level of receipts they expect to make over the year. They are also responsible for booking entries to the CFERs control account of receipts not classified as Appropriation in Aid and forwarding supporting documentation to FMFA-A&TM-Banking Services.

Budgetary and Financial Issues

12. Although Appropriations in Aid do not feature in the Treasury Control Framework, they are important in the context of Parliamentary controls over both the DELs and our Net Cash Requirement (NCR), and for their impact on cashflow. Although all receipts, voted or not, reduce net expenditure against Treasury controls and hence TLB Control Totals, this is not the case where Parliamentary controls are concerned.
13. As far as Parliamentary DELs are concerned, the impact of failure to forecast income is that it cannot be used to offset expenditure. If TLBs have used it to come within Control Totals without ensuring that it is included in the Estimate, the chance of an excess vote (an overspend against the Parliamentary DEL) is increased. Conversely, failure to realise the amount of Appropriations in Aid in the Estimates will not of itself cause either a breach of TLB Control Totals or an excess vote, but unless gross expenditure is correspondingly

14: TRANSACTIONS: RECEIPTS

lower than the Budget/Estimate, both will occur. To aid understanding, these impacts are illustrated below.

Excess Appropriation in Aid treated as CFERs, leading to an excess vote

	Treasury Controls/TLB Control Totals			Parliamentary Controls		
£M	Budget	Actual	Over/(Under)	Estimate	Actual	Over/(Under)
Expenditure	1,000	1,100	100	1,000	1,100	100
Income	(200)	(350)	(150)	(200)	(200) ¹	0
Net	800	750	(50)	800	900	100
CFERs	N/A	N/A	N/A	0	150	150

AinA outturn lower than Budget/Estimate, leading to an excess vote

	Treasury Controls/TLB Control Totals			Parliamentary Controls		
£M	Budget	Actual	Over/(Under)	Estimate	Actual	Over/(Under)
Expenditure	1,000	1,100	100	1,000	1,100	100
Income	(200)	(150)	50	(200)	(150)	50
Net	800	950	150	800	950	150
CFERs	N/A	N/A	N/A	0	0	0

14. Excess Appropriations in Aid also affect the Net Cash Requirement, as they must be surrendered to HM Treasury and cannot be used to offset expenditure, in effect increasing the reported Net Cash Requirement.

15. The importance to MOD of Appropriation in Aid has a number of implications across the Department, and means that TLBs need to pay close attention to this issue and regularly review accounting procedures in MGs and BLBs/IPTs. In particular and to ensure that all budgetary levels are aware of the full range of guidance, MGs and BLBs/IPTs should be required to confirm, as a regular part of the In Year Management process, that income has been brought to account correctly, and that forecasts are taut and realistic, to ensure that changes are brought to the attention of Def Res (Fin & Ops) through the monthly forecasts. In addition, any significant changes should be brought to the attention of the appropriate Def Res (Fin & Ops) desk officer as soon as they become apparent, so that the Estimates Team can be informed.

¹ Since Parliament has voted £200M Appropriations In Aid, only £200M can be used to reduce net expenditure.

15: TRANSACTIONS: DEBT MANAGEMENT

Introduction

This chapter outlines the general principles underlying the recovery of money owed to MOD. These principles are all contained in Managing Public Money (MPM), and apply in principle to the recovery of all debt. The detailed treatment of personal debt management is, however, different from that of business debt.

Detailed advice on specific matters is issued by the Service Personnel and Veterans Agency (SPVA), Defence Business Services – Finance – Invoicing and Revenue (DBS Fin IR)-previously known as FMSSC, the Defence Infrastructure Organisation - Accommodation (DIO Ops-Accn), the Directorate of Business Resilience – Common Law Claims and Policy (DBR-CLCP) and the Defence Business Services – Civilian Human Resources (DBS-Civilian HR). Further detailed guidance appears in: [JSP 368](#), [DBS-Civilian HR/Pay Matters](#) and the [Guide for Handling Debt Recovery Cases](#) produced by CLS.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMSSC-Contactpoint(MULTIUSER)	DBS Fin IR Contact Point	94552 2000 Option 2

Key Points

Business Debt Management

1. MOD's invoicing process is through the Defence Business Services – Finance – Invoicing and Revenue (DBS Fin IR), using either the Invoice Request Input System (IRIS) or the paper based DAB1 process. The minimum value for a DAB1 invoice is £35 (excl VAT). For IRIS invoices, the minimal value is £10 (excl VAT). No other form of invoicing is permitted.
2. The DBS Fin IR constantly monitors outstanding debt owed to MOD and takes action necessary to ensure that this money is recovered.
3. The DBS Fin IR produces a detailed quarterly Revenue Debt Report for each TLB. All other Management Information (MI) is available to originators with access to Oracle and Discoverer on a 'self serve' basis as and when required. Those originators without access must contact their TLB focal points to make local arrangements to obtain the MI they require.
4. If it is discovered that a company or private individual with whom MOD is or is planning to do business is to be taken into receivership or become bankrupt, DBS Fin (Legal Process) must be advised as soon as possible so that appropriate steps may be taken to secure MOD resources.

Use of the Small Claims Court (SCC)

5. When dealing with a small amount of money it is often not economical to take court action. Court action should not be taken for sums of less than £100.

15: TRANSACTIONS: DEBT MANAGEMENT

6. Where, however, the amount is under £5,000 (£1,000 for personal injury damages), and the case is not contentious, the SCC should be your preferred route.
7. Full guidance is contained in the “Guide to the Use of the Small Claims Court” and the Guide for Handling Debt Recovery”, produced by CLS – see links: [A Guide to the Use of the Small Claims Court](#) and [A Guide for Handling Debt Recovery Cases](#).
8. SCC action should not be taken until all the procedures outlined in the Debt Recovery Guide have been undertaken.
9. The SCC is a lay court. Cases are normally heard by a District Judge. Hearings are short and the judge usually controls procedure by asking the parties some questions, looking at the documents and then giving a decision. There is normally no need to employ a solicitor for this court, and thus there is no provision for the legal costs of solicitors to be recovered by either party.

General Principles

The Financial Management Shared Service Centre

1. The DBS Fin IR provides a single point of contact between the debtor and MOD branches, which allows them to build up a thorough knowledge of each debtor and so deal with any problems promptly and efficiently. This in turn allows money due to MOD to be recovered with the minimum of delay.

Budget Manager/Originator Responsibilities

2. To minimise the occurrence of bad debt, budget staff should as a general rule seek to sell goods and services only to third parties who have an established business record with MOD or who have agreed to contract formally on a deposit-paid basis.
3. It is essential that the customer agrees to the detailed services to be provided and the appropriate cost before work starts, preferably in writing. Any variable cost elements must be clearly identified at the outset so that there is no ambiguity regarding the service provided or its related cost. Advice on costing may be found in [JSP 368](#).
4. If a debtor raises a query directly with the originator rather than the DBS Fin IR, the DBS Fin IR is to be advised immediately so that hastening action can be halted until the query is resolved. When this occurs the DBS Fin IR is to be advised again so that they may re-start the process. The initial advice to the DBS Fin IR should detail the debtor, invoice number, nature of the query, and whether only part of the invoice is being queried. If only part of an invoice is subject to query, recovery may continue against the balance.

Fraud Awareness

5. The budget manager should be aware of the risk of fraud arising from incorrect completion of a billing document, resulting in bills being returned to the originator for resolution and DBS Fin IR ceasing debt recovery action.

15: TRANSACTIONS: DEBT MANAGEMENT

6. The possibility of fraud arises because of the financial advantage accruing to the debtor. Delaying resubmission of the corrected invoice will give the debtor use of the funds that should have been paid, while mislaying the invoice altogether would provide the debtor with a free service. Care must be taken to ensure that bills are not unduly delayed and that any significant incidence is checked to allay any suspicion of fraud.

Bankruptcies, Liquidations and Receiverships

7. As a general rule, when MOD learns of a bankruptcy, liquidation or receivership, it should stop all payments pending confirmation of the bankruptcy, etc and then, as a matter of urgency, prepare a statement of amounts due to and from MOD.

8. In the case of a person or company with a debtor or creditor relationship with MOD, it is essential to ensure that any payment due by MOD is made only to the proper person, and that any claim by MOD is properly lodged. If MOD inadvertently pays the wrong person, it may fail to obtain a valid discharge or the payment (and be made to pay again). If it delays lodgement of a claim with the right party, it may fail to recover the amount properly due. It is therefore essential that information about any bankruptcy etc relevant to MOD's business should be obtained as early as possible.

Use of the Small Claims Court (SCC)

Costs

9. A fee is payable at the start of the claim. This varies between 11.5% and 19% of the claim value and will be added to the sum recovered if the claim is successful. A further fee will be needed to enforce judgement if the debtor fails to pay; this varies between £20 and £80. Interest may be claimed on the sum owed. Up to date information on fees, forms and related topics can be found on the Court Service website at [Courts Service](#).

10. The cost of recovery through the SCC is financed by the budget which owns the debt: costs do not fall on any central budget.

Duration

11. The small claims system is designed to be quick, and many cases are not disputed. The length of time this should take is 12 weeks from lodging a claim at the court to its conclusion. This will depend, however, on whether the case is disputed. Most hearings take no more than half a day but of course this may vary depending on the complexity of the case. If the case is deemed too difficult it will be transferred to the County Court. If the case is disputed, it will be transferred to the court nearest to the defendant's location.

Key considerations

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

- Is the address for the debtor still correct?

15: TRANSACTIONS: DEBT MANAGEMENT

- Does the debtor have the means to pay?
 - If a debtor is a person, is he/she in employment or does he/she own property or other assets?
 - Is the person or company bankrupt? This can be checked with the Insolvency Service. (see Section 17 of the Guide to Use of the Small Claims Court)
 - Has the person or company failed to pay previous County Court Judgements? This can be checked with Registry Trust Ltd who will search the Register of County Court Judgements. (see Section 17 of the Guide to Use of the Small Claims Court)
- Is the debt more than six years old?
- Do the costs involved outweigh what is owed?
- Is there the likelihood of a troublesome counter-claim?

13. Instructions on making and processing a small claim through to final settlement are detailed in sections 6 to 15 of the guide. The originator may be required to undertake certain tasks at different stages of the process. If such action is not taken the case may collapse and need to be started again.

14. Where the debt is in excess of £5,000, or the facts of the case are complex, the matter may have to be referred to the County Court at the outset. If a case involves a personal injury counter-claim, DCS Claims must be informed immediately as it is their role to handle such claims against the MOD.

Solicitors and County Courts

15. A solicitor should only be used when all efforts to contact and/or negotiate recovery have been exhausted. The use of solicitors is advised when negotiations with the debtor become difficult. Such breakdowns in communications are often the result of the debtor being accused of bad faith. Where a case is over £5,000 and court action is necessary, a solicitor will be required.

16. Before making the final decision to go ahead with recovery, there may be a need to seek legal advice on a point of law, policy or procedures. If the point relates to policy or procedures, contact CLS Legal. If they cannot answer the query they will ask their legal colleagues in CLS Legal initially. CLS lawyers cannot act for MOD in courts. If such representation is required then for England and Wales the Treasury Solicitor has a panel of solicitors- see link: [Guidance and use of the Treasury Solicitor's Debt Recovery Panel Solicitors](#), in Northern Ireland it will be the Crown Solicitor and for Scotland representation is through the MOD's appointed solicitor for Scottish legal matters – Morton Fraser.

Costs

17. The cost of using solicitors, which will fall to the originator's budget, will depend on a number of factors, for example the complexity of the case; whether it is necessary to use

15: TRANSACTIONS: DEBT MANAGEMENT

enquiry agents; expert witnesses or other legal professionals such as barristers; and whether court costs are involved.

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Annex A

TABLE TO IDENTIFY STEPS IN THE DECISION-MAKING ASPECTS OF THE RECOVERY PROCESS								
STEPS	A	B	C	D	E	F	G	H
Q U E S T I O N	Was the payment of a type subject to later adjustment	Did the recipient receive the overpayment in good faith	Is it already clear that it would not be cost-effective to invite recovery	Does the recipient agree, albeit reluctantly, to repay the amount due	Does the recipient allege a valid defence	Has hardship been claimed and would recovery cause genuine hardship to the recipient or his/her family	Is it now clear that it would not be cost-effective to pursue recovery	All feasible attempts should be made to recover an overpayment, including set-off against subsequent payments or other monies owed by the government to the recipient. This includes, if necessary, legal action.
If Answer is YES	Recover by deduction from later payments. Recipient to be informed, in advance if possible, of adjustment. If automatic adjustment not appropriate or feasible, recover by other means.	If recipient acted in bad faith, all efforts to be made to recover full amount (including from pension benefits or set-off against other sums due from government). MOD should also consider whether matter to be regarded as fraud, with prosecution or disciplinary action being taken.	Waive recovery. The presumption is that recovery action should be pursued in all cases. MOD should only make a decision not to invite repayment, at the outset, if it is satisfied that recovery action would not be cost-effective.	Where the recipient agrees to refund an overpayment, it should be recovered, applying set-off if necessary.	Where recipient claims to have a valid defence, legal advice should be taken before proceeding. Note: it is possible that defence will only be raised at step G .	Repayment may be waived in part or whole if genuine hardship would be caused.	Waive recovery. The presumption is that recovery action should be pursued in all cases. MOD should only make a decision not to invite repayment at the outset if they are satisfied that recovery action would not be cost effective.	
If NO	Go to B >	Go to C >	Go to D >	Go to E >	Go to F >	Go to G >	Go to H >	

15: TRANSACTIONS: DEBT MANAGEMENT

Annex B

Defences against Repayment

Change of Position

1. Where the debtor has in good faith, without notice of the overpayment and without having contributed to its being made, changed position in reliance upon it such that it would be inequitable to require the recipient to repay the money in whole or in part, this is a defensible position.
2. The onus is on the debtor to show that he/she has changed position in such a way that it would be unfair to repay the money. If the evidence is flimsy, unreliable or anecdotal, it should be treated accordingly.
3. If the debtor spent the money honestly but without giving adequate thought to whether or not he/she was entitled to it, then the larger the sum and more unusual the circumstances of payment, the stronger the argument that the debtor ought to have surmised that he/she was not entitled to it and should have repaid it.
4. The court may have sympathy with debtors who can show that they have not spent the money on anything in particular but have nevertheless spent it, e.g. on a better cut of meat or something extra from the supermarket.
5. A court is likely to consider a recipient making a cursory inquiry over the telephone of a very junior official as being unreasonable person that a much more thorough enquiry was necessary.
6. The mere fact that the recipient has spent the money does not of itself render it inequitable that the recipient should be called upon to repay. The recipient must, at the very best, show that he/she has altered his/her mode of living or undertaken commitments which he/she would not otherwise have done.

Estoppel

7. Estoppel is a rule of evidence which prevents the payer from claiming back an overpayment if the following conditions are met:
 - The payer must generally have made a representation of fact which led the payee to believe that he or she was entitled to treat the money as his or her own;
 - The payee must have changed his or her position in good faith, for instance by spending the money such that lifestyle was altered; and
 - The payment must not have been caused primarily by the fault of the payee.
8. A mistaken payment will not of itself constitute a representation that the payee can keep it. There must be some further indication of the recipient's supposed title other than the fact of payment. However, a representation may be implicit in the light of surrounding circumstances.

15: TRANSACTIONS: DEBT MANAGEMENT

Annex B

9. The paying authority can be prevented from recovery even where it has made no positive statement to the payee that the latter is entitled to the money. If MOD writes a person demanding repayment of money and the person writes back stating reasons why repayment should not be made, then silence from MOD in the face of that letter would entitle the person to conclude that the reply was satisfactory.

10. Whether or not the representation was sufficiently authoritative depends on the facts, **but any part of the payment chain which makes inaccurate representations risks undermining the case for recovery.**

Key differences between change of position and estoppel

11. Change of position does not depend on a representation of fact, whereas estoppel does. The key requirement for the change-of-position defence is: "Is it unfair to require repayment?" By contrast, the estoppel defence asks: "Did the payer represent to the payee that the payee could keep the money?" In practice, many recipients of overpayments will argue change of position rather than estoppel so that they do not have to jump the "representation" hurdle.

12. Change of position is a more sophisticated defence than estoppel in one respect. If MOD pays £2,000 by mistake, of which £500 is spent, then the whole £2,000 may be kept (including the £1,500 not spent) if estoppel can be successfully invoked. If the payee relies instead on the defence of change of position, a court is entitled to say that, in fairness, MOD can recover the unspent £1,500. In some cases, therefore, continued reliance on estoppel (albeit with its extra hurdle of having to show a representation) may be to the payee's advantage.

13. MOD should seek legal advice where necessary.

Payments made under mistake of law or fact with parliamentary authority

14. In general, overpayments, whether made under a mistake of fact or a mistake of law, are legally recoverable, subject to the provisions of the Limitations Acts ([Annex C](#)). **A Mistake of Law** generally arises from misinterpretation of regulations, instructions or comparable documents. It also applies where the error arose as a result of mistake or ambiguity in such documents, or if the person responsible for making the error did so because of ignorance of such documents. If the overpayment arose from a mistake of law, no further attempts at recovery shall be made where the individual has refused to repay.

15. A **Mistake of Fact** arises when an action taken, which results in an overpayment, is at odds with the factual situation, such as arithmetical errors; input of incorrect data from correct source documents; clerical errors and errors of omission due to forgetfulness. If the overpayment arises from a mistake of fact, then the recipient may well be liable at law for its repayment. Providing MOD has a good case in law, recovery shall be pursued with the individual.

15: TRANSACTIONS: DEBT MANAGEMENT

Annex B

The length of time since the overpayment was made

16. In England and Wales, a defendant might plead that a claim is time-barred under the provisions of the Limitation Acts ([Annex C](#)).

Good Consideration

17. This is where the payee gives something in return for the payment – as when the payment is made to discharge a debt owed by the payer to the payee, or where the payment is made in submission to, or is part of a compromise of, an honest claim.

Hardship

18. In cases where overpayment has been received in good faith, repayment may be waived in whole, or in part, if it would cause hardship to the debtor's family, but hardship must not be confused with inconvenience. Having to pay back money to which there was no entitlement does not, in itself, represent hardship, especially if the overpayment was discovered without undue delay. The test of hardship should therefore be real.

19. To be acceptable, a plea of hardship must be supported by reasonable evidence (supporting financial statements and documentary evidence) that the recovery action proposed by MOD would be detrimental to the welfare of the debtor or the debtor's family. However, if the overpayment has been received in bad faith, this will not be acceptable, and therefore all practicable effort will be made to recover the overpayment.

20. Welfare Officers are experienced in providing the sort of information required to support a plea of hardship and people should be advised to seek advice from them if they are uncertain about what is required.

21. If individuals have been asked to submit a plea of hardship but are reluctant to provide the necessary supporting evidence, no pressure should be applied. They should simply be informed that, of course, MOD cannot insist that they provide any documentary evidence but that unless they do so we will not be able to consider any plea of hardship and will be obliged to pursue recovery of the overpayment in the normal way.

15: TRANSACTIONS: DEBT MANAGEMENT

Annex C

The Limitations Act

1. The Limitations Acts are complicated and this annex gives only general idea of their effect. Separate legislation applies in Scotland, where any obligation to repay is extinguished 5 years after the payment was made.

2. Proceedings must be instituted within 6 years of money becoming due (12 years if the claimant is relying on an instrument which was executed under seal) or acknowledgement of the fact that it is due by the debtor. 12 years is also the period in respect of the recovery of the proceeds of the sale of land or money secured by mortgage or charge. A payment of part of the debt has the same effect as an acknowledgement – time runs from the date of part-payment. If proceedings are not instituted within the relevant period, the claim is “statute barred”.

3. Time only starts to run from the date on which the claimant discovers, or could with reasonable diligence have discovered:

- His own mistake;
- Any fraud on the part of the recipient; or
- Any concealment of relevant facts by the recipient.

Where the action is to recover stolen money or money held in trust (including implied and constructive trusts), there is no limitation period.

4. The standard of diligence the claimant needs to prove is high. In order to prove that a person might have discovered a mistake, fraud or concealment with reasonable diligence at a particular time, it is not sufficient to show that he or she might have discovered it by pursuing an inquiry in respect of the matter itself, and that if inquiry had been made then it would have led to the discovery of the facts. If, however, a considerable interval of time has elapsed between the alleged fraud, concealment or mistake and its discovery, it might not be unreasonable to infer that it might, with appropriate diligence, have been discovered much earlier.

5. It should be noted that where a written reminder is given to a payee about the non-encashment of a payment instrument, the 6 year period runs from the date of that reminder, not from the issue date of the instrument.

6. On receiving a claim which is out of time, as a first step, MOD should inform the claimant that the claim is statute-barred. The claim should, however, be examined on its merits, and if MOD concludes that the payment should be made *ex gratia*, Treasury authority should be obtained where the amount involved is outside the MOD’s delegated powers. (See Public Finance Chapter 3 JSP 462).

7. If the claim relates to a payable order or other payment instrument which is more than 6 years old. MOD should not shelter behind the statutes if accounting records are

15: TRANSACTIONS: DEBT MANAGEMENT

Annex C

available to prove that the original instrument was neither replaced nor encashed. Any payment must, however, be regarded as ex-gratia.

8. If the claim is by a government employee for an alleged underpayment, and records prove the accuracy of the claim, should not be regarded as time-barred unless there is evidence that the claimant was unreasonably dilatory in making the claim.

9. If MOD make a claim against a private person and the claim is ignored or disputed by the debtor, MOD should ensure that legal advice as to the desirability of proceedings for recovery is taken in good time, to avoid the claim becoming time-barred.

16: TRANSACTIONS – GIFTING OF SURPLUS ASSETS AND PROVISION OF EXCHANGES OF GIFTS WITH FOREIGN COUNTERPARTS AND CORPORATE AND PROMOTIONAL ITEMS

Introduction

This chapter covers the circumstances in which it is appropriate for the MOD or its military or civilian staff to offer gifts. This chapter is split into two Parts. [Part 1](#) will cover Gifts of Surplus MOD assets. [Part 2](#) will cover Exchanges of gifts with foreign counterparts and Corporate and Promotional items.

The policy on acceptance of gifts by military and civilian personnel (which is not a matter of financial policy but a conduct issue) can be found in the [Gifts, Rewards and Hospitality section within the Policy, Rules and Guidance on Standards of Conduct and Behaviour](#).

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Charging Policy 2 DFM-FMPA-Charging Policy 5	Gifting of Surplus MOD assets	9621 86857 9621 87063
DFM-FMPA-Governance3	Ceremonial and Corporate Gifting	9621 83688

Part 1 – Gifting of Surplus MOD Assets

Key Points

1. When MOD supplies equipment to an external body, but does not charge for that equipment, it is a gift. This applies regardless of what other benefits may be expected. Where payment is sought, but the price is below the value of the equipment, then the difference between the price and the value is a gift.
2. Wherever possible MOD aims to sell surplus equipment at its market value so that the proceeds may be reinvested in Defence. Thus the normal method of disposal for surplus MOD assets is sale through the Disposal Services Authority, in order to generate a financial return to the taxpayer for their investment in the asset.
3. Gifts of surplus MOD assets must produce a positive benefit to defence and contribute to defence objectives. Gifts must not lead to any additional costs, such as transportation, refurbishment, repair work etc, falling to MOD.
4. Gifts of surplus MOD assets are normally only made to National and the principal Service museums, some other museums (subject to certain criteria), foreign governments and public authorities with a link to MOD. Gifts to charities or voluntary groups, individuals or companies (even if they are Defence contractors) will not normally be made but may be considered only where exceptional circumstances exist and a robust business case exists that sets out (in auditable terms) the clear value for money benefit that will accrue to Defence from the gift.
5. MOD (Financial Management Policy & Accounting (FMPA) - Finance Policy) has delegated authority from the Treasury for gifts up to a value of £250,000. Gifts above this

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value require Treasury and Parliamentary approval. Financial Management Policy & Accounting (FMPA) – Finance Policy is not authorised to approve gifts originally funded by the Treasury Reserve. These must be submitted to Treasury for approval as novel and contentious items. All gifts must be recorded in the Annual Report and Accounts (ARAc) – gifts above £250,000 are recorded individually, gifts below this level are reported collectively. (See [Annex C](#) for approval process).

6. Failure to comply with the following principles may result in the Department incurring irregular expenditure, either because the purpose of the gift is not an appropriate charge to the Defence budget or because the sum involved exceeds our delegated authority.

General Principles

1. Treasury rules on gifts are set out in [Annex 4.12 to HMT Managing Public Money](#). Gifts include all transactions which are economically equivalent to free and unremunerated transfers from departments to others such as:

- Loan of an asset for its expected useful life (or indefinite loans).
- Sale or lease of assets at below market value (the difference between the amount received and the market value is the value of the gift).
- Donations by departments.
- Transfers of land and buildings, or assignment of leases, to private sector bodies at less than market price (the gift is valued at the difference between the price agreed and the market prices).

Transfers of assets between government departments should generally be at full current market value (unless the transfer is made in connection with a machinery of government change, in which case no charge is generally made). Neither case counts as a gift.

2. The Disposal Services Authority (DSA) is responsible for disposal of all surplus assets. Disposal will normally be through competitive tender, public auction or DSA's network of marketing contractors. This approach offers the best return for the taxpayer from the disposal of publicly-funded assets. The Department must be able to demonstrate that making a gift of surplus assets produces a positive benefit for defence which outweighs the income forgone. Gifts of surplus assets must not be MOD-inspired and must not result in the Department incurring any additional costs, for example; any transportation, refurbishment or repair.

Gifts can be made only to:

- Foreign governments. (Gifts will not be made to any other organisation unless it is owned by the Foreign Government)

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- National museums sponsored by the Department of Culture, Media and Sport. This includes the Imperial War Museum, the National Maritime Museum, the Science Museum, the Museum of Science and Industry Manchester.
- The principal MOD-sponsored museums which are the National Museum of the Royal Navy, the National Army Museum and the Royal Air Force Museum.
- Regimental and Corps Museums that are funded or otherwise controlled by MOD.
- Regimental and Corps Museums that are funded or otherwise controlled by public authorities (such as city councils) and are endorsed by the respective Service Heritage Branch. In these cases, the gift request must be made by the public authority and the gift will be made to the public authority for display in the relevant museum.
- Other Regimental and Corps Museums provided that they:
 - Are a serving or antecedent regiment.
 - Are endorsed by the respective Service Heritage Branch.
 - Are affiliated to the Army Museums Ogilby trust.
 - Are not privately owned.
 - Are not operated for profit.
- Public authorities who have an affiliation with the Services or the MOD. For example, certain local councils where a ship carries the name of the city or town or which have a large Service presence.

It is not permissible to make gifts to individuals, companies or charities which do not fall within the categories listed above except where the circumstances described Part 1, Paragraph 3. The MOD receives may requests from charitable and other worthy organisations for donation (or purchase at reduced price) of surplus assets. The MOD cannot routinely meet such requests. The MOD must ensure an even-handed approach, and it would be unfair to support one individual or organisation while refusing requests from others.

3. The gifting of cash will almost certainly be inappropriate. Consequently, any branch that intends to sponsor a cash gift must seek advice from FMPA Finance Policy at the earliest opportunity.

4. Where consideration is being given to making a gift, the items must be valued by DSA (or valued on their behalf) on the basis of reasonable market prices or scrap value. In the rare instances when items have to be replaced, the value of the gift is the full replacement cost. DSA are responsible for obtaining the necessary approvals for gifts and for transferring ownership to the recipient. DSA (or Defence Infrastructure Organisation (DIO) in the case of land or buildings) must agree to forgo the receipts which would otherwise accrue from the disposal. The sponsor of a gift of surplus assets should process

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the request in accordance with the procedures set out in [JSP 886-The Defence Logistics Support Chain Manual, Volume 4 \(Materiel Accounting\), Part 9 \(Gifting of MOD Property\)](#). This submission must be made and approved before any physical handover of the item. The sponsor of a gift is responsible for press briefing and lines to take linked to the gift.

5. Gifts (other than those linked to overseas operations or exercises) which are less than £1,000 in value and are neither novel and contentious can be approved by DES Fin FA-Hd. Gifts between £1,000 and £250,000 in value require approval by FMPA Finance Policy. Gifts over £250,000 in value require Treasury and Parliamentary approval. Ministerial approval will be required before Parliamentary approval can be sought. (See [Annex C](#) for approval process and example submissions). MOD must only act as the sponsor of a gift for which it has accounting responsibility. In cases where MOD sources material to be gifted by another UK Government department, MOD must either transfer the item(s) or recover the value of the gift from that department. Responsibility for seeking Ministerial approval and laying a Departmental Minute before Parliament then rests with the other department.

6. Parliamentary approval can either be sought through Main or Supplementary Estimates or, more usually, by laying a Departmental Minute. If the Departmental Minute procedure described in Managing Public Money Annex 4.12 is used, 14 sitting days must elapse before the gift can take effect in order to allow time for any Parliamentary objections to be received. Managing Public Money describes the processes that should be used during a Parliamentary recess in cases of special urgency. (See [Annex C](#) for approval process and example submissions).

7. All gifts must be reported in the ARAc either collectively if valued at less than £250,000 or individually if valued at £250,000 and over. This report is co-ordinated by FMPA Charging Policy.

8. As part of the gifting approval process, gifts of export controlled equipment made to a foreign government or overseas end user must be assessed on a case-by-case basis against the Consolidated EU and National Arms Export Licensing Criteria, taking into account relevant arms embargoes. This is to ensure that gifts are scrutinised according to the same standards as export licence applications. This process is managed by Export Policy and Assurance (EPA), in the Capability area of MOD Head Office, who should be contacted when gifting is being considered.

9. Some departmental or cross-governmental funds, such as the Conflict Pool, the Stabilisation Aid Fund or the Defence Assistance Fund may be used to fund or subsidise the procurement of equipment for gifting to other nations. All such cases still require formal approval as gifts from FMPA Finance Policy, and from Treasury and Parliament if the gift exceeds £250,000 in value. Where equipment is purchased specifically to be gifted to a foreign government, the value is the purchase price of the equipment. Should MOD incur additional costs e.g. transportation in gifting such equipment, such costs must be included in the value of the gift.

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10. In certain circumstances, such as major overseas exercises or in operational theatres, gifting of non-warlike equipment may be undertaken where this offers a cost-effective alternative to local sale or return to UK, or where such gifting is coherent with the aims of a particular operation. Delegated authority for such gifting may be granted by FMPA Finance Policy to in-theatre Civil Secretaries; in the absence of any delegation, all cases should be referred to FMPA Finance Policy and are subject to the normal requirement for Treasury and Parliamentary approval.

11. If a gift is made of equipment which was the subject of an import duty waiver on import to the UK (see Chapter 13 of JSP 462) and the gift is made within the three years following delivery to the MOD, the facts need to be reported to HM Revenue and Customs through FMPA-A&TM as the waiver may become invalid and import duty be payable. In these circumstances, the costs of paying the import duty should be passed to the recipient of the gift. 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. Guidance concerning ITAR/USML can be obtained from DES IRG2 Asst Hd Tel 03067 930271.

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Part 2 – Exchanges of Gifts with Foreign Counterparts and provision of Corporate and Promotional Items

Key Points

Exchanges of Gifts with Foreign Counterparts

1. All exchanges of gifts must contribute towards defence objectives and help develop working relationships which will benefit MOD. Gifts using taxpayer's money are sensitive and the Department must have a robust case for making a gift and be able to demonstrate that the level of gift represents a proper use of taxpayer's money and is not extravagant.
2. Exchanges of gifts, which should always be reciprocal, should normally only take place at 2 star level and above.
3. The maximum amount which can be spent on a single gift is £140 for Ministers, £80 for other members of the Defence Council and £50 for all other entitled personnel.
4. Authority to approve expenditure on exchanges of gifts, within the rules set out in this chapter, is delegated to TLB holders. For audit and FOI purposes, TLBs must maintain records of gifts presented.

Corporate and Promotional Items

5. TLBs have delegated authority to spend money on corporate gifts where this would contribute to a clear and specific TLB business objective.
6. Management areas may issue branded items to their staff to foster a corporate identity.
7. MOD can award prizes to outside individuals and bodies where this can be shown to contribute to the delivery of a TLB's core business. Any awards to Service and Civilian employees must be through the medium of established schemes such as the special bonus, minor awards or GEMS schemes.

General Principles

Exchanges of Gifts with Foreign Counterparts

1. Exchange of gifts between MOD personnel and their foreign counterparts promote good relations with foreign officials, at home and overseas, where custom requires it and where failure to do so would result in the foreign party being offended. This is particularly relevant where an exchange of gifts is an important part of the intended recipient's national culture. Expenditure funded by the taxpayer on gifts is open to audit and public scrutiny and is a sensitive issue. The value to be gained from buying gifts for foreign VIPs may not be obvious to the media and taxpayer and the benefits difficult to quantify. There is therefore a risk of adverse publicity, which may include accusations that the Department is misusing public funds, particularly where gifts are lavish. If called upon to do so by

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Parliament or the Treasury, the Permanent Under Secretary (PUS), as MOD's Accounting Officer must be able to defend the expenditure on gifts as being an appropriate and effective use of the defence budget. All gifts must therefore demonstrably contribute to the development of good working relationships which will benefit MOD.

2. Gifts may only be presented by 2 star officers and above, or by 1 star officers who are Heads of Establishment (which in the context of this guidance includes HM Ships and Royal Navy-led Task Groups), or hold appointments as Ship's Captain or Director. Exceptionally, a gift may be presented by a lower ranking officer if they are personally representing one of the above. The representative must have the entitled officer's written authority to present a gift on his/her behalf. A form for this purpose is at [Annex B](#).

3. Spouses and partners are not entitled to present gifts at public expense. Where it is expected that the spouse or partner of a Defence Council member will be presented with a gift by the spouse or partner of a foreign VIP, and it would embarrass the Department or offend the foreign VIP if the gesture were not reciprocated, the purchase of a gift at public expense is acceptable, within the limits set for Defence Councils members.

4. Gifts may only be presented to foreign personnel whose rank is equivalent to UK 1 star and above or who hold the equivalent of Head of Establishment or Director-level appointments. Gifts must be reciprocal and only one gift must be presented to each recipient.

Gifts must not be presented to:

- UK citizens, Service personnel or Crown servants. This includes staff serving in British embassies and consulates.
- UK or foreign representatives of companies.
- NATO personnel, where the meeting or function is routine.
- Spouses, partners or other persons in attendance such as drivers, interpreters, guides, liaison officers, bodyguards.
- Private individuals.

MOD does not fund gifts presented by UK officers holding NATO appointments or gifts presented in the NATO role by officers holding dual appointments. This prohibition does not apply to the UK Military Representative to NATO (UKMILREP) which is a UK post.

5. There is no definitive list of the type of gift deemed suitable for presentation. Ideally, the gift should be a lasting reminder of the recipient's encounter with MOD, the British Armed Forces and the UK. Plaques, crystal and silverware bearing MOD or military crests are popular items. Books are also acceptable. Cash and consumable items, such as tobacco, biscuits or chocolate must not be offered as gifts. Alcohol is best avoided as a gift. Humorous or novelty items must not be presented as gifts. Care should be exercised to ensure that the gift is not offensive to the recipient, either personally or politically.

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6. The maximum amount that can be spent on a single gift, including VAT and all associated costs such as postage and packaging, engraving, gift wrap etc is:

- Ministers - £140
- Members of the Defence Council - £80
- All other entitled personnel - £50

Gifts of low value items (such as key rings and baseball caps) between UK and foreign personnel to foster good will is permissible subject to approval by the TLB's Director of Resources, who should base a decision on expenditure limits for low-value items on the normal rules of financial regularity and propriety, value for money and affordability.

7. During operational deployments gifts may be presented in-theatre to foreign officials, such as military personnel and local civic authority and police representatives, with whom good relations are essential for getting the job done or whose co-operation contributes to the safety and security of UK personnel. Any proposal to present gifts during operational deployments should be cleared with the in-theatre Civil Secretary or, if there is none, the appropriate Director of Resources. The normal rules on gifting apply to gifts during operational deployments except that:

- Gifts may be offered by officers in command of deployed units at a level to be determined by the in-theatre Civil Secretary or, if there is none, the appropriate Director of Resources.
- The importance of the recipient's cooperation with UK forces to achieving the deployment's aim, rather than their rank, will determine whether it is appropriate to present them with a gift.
- It is desirable, but not essential, for the gift to be reciprocated.

8. Authority to commit expenditure on gifts, subject to the rules in this chapter, is delegated to TLB holders and must be contained within TLB budgets. All expenditure on gifts should be charged against Resource Account Code NFA 002.

For audit and FOI purposes, TLBs must keep records of gifts presented. A record should contain the following details (a template can be found at [Annex A](#)):

- Name rank/grade and post of the presenter.
- Nationality, rank and position of recipient.
- Cost of the gift presented.
- Details of the gift received in return, including an estimate of the value.
- Total spend, broken down by item type, on low value gifts.

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Corporate and Promotional Items

9. TLBs have delegated authority to spend money on corporate gifts where this would contribute towards a clear and specific TLB business objective. Such expenditure should be modest and should normally take the form of low-value gifts (such as pens) and be distributed as part of internal and external advertising and marketing campaigns and road-shows to promote corporate opportunities, messages, policies and procedures.

Management areas may issue branded goods to their staff to foster a corporate identity, but only in the form of low-value stationary items (such as lanyards and pens).

10. MOD can award prizes to outside individuals and bodies where this can be shown to contribute to the delivery of a TLB's core business. Minor cash awards, provided that they are made in support of core defence objectives, are permitted with Director of Resources approval. There could be tax liabilities associated with the giving of awards and prizes where these are related to employment – further advice can be obtained from the FMPA Tax and Duty team.

11. MOD employees and Service personnel are rewarded through their normal pay and allowances, special bonus pay schemes (for civilians) and the minor award scheme. TLBs should therefore avoid making cash awards to their staff other than through officially recognised MOD-wide schemes (such as GEMS scheme). Prizes to staff for success in TLB-sponsored competitions, designed to bring about improvements in the delivery of their core business, should normally take the value of a low-value non-cash award. Modest trophies may also be awarded but certificates or letters of commendation are preferable.

12. TLBs should record expenditure on corporate and promotional items in such a way that they are able to answer questions and FOI requests fully. Expenditure on gifts for staff in particular is sensitive and TLBs should issue guidance on how such expenditure is to be managed and accounted for locally, including details of the scrutiny and approval arrangements for such expenditure. Wasteful or misplaced expenditure on corporate or promotional items would be rightly criticised by Parliament and the media. If there is any doubt whether expenditure on such items could withstand Parliamentary or public scrutiny, the matter must be referred through the finance chain to the Director of Resources.

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TLB ARAc REPORTING FORM FOR GIFTS

Annex A

Serial No	TLB	Description	Recipient	Date Approved	Handover Date	Value
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						

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Annex B

EXCEPTIONAL AUTHORITY FOR A NON-ENTITLED OFFICER TO PRESENT CEREMONIAL GIFTS WHEN REPRESENTING A SENIOR ENTITLED OFFICER

B.1. I confirm that I hold delegated authority to present Ceremonial gifts.

B.2. I authorise the following officer exceptionally to present ceremonial gifts on my behalf when they represent me personally at the stated event:

Name: _____

Rank: _____

Post: _____

Event/date: _____

B.3. Such gifting must be in accordance with the rules set out in JSP 462 under Transactions Chapter 16.

B.4. This authorisation is valid for the stated event only.

Signed : _____

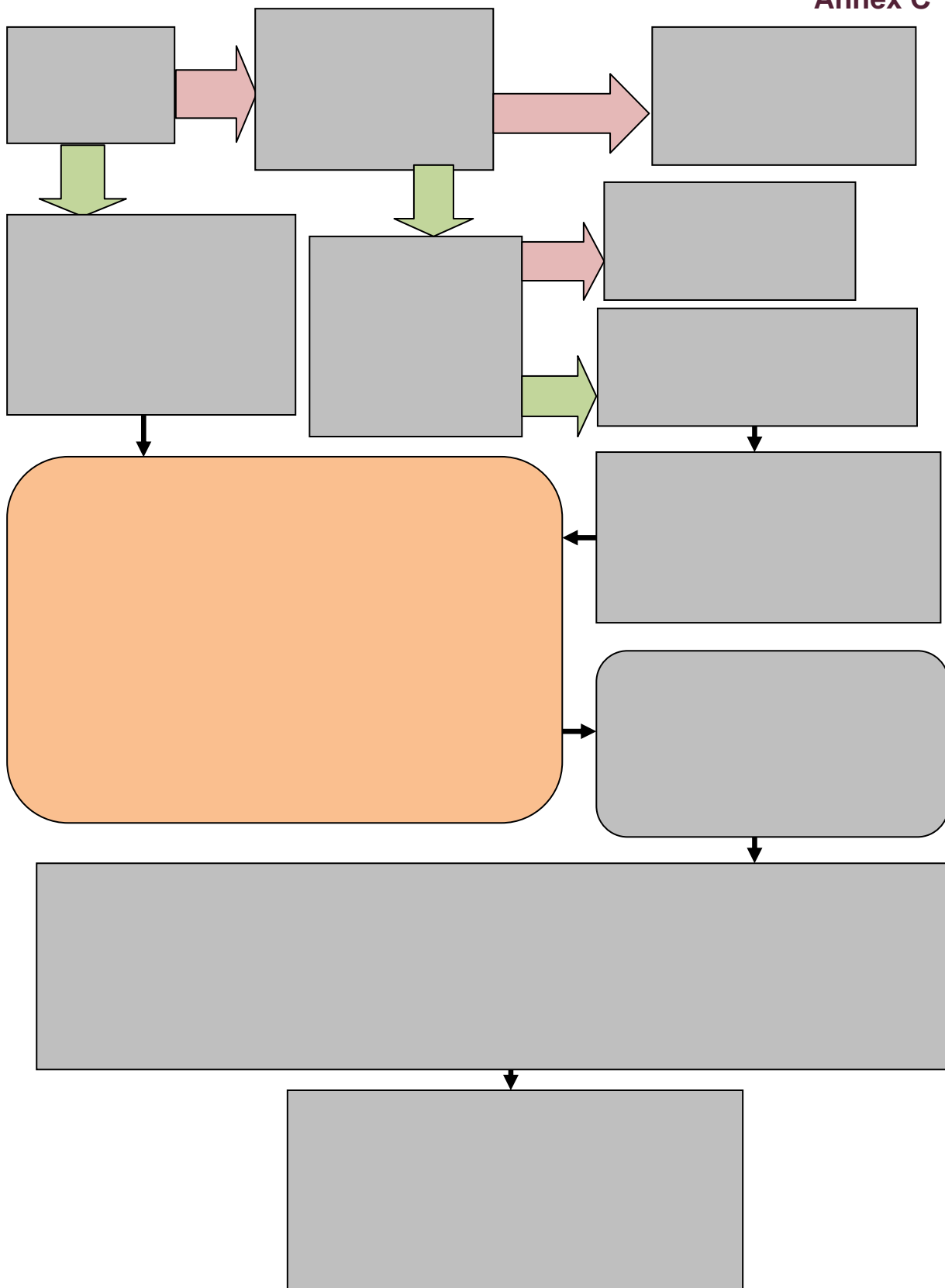
Name: _____

Rank: _____

Post: _____

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Annex C



16: TRANSACTIONS – GIFTING OF SURPLUS ASSETS AND PROVISION OF EXCHANGES OF GIFTS WITH FOREIGN COUNTERPARTS AND CORPORATE AND PROMOTIONAL ITEMS

Annex D

DEPARTMENTAL MINUTE DATED 04 MARCH 2008 CONCERNING THE GIFTING OF EQUIPMENT TO THE GOVERNMENT OF AFGHANISTAN

1. It is the normal practice when a government department proposes to make a gift of a value exceeding £250,000, for the department concerned to present to the House of Commons a Minute giving particulars of the gift and explaining the circumstances; and to refrain from making the gift until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency.
2. The gift in this case is to the Government of Afghanistan (GoA). The equipment being gifted will comprise 25 field ambulances. The provision of this equipment is a direct response to a request from the NATO Training and Equipment Co-ordination Group (NTECG) who made a broad appeal to the International Community in October 2006 for assistance in equipping the Afghan National Army (ANA). Specific requirements have recently been affirmed by the US Combined Security Transition Command – Afghanistan who are co-ordinating the equipment donations on the ground on NATO's behalf. The field ambulances are a component part of a long term requirement of 500.
3. The proposed UK contribution will provide the ANA with an initial and greater logistical capability in support of their engagement in security and operational tasks. The GoA, NTECG and Combined Security Transition Command-Afghanistan are lobbying other nations to make similar contributions in order to fulfil the overall requirement of equipment for the ANA.
4. The total cost of the proposed UK package is £1,516,320 comprising: the cost of the vehicles, and the transportation to theatre – the latter element a specific requirement of donors from NATO. The equipment will be purchased using funds from the Conflict Pool which is managed jointly by the FCO, MOD and DFID.

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Annex D

5. The UK is committed to assisting the GoA, and security sector development, in this case building the capacity of the Afghan National Army, is a key objective of the Afghanistan Conflict Pool strategy.

6. The Treasury has approved the proposal in principle. If, during the period of fourteen parliamentary sitting days beginning on the date on which this Minute was laid before the House of Commons, a Member signifies an objection by giving notice of a Parliamentary Question or of a Motion relating to the Minute, or by otherwise raising the matter in the House, final approval of the gift will be withheld pending an examination of the objection.

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Annex E

DRAFT

To:

Defence Diplomacy and Intelligence Team
HM Treasury
1 Horse Guards Road
London SW1P 2HQ

PROPOSED GIFTING OF £1.52 MILLION WORTH OF EQUIPMENT TO THE GOVERNMENT OF AFGHANISTAN

The UK is looking to assist the broader NATO effort in developing the capabilities of the Afghan National Army. This objective fits within the current Afghanistan Conflict Pool strategy, where security sector development and capacity building is held as a key element of achieving post conflict stability.

NATO staffs have, in consultation with the Government of Afghanistan, identified a comprehensive list of the equipment needs of the Afghan Army in order to develop capacity in order that they take a more forward leaning role in the security and stabilisation work in country and be a visible indigenous presence. The UK is looking to provide twenty five field ambulances that will provide the Afghan Army with a valuable logistical capability to support their engagement in operational tasks. The UK donations will be targeted towards the ANA in Task Force Helmand.

Approval has been given by the Afghan Conflict Pool strategy that, subject to further additional required financial and political authorisations, funds could be deployed from the current Afghan Conflict Pool allocation to provide the stated equipment to the ANA. This proposal is complementary to the recently approved application to supply, from Afghan Conflict Pool, 15 HMMWV patrol vehicles to the ANA.

As the value of this gift is £1,516,320.00, which exceeds MOD's delegated authority, Treasury and Parliamentary approval is required. I have therefore attached a draft

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Annex E

Departmental Minute and would be grateful for your approval to our laying this before Parliament.

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Annex F

DJC/Global/PCC/Afghanistan

Day Month Year

APS/SofS

Copy to:

PS/Minister(AF)
PS/Minister(DES)
DPSO/CDS
PS/PUS
PS/DG Finance
DFM

DMC
D News
FMFA-Policy

Special Advisers

You will need to add any other senior parties with an interest in the gift.

GIFTING OF EQUIPMENT TO THE AFGHAN NATIONAL ARMY

Issue

1. The gifting of £1.52 Million worth of equipment to the Afghan National Army (ANA).

Recommendation

2. SofS is invited to **agree**

- a. The gifting of 25 field ambulances

And to **note**

- b. The associated Departmental Minute to be laid before Parliament (at Annex A).

Timing

3. Priority. Routine

16: TRANSACTIONS – GIFTING OF SURPLUS ASSETS AND PROVISION OF EXCHANGES OF GIFTS WITH FOREIGN COUNTERPARTS AND CORPORATE AND PROMOTIONAL ITEMS

Annex F

Background

4. The UK is looking to assist the broader NATO effort in developing the capabilities of the Afghan National Army. This objective is deemed an essential component of the Security Sector Reform element of the current Afghanistan Conflict Pool strategy, where such capacity building is key to helping to achieve post conflict stability.

5. In June 06, Afghan Defence Minister Wardak conducted a series of meetings with NATO officials. He requested NATO support for equipping of the Afghan Army stating that the soldiers lacked essential equipment and that existing equipment holdings were of poor quality. Following the Minister's appeal, CSTC – A was invited to brief NATO HQ and, as a result of that briefing, COMISAF was asked to provide a full equipment review for SACEUR. CSTC-A is the key focal point in theatre. However, international support and donations – from NATO and non-NATO countries – falls to the NATO Training and Equipment Co-ordination Group (NTECG) who made a broad appeal to the International Community for assistance in October 2006.

6. The US, through CSTC-A is leading in theatre on development of the ANA: manning, training, equipping and sustainment. In conference with Afghan stakeholders, CSTC-A constructed a plan to provide robust, easy to use equipment that the Afghans are either familiar with, or that is relatively easy to train on and maintain. The field ambulances has been identified recently by CSTC-A as being a priority requirement. The prime interest for UK is to assist the development of ANA capacity via provision of equipment to enable the ANA to take a more forward leaning role in the security operations and be a visible indigenous presence in-country.

7. The field ambulances – a donation towards CSTC-A's long term target of 500 units for Afghanistan, will provide an initial and valuable logistics capability on which the Afghan may build. This is a component part of a further package of UK proposed assistance to the ANA. The UK has asked that equipment funded from our donation be deployed where practical with the ANA's 3 Brigade 205 Corps Task Force Helmand. CSTC-A is happy to comply with our request, welcoming our prospective gift as making a meaningful impact on the drive to equip the Afghan Army.

8. On 5 February 08, the Afghan Conflict Pool strategy agreed that, subject to Ministerial and parliamentary approval, funds could be deployed from the current Conflict Pool allocation to provide funding to cover the stated package of equipment to the ANA.

9. This proposal is complementary to the recent successful application to provide, at a cost of £1.62M, fifteen up-armoured High Mobility Multi Wheeled Vehicles (HMMWVs) to the Afghan Army that are due to arrive later in 2008. Conflict Pool is also being used to provide, in the shorter term, 390 sets of night vision goggles (the full requirement stated by CSTC-A) for the ANA to provide them with an enhanced interdiction capability. The UK has already supported the first of four airlifts of refurbished Czech MI17 helicopter airframes to Afghanistan.

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Annex F

Funding

10. The cost of this package, including transportation to theatre, will not exceed £1,516,320, with funding being made available from the Afghanistan Conflict Pool.

Presentation

11. The gifting of the field ambulances is unlikely to attract adverse media attention. DJC has liaised with the MOD Media team who perceives that there are good news stories concerning the capabilities that the ANA will develop with the field ambulances. We will explore opportunities through the British Embassy and NATO to give visibility of the UK contribution as an indicator of our firm commitment to the wider international partnership on development of the Afghan Army. Internal publicity may also be appropriate once the Afghan Army are up and running with the UK donated kit.

Departmental Minute

12. As the value of the gift exceeds MOD's gifting delegation, we must obtain Parliamentary approval through the Departmental Minute (DM) process. I attach a draft DM, which has been approved by the Treasury. I would be grateful if action could be taken to lay the Minute in the House of Commons, with copies of the correspondence provided to this office.

Sponsor's Name
Sponsor's Branch
Building and Floor.Zone.Desk ID
Tel (Mil) 9621 8XXXX

17: TRANSACTIONS – GRANTS AND GRANTS IN AID

Introduction

This chapter explains the rules on Grants and Grants In Aid, in particular:

- The difference between a Grant and Grant In Aid.
- Documentation to support Grants.
- Documentation to Grants In Aid.
- Capital Assets funded from Grants or Grants In Aid.
- Budgetary treatment of Grants/Grants In Aid to bodies within the departmental accounting boundary.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-AHd-Governance	General Policy Advice	9621 86949
Def Res-C1 (Parly Est TL)	Estimates	9621 88108
DBS-SDS Input Team (MULTIUSER)	Chart of Accounts team	9355 82994
Def Res-Dep Hd (Fin Ops)	Defence Resources Finance & Operations	9621 85678
DBS Fin-FDMT-COA1-D	RAC Codes	9355 83082
DBS Fin-FDMT-Sys Air-C1	Air Cmd - RACE TLB Rep	95221 6643
CTLB Fin-IYM Con	CTLB - RACE Rep	9621 86373
DBS Fin-FDMT-Sys Fleet1-C2	Navy Cmd - RACE TLB Reps	93832 5907
DBS Fin-FDMT-Sys Fleet-C1		93832 5168
PJHQ-J8-ACS-TLBSA	CJO – RACE TLB Rep	9360 55813
DIO Fin-Fin1	DIO - RACE TLB Rep	94421 3808
DES Fin FA-FMETFinImprovSptMgr	DES – RACE TLB Rep	9355 67711
LF-Res Systems Dev SO1	LF – RACE TLB Rep	94393 6334
SPVA-SYSACCT SPVA-POPCHEO	SPVA- RACE TLB Reps	01253 33 8411 01253 333750
DBR-CLCP-SCO Policy	Advice on Indemnities – Directorate of Business Resilience, Common Law Claims & Policy, Senior Claims Officer	9621 78741
DFM-FMPA-Governance1	Managing Public Money	9621 84576

17: TRANSACTIONS – GRANTS AND GRANTS IN AID

Key Points

Difference between a Grant and Grant In Aid

- The MOD may offer two kinds of financial support to external bodies in a Grant or Grant In Aid.
- A Grant is a one off payment by MOD to an external body where MOD is required, or wishes, to maintain direct control over the expenditure. A Grant is made for specific purposes, under statute, and satisfying specific conditions, e.g. about project terms, timing of payment or with other detailed control. Any agreement to make a regular payment to a body is probably a Grant In Aid rather than a Grant.
- A Grant In Aid provides more general financial support, usually for a Non Departmental Public Body, with fewer specific controls over the way in which the funding may be used but more general controls on the recipient. Compared with a Grant, MOD operates less oversight over the use of a Grant In Aid.
- The difference between a **Grant** and **Grant In Aid (GIA)** is defined in [Annex 5.1 Managing Public Money \(MPM\)](#). The decision whether to pay a Grant or to provide a Grant In Aid depends primarily on the level of control which MOD is required, or wishes, to exercise over the related expenditure and the regularity of funding.
- Under a Grant, MOD might decide to fund the purchase of artefacts by a museum. MOD would issue the Grant as the museum acquired each item, and evidence of the purchase price would be required before individual payments were made. The museum would not have uncommitted funds in hand, nor would it be allowed to carry over the Grant at the end of the year.
- Under a GIA, MOD would issue the funds in full or by instalments during the financial year, the timing and amounts of which reflect the need for funds. The museum would have discretion over the spending of that money within the general framework of controls agreed between it and MOD, as set out in a Financial Framework (FF). A GIA should only be considered where the organisation is clearly able to manage and account for the funds itself.

General Principles

1. Where an organisation is in receipt of a Grant or Grant In Aid and is also receiving other financial support such as provision of manpower, accommodation, IT or other facilities, it is not acceptable to offset the cost of providing such services against payment of the Grant or Grant In Aid. Such an arrangement is not transparent and conceals the true value of MOD financial support to the organisation. Any services provided to a third party must be charged for in accordance with JSP 368. Once the charge has been set, it is acceptable for the Grant or Grant In Aid to include funding to allow the organisation to pay the charges levied by MOD.

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Grants

2. Grants should be paid on evidence of need or qualification, depending on the terms of the Grant scheme. For example:

- The recipient may need to submit a claim with evidence of eligibility.
- The recipient may need to show that it meets the conditions of the scheme.
- The recipient has incurred expenditure.
- The recipient has claimed reimbursement.

Grant control arrangements

3. Points to note:

- MOD has full delegation from the Treasury in respect of Grants that meet or support Defence outputs, and in these cases is therefore not required to seek its approval or separately identify the expenditure in Supply Estimates. Proposed Grants which are considered Novel Contentious, including any grant that do not directly support Defence Outputs, would need to be submitted to the Treasury for approval. TLBs must ensure that Grants have been spent in accordance with the terms of the Grant (An up to date formal agreement must be drawn up); TLBs should maintain full records of Grants paid to third sector organisations or Voluntary Communities as this information is required annually by the Office of the Third Sector and other organisations.
- The Accounting Officer (AO) of the funder is responsible for ensuring that the Grant is consumed by the recipient only on the specific services for which the Grant is authorised. Any part of the Grant not paid out by the end of the financial year will lapse.
- Any payment of Grant which is not supported by a current (not more than 5 years old) agreement between the MOD and the recipient is irregular.

Agreements with suppliers

4. There should be a formal agreement between MOD and the organisation providing the goods or services for which a Grant is to be paid. An outline agreement (Form of Agreement to Cover Payment of a Grant) is at [Annex A](#). This should contain as much detail as necessary of what is to be provided, when it is to be provided, and when payment is due; and of invoicing requirements. The aim is to produce a clear understanding between MOD and the supplier to enable both parties to meet their commitments; this is particularly important when the recipient of the grant is a third sector organisation.

Grants In Aid (GIA)

Timing of introduction or amendment to GIA

5. In establishing or amending a GIA, timing must be carefully considered, bearing the following points in mind:

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- It is necessary to obtain Treasury and Parliamentary authority; it is not sufficient merely to insert a new GIA into Annual Budget Cycle (ABC) and the Supply Estimate. There may need to be specific empowering legislation for a GIA.
- Although a GIA may be established or amended in year, the preferred approach is to address the issues during the PR and make appropriate provision in the Supply Estimate.
- It takes time to allocate a new RAC and insert it into the accounting system. TLB accounts staff should therefore be consulted at the earliest opportunity.
- In year implementation of, or change to, a GIA must be approved in time for inclusion in the AP6 forecast. This underpins the Spring Supplementary Estimates (SSE), which is MOD's last opportunity to seek fresh Parliamentary authority for revised spending plans. TLB's must also inform Defence Resources Finance & Operations (Def Res Fin & Ops) of any changes.
- A GIA should be administered iaw the principles set out in Managing Public Money Annex 5.1

TLB's responsibilities for GIA

6. Responsibilities include:

- Ensuring that a GIA is not paid in advance of need.
- Ensuring that Treasury approval is obtained for each new GIA or change to an existing one.
- Ensuring that each GIA is allocated a separate RAC.
- Ensuring that GIAs are reflected in Supply Estimates.
- Agreeing a formal FF for the payment of a GIA.
- Appointment of an AO for the recipient.
- Ensuring that any FF is compliant with any law which may apply to the organisation.
- Imposing suitable conditions on the payment of a GIA to be used to acquire or improve capital assets.

Authority for Grants In Aid

7. MOD has no delegation to establish a new GIA, and must therefore seek formal Treasury approval before any payment is made: failure to obtain such approval would make the expenditure irregular. The request to the Treasury should outline the following:

- What it is intended to fund.
- Why this needs to be funded through a GIA.
- Confirmation that the recipient is able to administer and account for the funding adequately; and

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- Confirmation that funding can be contained within existing MOD provision.

8. MOD is authorised to increase the level of funding for an existing GIA, subject to the ability to contain the increase within the existing MOD overall provision. However, any in year increase to the GIA must be included in the Supply Estimate. If a TLB wants to extend the GIA to cover new services, they must seek Treasury approval.

Resource Accounting Codes for Grants In Aid

9. Each GIA requires its own RAC to enable expenditure to be properly identified in plans. Any new GIA, or a change of owner for an existing GIA, or any Bodies merging will necessitate the issue of a new RAC before accounting action can occur (All TLBs must contact their RACE Representative for further advice). To ensure inclusion in the appropriate PR, the new RAC will need to be issued by at least June of the year preceding the requirement. MPM requires a GIA over £1M to be separately noted in the Supply Estimate.

Statutory authority for Grants and Grants In Aid

10. Annex 5.1 para 5.1.4 MPM makes it clear that payment of both Grants and GIA normally require specific empowering legislation as well as cover in Supply Estimates. With Treasury approval, it is sometimes possible to rely on the Appropriation Act alone for statutory cover for Grants or GIAs. To qualify the Grant or GIA should be:

- No more than £1.5M a year; or
- Expected to last no more than two years

See Chapter 2 Paras 2.31 - 2.3.3 MPM for further details.

Financial Framework (FF) Document

11. When drawing up terms and conditions applying to a GIA in the FF document sent to recipients to explain their responsibilities. Such framework documents should strike an appropriate balance among:

- Ensuring prudent management of GIA funds.
- Achieving value for money.
- Assuring funders that Grants are used as envisaged; while
- Allowing the recipient reasonable freedom to make their own decisions. The extent of control will be influenced by the nature of the body concerned. The terms and conditions should be set out in a formal FF (See Annex B).

12. Although MOD does not normally seek to exercise detailed control of the activities of the recipient, it must set out the terms and conditions on which the GIA is issued. The extent of and limits on the freedoms which the recipient body enjoys, and the recipient's responsibilities, must be clearly understood. The Public Accounts Committee (PAC) can be expected to maintain a continuing interest in the nature of the controls applied by MOD,

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as a consequence of Parliament's agreement to surrender some of its control over the funding it has granted.

13. There are five main types of organisations funded by the MOD through GIAs:

- International organisations such as the Commonwealth War Graves Commission.
- Organisations with charitable status such as the Service Museums, which are subject to charity law, which provides legislative force to many of the controls which would otherwise need to be contained in the FF.
- Non Departmental Public Bodies (NDPBs), where MOD controls the body by virtue of being able to specify its role, appoint the majority of its Board and provide the majority of the funding. Currently all MOD NDPBs are charities and are subject to charity law.
- Other independent organisations such as the Royal Hospital at Chelsea, which have similarities with some of the above and are treated according to their level of independence and the terms of any overriding legislation.
- Central Government bodies, with Crown status, such as the Council of Reserve Forces' and Cadets' Associations.

14. The FF document has been adapted from the Framework Document (FD) in [Annex 7.4 MPM](#). It is used for all charities funded through GIAs. The document can be adapted to suit the circumstances of individual organisations, following the guidance notes in the model at [Annex B](#).

Conditions attached to payment of Grants In Aid

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

16. For charities, which are legally independent, the control is exercised only through specifying what GIAs may be used for and placing limits on that use, within the objects of the charity as identified in its charter or deed of trust. Compliance with general procedures such as those set out in [Annex 5.1 MPM](#) is also required.

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

- The designation of an Accounting Officer (AO) for the organisation. The senior full-time official (Chief Executive (CE) or equivalent) will normally be designated as AO. PUS will send a letter of designation to the CE (see [Chapter 3 Para 3.2 MPM](#) and model letter at [Annex C](#)), setting out the responsibilities of an AO. For smaller organisations there may be no formal designation, but the senior full-time official will still be regarded as the AO.

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- A clause stating that the agreement must be reviewed at least every five years. A new FF must be signed when a new CE is appointed; even if this happens prior to the expected renewal date.
- The aims, objectives and performance targets for use of the GIA.
- The procedures to maintain adequate safeguards against fraud and theft.
- The annuality of the GIA (subject to any longer term agreements with third sector organisations). Any GIA not paid to a grantee by the end of the financial year will lapse, but any unspent GIA may be carried over to the following year but the amount of funding requested must be reduced in the following financial year (TLB Budget Teams and Governance Teams must monitor any unspent GIA).
- To ensure that grantees do not build up unacceptably large balances, MOD should ensure that a GIA is not paid in advance of need.
- The phasing of payments. Where a GIA is for a significant amount and designed to meet expenditure accruing at intervals during the year, it should be paid in instalments in accordance with need to ensure that recipients do not build up reserves of unspent cash and that tax payers money is being used efficiently and effectively.
- The equitability of remuneration. Pay and allowances should not be more favourable than those in MOD.
- Insurance and Indemnities (See guidance on [Common Law Claims and Guidance](#)).
- Gifts' Grants and Loans.
- The presentation of accounts.

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

18. The controls which might be applied to a NDPB are similar to those applied to government departments. The following additional controls would need to be included:

- Compliance with general procedures such as those set out in [Annex 5.1 MPM](#).
- Staff numbers and grading. Pay, superannuation, allowances and conditions of service must not be more favourable than those in MOD.
- Competitive letting of contracts.
- Scrutiny of plans and monitoring of performance supported by the formal presentation (by specified dates) of the PR, forecast, management plans and statement of accounts.
- Need to obtain MOD approval before incurring any wide variation between types of expenditure or any new commitment outside the terms of the GIA.

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- Relationship between the level of GIA payments and the level of receipts: whether surplus receipts can be retained or used to abate a GIA.
- Investment Appraisal required for all capital expenditure.
- Subsidiary companies and organisations.
- Internal and external audit.

19. It should be stressed that each organisation will be slightly different from the next, and thus the conditions attached to each may be different too. **For NDPBs that aren't charities the framework document in Annex 7.4 MPM should be used.**

Capital Assets funded from Grants or Grants In Aid

20. When making any commitments on lease or hire purchase agreements, an organisation in receipt of GIA should seek approval from the sponsor department if the term of the lease falls outside of the 5 year term of the existing financial framework. TLBs might wish to consider requesting an annual return from the GIA funded body of the outstanding hire or lease liabilities, when the accounts are submitted to the sponsor department.

Acquisition or Improvement

21. Any proposed capital expenditure must be considered, regardless of the source of funding. Acquisition or improvement of assets may be funded by the Heritage Lottery Fund (HLF), the European Regional Development Fund (ERDF), UK Regional Development Grant or Local Authority Grant, as well as by GIA.

22. Each project may increase the risk to MOD GIA funds in several ways if it fails to meet either its non-grant funding target or its projected increase in income, or if costs escalate beyond agreed funding. Examples include:

- Increased repair and maintenance costs.
- MOD is the sponsor Department, and is clearly identified with the body; it would be difficult for MOD to dissociate itself from any problems the body might face in terms of increased funding needs as the result of non-grant in aid capital expenditure.
- Increased staffing resulting from capital projects in management and support costs in the head office and security areas.
- The new project may change the balance of risk significantly, necessitating a reassessment of insurance and other factors.

23. It is essential that the financial framework contains clear guidance on consultation on all capital projects between the sponsor and the body. It must be made clear that MOD funding is limited, and that any significant increase in funding requirements as a result of capital projects will impact on MOD's ability to continue to support all the activities currently funded. Unplanned increases to meet shortfalls in capital projects will inevitably necessitate savings elsewhere within the body.

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24. The expenditure limits in the FF will be designed to meet the management needs of the sponsor. Those limits must not, of course, exceed those held by the sponsoring budget holder.

Disposal

25. There is general presumption that, when a non-Exchequer body disposes of assets which were wholly or partly funded by government Grants or GIAs, the proceeds (or an appropriate proportion) should be repaid to the Exchequer. This is a presumption of policy, not of law, but it is nevertheless an important one. It has been established to ensure that where public funds have been used to acquire, improve or create assets, wholly or partly, the interests the taxpayer must be properly protected in the event of the body disposing of such assets (for further guidance refer to MPM Annex 5.2).

26. Where assets are obtained, or improved, with Grant or GIA funds, they must be registered and the proceeds of any subsequent disposal made available to MOD, either for recovery, for acquisition of other capital assets or to abate the Grant or GIA. The sponsor will need to consider, from the outset, how disposal receipts are to be treated, subject to reinvestment conditions and ensure that appropriate conditions are inserted into the FF.

27. Particular care must be taken with grantees having charitable status to ensure that recoveries can be made. Suitable conditions must be agreed and entered into the financial framework before payment of the Grant or GIA to protect the interests of the taxpayer.

Reinvestment

28. Parliamentary care is required for the requirement of funds generated by disposal where the value exceeds £1M.

29. The AO of the funder is responsible for ensuring that the Grant is consumed by the recipient only on the specific services for which the Grant is authorised. Any part of the Grant not paid out by the end of the financial year will lapse.

Exceptions/Special Cases

30. Where the recipient of a Grant or GIA is a third sector organisation (for example, a charity) special considerations apply. If appropriate on value for money grounds, funding through Grants or GIA for third sector organisations should provide long term stability and not be limited to funding on an annual basis. See JSP 462 under Sound Governance Chapter 20.

Budgetary arrangements for the payment of Grants and Grants In Aid

31. Expenditure on Grants or Grants In Aid scores against Capital or Resource DEL as appropriate. However, special arrangements apply for payments to arms length bodies (ALBs) which are within the MOD accounting boundary. These are:

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- Royal Hospital Chelsea
- National Army Museum
- RAF Museum
- National Museum of the Royal Navy
- ABF The Soldiers Charity
- Commonwealth War Graves Commission
- Council for Reserve Forces and Cadets

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

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

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

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

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Annex A

FORM OF AGREEMENT TO COVER PAYMENT OF A GRANT

The text highlighted in red is not part of the standard document but denotes that either guidance or information is to be inserted. It should be stressed that this not a model as each agreement is likely to be quite different but should always include coverage of the Who? What?, When?, Where?, and How Much? aspects.

This agreement is between the Ministry of Defence (MOD) and [*insert supplier title*].

All reference in this document to the MOD may be taken as referring to [*insert details of MOD sponsor, which may include address information*].

All reference in this document to [*insert supplier title*] may be taken as referring to [*insert full title and address information*].

Goods or Service to be provided

Insert details of goods or services to be provided. This should include sufficient detail to identify major items or stages, especially if these are to be linked to payments. If there is an initial set-up stage for a service this should be separately identified.

Timing of Goods or Service to be provided

Insert details of when goods or services are to be provided. This must include details of stage completion schedule if appropriate.

Timing of Payment for Goods or Service provided

Insert full details of when payments are due. This must include details of any stage payments due or any initial deposit payable.

Invoicing Requirements

Insert details of where invoices are to be sent for authorisation.

Signature

This agreement is made this [*insert day*] day of [*insert month*] [*insert year*]

Signed

For [*insert MOD sponsor title*]

Signed

For [*insert supplier title*]

17: TRANSACTIONS – GRANTS AND GRANTS IN AID

Annex B

STANDARD FORM FOR FINANCIAL FRAMEWORK TO COVER PAYMENT OF A GRANT IN AID

General

- The FF in JSP 462 has been adapted from the framework document in [MPM](#) and approved by Treasury.

Financial Framework – to be used only for Registered or Exempt Charities¹

- Charities are already subject to regulation through the Charity Commission, the Charities Act 2006, the Charities (Accounts and Reports) Regulations 2005, the Statement of Recommended Practice and the Trustees Act 2000, which all have force of law. The Charity and Trustee Acts define the independence of charities from the State, and the need for trustees to act purely in the interest of the charity.
- These aspects enable a simplified FF to be used which does not seek to place direct control on the body but only to define the purposes for which the grant in aid is provided, to limit its use where appropriate and to identify any special conditions.
- Where there is legislation covering the management of a body to be funded by grants in aid, this should be clearly identified in the FF. Aspects already covered in the legislation need not be included in the FF.
- The form provides the same level of management and financial controls that would apply to a government department. Not all the aspects will be applicable to every organisation and non-applicable paragraphs can be deleted, after careful consideration.

¹ Some charities are exempt from charity commission supervision because they are considered to be adequately supervised by, or accountable to, some other body or authority (CC23).

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Annex B

FINANCIAL FRAMEWORK

NOTE THAT RED TEXT DOES NOT FORM PART OF DOCUMENT AND ONLY INDICATES GUIDANCE OR THAT INFORMATION SHOULD BE INSERTED. BLUE TEXT INDICATES EXAMPLES WHICH ALSO DO NOT FORM PART OF THE DOCUMENT.

Not every item in this model layout may be relevant, but you should consider carefully the omission of any item. This document should accurately reflect the required control framework. If there are any areas of concern or uncertainty these should be brought to the attention of Financial Management Policy & Accounting Governance as soon as possible.

INTRODUCTION

1. This Framework sets out an arrangement between the Ministry of Defence (MOD) and the *[insert Title of Body]* (the Body) of *[insert registered address]* on the conditions governing payment and expenditure of the Grants in Aid (GinA) made by the MOD to the Body. The sum of the Grant in Aid will be (£ please state the amount of the Grant in Aid) the dates will cover (e.g. 1st Aug 2011 –)
2. The Body is a *[company, trust, incorporated association etc]* established by *[full title of statute/constitutional document]*. Under the powers contained in this the objects of the Body are *[insert detail or refer to Charter/Deed of Trust attached as Annex]*. The Body is a *[registered/excepted]* charity (*insert number*) and regulated by the *[Charities Act 2006 (as amended)/Charities and Trustee Investment (Scotland) Act 2005 (as amended)]*.
3. This Framework shall be reviewed by the MOD, with the assistance of the Body, at 3 or 5 yearly (please state the dates the GIA will cover) intervals, when the body appoints a new Chief Executive (CE), or earlier if necessary. Amendments may be proposed for mutual consideration whenever either party considers this necessary.

OBJECT OF THE GRANT IN AID

4. A GinA is provided to the Body for:

This must specify exactly what the funding is for and should include details of any limitations on its use, as well as agreed aims and objectives.

This section should be in sufficient detail to provide a full understanding of the purpose of the funding and limitations on its use. It may cross-refer to other paragraphs or annexes, if required, and must do so if later paragraphs or annexes place limitations on use. If the GinA covers funding provided for multiple discrete purposes which may have different limitations then this should also be made clear here.

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Annex B

Although TLBs should not be too prescriptive on how the grant in aid is spent, TLBs should satisfy themselves that the charity does not make any long term financial commitments that might fall outside of the term of the grant in aid without prior approval from the TLB (or sponsor department). A note to this effect should be included, together with the requirement for annual reporting of related liabilities, if appropriate.

Example:

This GinA is provided to the Body in three parts, the first is a contribution towards the running costs of the Body, the second is for the purchase of artefacts and the third is a contribution towards statutory minimum redundancy provision and winding-up costs.

*The **running cost element** may be used for any purpose apart from the following: new-build capital projects; fund-raising activities; investment for the purpose of generating additional funds; making loans, grants or gifts and development of business activities.*

*The **artefacts element** may be carried over from one year to another to enable the purchase of larger items and could be placed in an interest-bearing account to maintain the value of the funding.*

*The **statutory redundancy and winding-up costs element** should be limited to this purpose only and should be placed in an interest bearing account to cover inflation.*

Other terms and conditions could be detailed in other paragraphs which would be referred to here.

RELATIONSHIP WITH MOD

5. For the purposes of day-to-day dealings, all reference in this document to MOD may be taken as referring to [*insert MOD Sponsor detail*]. Payment of the GinA is subject to the MOD being satisfied that the conditions set out in this document are being met, except where some variation in these has been agreed between the parties in writing.

6. At the start of each financial year the MOD will send to the Body a formal statement of the GinA approved for that FY and a statement of any planned changes in policies affecting the organisation. The amount notified will be subject to Parliamentary approval and represent a cash limit.

Payment of GinA

7. Payments will be authorised by the MOD on the basis of spend against the GinA and in accordance with need.

Details of any agreed payment programme should be inserted here, or included in an Annex. A larger GinA will need to be paid in instalments and should be profiled to meet planned expenditure or actual profile for prior years.

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Annex B

8. The in-year GinA allocation not issued to the Body by the end of the FY shall lapse. Any GinA already issued but not spent by the Body may be carried over to the next FY. Any excess carried over may be taken into account in the following year's GinA, where appropriate.

Inspection and Review

9. The MOD may carry out, with the agreement of the Trustees, such periodic inspections or reviews of the Body's management or other internal controls, in relation to GinA funds, if it deems it necessary. The Body will cooperate with such inspections or reviews where such agreement has been given.

*Audit of Charities is controlled by the Charity Commission under the terms of the Charities Act. The Body is legally independent and this access cannot be imposed but would need to be agreed with the Trustees. **Access should be agreed as a condition of the GinA funding (See paragraph 25).***

Aims, Objectives & Performance Indicators

10. The MOD and the Body shall agree appropriate aims, objectives and measurable performance indicators in respect of the GinA.

Details of any agreed indicators should be inserted here or included in an annex. Care must be taken to ensure that such indicators do not appear to insert MOD control over the way individual charities are run. Where possible the indicators should be the same as used by the body to reflect their overall performance against all funds. If the charity is an NDPB, the sponsor department should be advised periodically how well the NDPB is achieving its strategic objectives.

Example

Objective: Improve value for money in terms of GinA expenditure

Performance Indicator: Increase visitor numbers per £1000 of GinA

Accountability

11. MOD is accountable through its Principal Accounting Officer (PUS) to Parliament for the following:

- Determination and payment of the GinA in accordance with the rules of MPM.
- The conditions attaching to the GinA.
- Monitoring the Body's observance of the conditions.
- The TLBs sponsor department on behalf of the TLB will decide what performance indicators are used and how the organisation should report against them.

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Annex B

THE ROLE & RESPONSIBILITIES OF THE CHIEF EXECUTIVE (CE) (or equivalent)

12. The CE is responsible to the Board/Council for the proper conduct of the Body's business in accordance with [*Charter/Deed of Trust*] and accounting for all the funds of the charity in accordance with the Charity Commission Statement of Recommended Practice (SORP). The Chief Executive as Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for day-to-day operations and management of the [named Body]. In addition, he or she should ensure that the [named Body] as a whole is run on the basis of the standards, in terms of governance, decision making and financial management that are set out in Box 3.1 to MPM.

The accountabilities include:

The appointment of the Accounting Officer will need to be agreed with the Board/Council. The CE is an employee of the charity, which is a legally independent entity, not the MOD, and it is for the Board/Council to define the role and responsibilities.

- The administration of and proper accounting for the GinA, so that all resources are used economically, efficiently and effectively.
- The maintenance of adequate internal expenditure controls in relation to GinA funds.
- The provision of advice to the Board/Council so that financial issues affecting GinA are considered fully at all stages in framing and reaching decisions and in their execution.
- Observance of the conditions attaching to the GinA.
- The maintenance of adequate systems of financial control to prevent theft or fraud in relation to GinA funds.
- The signature of the accounts and ensuring that proper records are kept relating to the accounts.
- Write-off of losses from GinA funds.
- Ensuring that the GinA is used only for the purposes detailed in this agreement and is not used for investment or speculation with the intent of generating additional income.
- A Charity that is an NDPB should follow the standards and guidance set out in MPM reporting any exceptions to its sponsor department

13. In the event that the CE receives instructions which he/she regards as conflicting with this framework, in relation to the GinA, he/she should make appropriate written representation to the Chairman (with a copy to the MOD).

14. The CE may delegate day-to-day duties (with the exception of his/her personal authority to write off losses) to an executive Director of Finance or equivalent.

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Annex B

15. The responsibilities of the accounting officer are detailed in Chapter 3 of MPM.

THE PLANNING FRAMEWORK

16. By *[insert date]* each year the Body will provide the MOD with a projection of the expenditure to be met from the GinA in the coming financial year (FY), together with any receipts (if appropriate) and an outline projection of the funding likely to be required over the 4-year planning period. The MOD will agree with the Body a format for the projection which will contain sufficient detail to enable the MOD to fulfil the requirements of public accountability.

Ideally the format of the required report should be included as an annex.

17. In addition, the Body will provide information on how it plans to utilise the GinA funding, this should ideally be via a formal management plan. This should include a restatement of the aims, objectives and performance targets detailed at paragraph 10.

This should include full details of the planning framework agreed between MOD and the Body; coverage should include dates for submission of plans.

18. The plan should also contain details of any capital projects, whether funded through GinA or other sources, which may have a future impact on the requirement for GinA funding.

This should include full details of the planning framework agreed between MOD and the Body; coverage should include dates for submission of plans.

19. Payments and receipts shall be closely monitored by the body at all times during the FY so that timely action can be taken to ensure that the cash limit of the GinA is not exceeded. The MOD is to be advised immediately if any overspend or under spend of the approved GinA is forecast so that appropriate action can be taken.

This section should include details of any reports that are required by MOD and the timeframe for submission.

20. The Body will provide the MOD with a copy of the annual audited account by *[insert date]* each year, produced in accordance with the Charity Commission SORP, and such management information as may be necessary to allow the MOD to discharge its responsibilities as set out in paragraph 11 of this document.

It should be noted that charities where gross income or total expenditure is less than £250,000 per annum do not require a formal audit but would be subject of an independent examination. In the unlikely event that a Body in receipt of GinA from the MOD falls into this category, this paragraph will need to be modified accordingly.

The Charities Act 2006 requires submission of the accounts, along with the annual report, within 10 months of the end of the financial year.

17: TRANSACTIONS – GRANTS AND GRANTS IN AID

Annex B

Under the Government Resources and Accounts Act 2000 (as amended) a Body in receipt of significant public funding may be designated, by HM Treasury, to have their accounts audited and laid before Parliament by the National Audit Office.

FINANCIAL CONTROLS AND FINANCIAL AUTHORITIES

21. The Body has the authority to vire funds between cost headings without recourse to the MOD provided that this does not breach the terms of paragraph 4 or result in any increase to the GinA not previously agreed by the MOD.

22. In respect of the GinA, the Body will:

- Maintain to the MOD's satisfaction an appropriate system of financial management.
- Maintain adequate records, covering the last five financial years, of payments and receipts made against the GinA to meet National Audit Office external audit needs.
- Ensure that the GinA is accounted for and managed separately from any other funds managed by the body.

This does not mean that such funds must be held in a separate bank account from other funds of the Body.

- Maintain the minimum level of cash balances and reserves consistent with the efficient conduct of business.

MANAGEMENT AND DISPOSAL OF ASSETS

23. The Body is accountable to MOD for the safe keeping of all assets obtained through the GinA, including maintenance of inventories or other records, as agreed with the MOD.

The policy relating to the disposal of GinA funded assets should be inserted here, in a separate paragraph if appropriate.

Example

Where assets, procured from GinA, are no longer required and are sold the Body may retain the sale value, providing this is used for the acquisition of other assets and the value does not exceed £1M. Where the value exceeds £1M the Body must consult the MOD with regard to the parliamentary accounting requirements.

ACCOUNTING ARRANGEMENTS

24. The accounts shall be produced in accordance with the current SORP. If the charity is also an NDPB then the accounts should also be prepared in accordance with the Government Financial Reporting Manual (FRoM).

17: TRANSACTIONS – GRANTS AND GRANTS IN AID

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AUDIT

25. The Body's accounts shall be audited by an independent auditor appointed by the Trustees. The annual audited accounts will be signed by the Chairman and the CE after acceptance by the Board.

This paragraph should reflect the actual arrangements detailed in the charter or deed of trust of the Body.

It should be noted that charities where gross income or total expenditure is less than £250,000 per annum do not require a formal audit but would be subject of an independent examination. In the unlikely event that a Body in receipt of GinA from the MOD falls into this category, this paragraph will need to be modified accordingly.

26. The auditor shall also examine the economy, efficiency and effectiveness with which the Body has used its resources to carry out the tasks at paragraph 4 and the procedures adopted to comply with the principles of GA and for the prevention of fraud.

27. Defence Internal Audit may also examine any or all of these same aspects, in relation to GinA funds, at the request of the MOD, the Body or its CE. The body accepts this requirement for access as a condition of GinA payment.

28. The Body should comply with Government Internal Audit standards (GIAS) in order that the Departmental Accounting Officer may receive an annual assurance on risk management, governance and control. This assurance can be provided by the Director of Defence Internal Audit (DIA) or alternatively by an external organisation. If an external organisation is chosen, the Accounting officer requires DIA to ensure periodically that the service provided meets the requirements of GIAS. The body accepts this requirement for access as a condition of GinA payment.

There should be explicit agreement between MOD and the body that access for audit purposes is a condition of payment of GinA. Only the Charity Commission has the power to impose audit conditions on a charity. However, under the Charities Act 2006, the MOD can stipulate access as a condition of payment and can enforce compliance with this requirement in the interests of safeguarding public funds. The accounts of the Body may be subject to audit by the NAO if so designated by HM Treasury under the terms of the Government Resources and Accounts Act 2000. TLB should satisfy themselves of the corporate governance and audit arrangements of the charity. This will depend on the size of the GinA being made.

INSURANCE

29. The Body is responsible for its own insurance.

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Annex B

30. *This should reflect the current situation, if the MOD is currently providing an indemnity this should be stated. Please refer to Common Law Claims and Guidance website.*

DURATION

31. This Framework will remain in effect for [*maximum of 5*] years from the date of signature unless a new CE is appointed or either party requests termination or amendment before that date. The agreement may be terminated by either party following 12 months notice, unless both parties agree to a shorter time scale. Amendments may be proposed by either party at any time but amendments may be implemented only by agreement.

*To be signed by the Chairman and Chief Executive (or equivalent), on behalf of the Body, and the Funding Budget Holder, on behalf of the MOD.
(Please see example below; you must clearly state who the signatories are; full name, title, date and signature).*

MOD signatures:

Name of Funding Budget Holder:

Title:

Date:

Signed:

(On behalf of the department):

Name:

Title;

Date:

Signed

(On behalf of the department)

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Body signatures:

Name of Chief Executive (or equivalent):
(the CE is an employee of the charity, not the MOD)

Title:

Date:

Signed:

(On behalf of the [Name Body]):

Name of Chairman:

Title:

Signed:

Date:

(On behalf of the [Body Name]):

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Annex C

MODEL ACCOUNTING OFFICER APPOINTMENT LETTER FOR CHIEF EXECUTIVES OF NON-DEPARTMENTAL PUBLIC BODIES

[Appointee]
[Department/Agency]
[Address etc]
[Town/City, Postcode etc]

I am writing in my capacity as Principal Accounting Officer to designate you as Accounting Officer for [named Body] [in succession to] with effect from [Day, Month, Year].

As Principal Accounting Officer, I am accountable in respect of the Department's Resource Estimate. This includes the monies paid from that Resource Estimate in respect of the [named Body]. I must satisfy myself that the funds authorised by Parliament are used for the purposes intended by Parliament and that these funds and any receipts are properly accounted for. As the designated Accounting Officer for Grant in Aid Funds for the [named Body] you carry similar responsibilities to those of a departmental accounting officer as far as the stewardship of public funds is concerned. Your accountability is subject to mine as Principal Accounting Officer. Our separate responsibilities and accountabilities are set out in more detail in the [named Body's] Financial Framework.

Chapter 3 of *Managing Public Money* the successor to *Government Accounting* sets out the responsibilities of an Accounting Officer, whether in a department or Arms Length Body such as the [named Body]. As Accounting Officer, you are personally responsible for safeguarding the public funds for which you have charge and for ensuring propriety and regularity in the handling of public funds. In addition, you should ensure that the [named Body] as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of *Managing Public Money*.

You will wish to note the circumstances set out in sections 3.8.4 – 3.8.5 of *Managing Public Money* in the event that you were to be overruled by your Board on a matter of propriety, regularity or value for money. You should inform me of any such issues in the first instance. But in the event of a written direction from the Board, you will of course need to inform the Comptroller & Auditor General.

We are liable to be summoned to attend as witnesses to a hearing of the Public Accounts Committee (PAC) to give evidence on the discharge of our responsibilities as Accounting Officers. Appearing as a witness before the PAC is not optional. It is only with specific PAC agreement that an Accounting Officer may defer their appearance or send a substitute.

In designating you as Accounting officer for the [named Body], I must make it clear that, if for any reason I conclude you are no longer a fit and proper person to carry the responsibilities of an Accounting Officer, the designation may be withdrawn.

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Annex C

I recommend that you read the Treasury's handbook on regularity, propriety and value for money, which contains many learning examples for Accounting Officers, and can be found on the Treasury website².

I strongly recommend that new Accounting Officers, as part of familiarising themselves with their new responsibilities, should complete the 'Introduction to Public Accountability for Chief Executives' training which is available from Civil Service Learning. For further information you should contact:

- Jerry Arnott, Director, Civil Service Learning, Tel: 0207 035 6402, jerry.arnott@cslearning.gsi.gov.uk.
- Samantha Manning, Civil Service Learning, Tel: 0207 035 0710, samantha.manning1@cslearning.gsi.gov.uk.

Samantha Manning will be the initial contact for new Accounting Officers who would like to book onto the course.

FMPA Finance Policy are also available to offer advice and support to you in your Accounting Officer role.

[Any other specific points that individual Departments wish to say in the designation letter]

I am copying this letter, without enclosures, to the Chairman of the [named Body], the Comptroller & Auditor General, the Clerk to the PAC, Rod Clark (NSG) [name of sponsor] and the Treasury Officer of Accounts.

[Signed]

²http://www.hm-treasury.gov.uk/media/A/2/Reg_Prop_and_VfM-November04.pdf

18: SOUND GOVERNANCE: REGULARITY AND PROPRIETY IN PUBLIC EXPENDITURE

Introduction

This chapter illustrates what is, and what is not, proper behaviour when managing public funds, and provides guidance on distinguishing public funds from non-public funds. This guidance is in line with Managing Public Money (MPM), a Treasury publication which sets out the rules for managing and controlling public expenditure and is the ultimate reference manual on these matters for finance staff. Public expenditure must comply with the principles of Regularity and Propriety – definitions can be found under Key Points section.

Points of Contact

Who	Topic	Telephone Number
DFM-FMPA-Governance3	Regularity and Propriety	9621 83688
DFM-FMPA-Governance1	Financial delegations	9621 84576

Key Points

1. **Regularity** is defined as the requirement for all items of expenditure and all receipts to be dealt with in accordance with the legislation authorising them, any applicable delegated authority and the rules of MPM. The test for the regularity of any given expenditure proposal is whether or not Parliament could reasonably be expected to understand it to be covered by the Ambit of the relevant Parliamentary Request for Resources. Expenditure cannot be legally incurred unless it is covered by the Ambit.
2. **Propriety** is defined as the further requirement that expenditure and receipts should be dealt with in accordance with Parliament's intentions and the principles of parliamentary control, including the conventions agreed with Parliament (in particular the Public Accounts Committee (PAC)). Tests of "propriety" are most commonly applied to standards of conduct and behaviour in the public service.
3. **Power to incur expenditure by and within MOD:**
 - a. Treasury delegations: Parliament authorises the Treasury to spend resources on its behalf. Accordingly, Treasury approval is required for all resources and expenditure, but in practice, the Treasury delegates to departments the authority to spend within specific criteria and financial limits. Authority for certain types of resource consumption, for example for new services and novel and contentious proposals, is **not** delegated and Treasury approval is required before any commitment is entered into. Even if a proposal has the approval of a Minister, it should not go ahead until Treasury approval has been given. See the following bullet on the definitions of Novel and Contentious expenditure.
 - b. Personal delegations within MOD: Every member of staff at every level has a responsibility to ensure that they work within the bounds of financial regularity and propriety. Achieving good results in defence is important, but these results must not be achieved by cutting corners in respect of financial regularity and propriety.

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DON'T	DO
<ul style="list-style-type: none"> • Bend or break the rules. • Deceive or knowingly mislead. • Allow a conflict of interest to affect, or appear to affect decisions. • Use public money for private benefit or for others. 	<ul style="list-style-type: none"> • Comply with the law. • Put in place and follow up to date procedures. • Seek approval if needed first from the right person. • Record the reasons for decisions. • Be honest, impartial and even-handed.

4. **Personal implications of failing to observe Regularity and Propriety:**

a. Failure to observe financial regularity and propriety constitutes an abuse of financial authority. History shows that the prime cause of abuse of financial authority cases is the absence of proper control or failure to observe existing controls. Those best placed to detect and deter incidents are those directly involved in an activity at risk. That is why the prime responsibility for establishing controls to deter and detect fraud and theft and for reporting suspicions rests with line management at all levels.

b. The Permanent Under Secretary (PUS) is personally responsible to Parliament for ensuring that MOD has sound controls in place. Abuse of financial authority is accordingly an issue covered by DG Finance's annual report as process owner for financial management in the Department.

c. All staff should be aware that such abuse can lead to disciplinary action being taken against the individual or individuals involved, even where there is no personal gain.

5. **Departmental implications of failing to observe Regularity and Propriety:**

a. Parliament's concern for regularity and propriety in the management of public funds is reflected in the work of the PAC. The PAC is invariably highly critical of any breaches of financial regularity and propriety, and its comments are reported widely in the media.

b. If there is any question over whether a proposed course of action meets the requirements of regularity and propriety, budget managers should ask themselves if PUS could satisfactorily defend it before the PAC and the public.

c. Any expenditure which falls outside a department's delegated authority and which has not been approved by the Treasury is irregular and must be regularised with the Treasury.

d. The Treasury may be prepared to give retrospective approval if it is satisfied that it would have granted approval had it been approached properly in the first place; and that the Department is taking steps to ensure that there is no recurrence. If the

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Treasury is not prepared to give retrospective approval it will inform the National Audit Office. This could lead the PAC to call an oral hearing at which PUS would have to give evidence. Accordingly, PUS attaches great weight to ensuring that all expenditure meets the requirements of financial regularity and propriety and represents value for money, as failure to do so could cause disproportionate damage to MOD's interests in relation to the Treasury, Parliament and public opinion.

6. **“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.

7. **“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.

General Principles

The Financial Scrutiny Process

1. To ensure compliance, all financial proposals must be tested against the following criteria:

- Is there a proper business case?
- Are the rules being followed?
- Is there authority to proceed?
- Are there clear procedures for decision making, and are they being followed?
- Have any conflicts of interest been resolved?
- Is it certain that public money is not being used for private benefit?
- Are the principles of even-handedness being applied?
- Have any wider implications been addressed?
- Have all the right people been consulted?
- Does the proposal represent value for money?
- Is it affordable within existing budgetary limits?
- Could the Accounting Officer defend the expenditure if called upon to do so by Parliament or the media?
- Is there a formal record of the reasons for decisions?

If there is any doubt about the regularity and propriety of the proposed expenditure, budget managers must consult up the finance chain to the Director of Resources for a ruling. It is the responsibility of TLB Directors of Resources to explain and justify expenditure within their business area if called upon to do so. If necessary the Director of Resources should consult Financial Management Policy and Accounting – Deputy Head - Finance Policy

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(FMFA-DHd-Finance Policy) and, where appropriate, the Treasury, at the earliest opportunity.

Donations by MOD to External Bodies

2. Public money is intended only for public sector uses, and for the purposes for which money is voted by Parliament. The financial delegations granted to departments by the Treasury on behalf of Parliament do not allow for any exceptions to this ruling. So MOD only has authority to expend money on delivering its normal business.

3. MOD can contribute funding to external bodies through grant or grant-in-aid (see JSP 462 under Transactions Chapter 17) where there is a specific and quantifiable benefit to the Department, i.e. where it contributes to the Department's objectives. It can also engage in normal commercial dealings with civil society organisations where such organisations provide outputs which the Department requires. It cannot however make donations to or subsidise any non-public organisation on purely charitable grounds. This would turn public money into non-public and amount to irregular expenditure.

4. It is common practice for Service personnel to take on duties ancillary to their main function. These may include, for example, roles in connection with non-publicly funded activities that contribute to unit welfare, such as regimental associations and sports clubs. Commanding Officers and unit budget managers must ensure that the necessary controls are put in place to manage these activities to minimise the risk to public funds and to recognise and deal with any potential conflicts of interest or loyalty that might arise. Further guidance can be found in [JSP 770 Tri-Service Operational and Non-Operational Welfare Policy](#) and [DIN 2009 01-133](#).

5. Under no circumstances should MOD provide cash (or cash in kind) to any charity except where it is provided by grant or grant-in-aid or other contractual arrangements. Members of staff (both Service and Civilian) who wish to support a charity should do so in their own time using their own resources. Public money must not be used for private benefit no matter how worthy the cause.

6. [JSP 368 - The MOD Guide to Repayment](#) contains the rules on raising charges for goods and services provided by MOD. In accordance with MPM, the starting point for charges against Other Government Departments, Foreign Governments and other external organisations (including civil society organisations) is full costs. JSP 368 contains details, however, of circumstances in which it may be appropriate to abate charges to outside organisations because the chargeable activity has a benefit to defence. Any abatement of charges in these circumstances (which will need approval by a finance officer with the appropriate delegated authority or by the Treasury) is normally treated as a public subsidy and disclosed in the MOD accounts.

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Donations to MOD

7. The following considers gifts and donations offered to MOD corporately rather than to individual employees. The policy on acceptance of gifts and hospitality by Service and Civilian staff is set out in the Ministry of Defence Statement of Civilian and Service Personnel Policy - [Gifts, Rewards & Hospitality Annex](#) as well as [DIN 2009 01-195](#). Care must be exercised before a gift or donation is accepted by the Department to ensure that the Department can not be criticised on regularity and propriety grounds and that acceptance of the gift or donation does not lead to unprogrammed or inappropriate MOD funded expenditure. Further guidance can be found in [DIN 2011 01-212: Coordination of Charitable Donations to meet Service Community Welfare Needs](#). Any proposal by an individual or an organisation to make a gift to the Department must be brought to the attention of the TLB Director of Resources. Key issues for consideration are:

- Gifts to MOD must not be solicited (with the exception of the cases outlined in paragraph 9 below).
- The donor of a gift has not and will not in future receive preferential or favourable treatment from the Department.
- The Department's impartiality in the award of contracts will not be prejudiced or compromised.
- The source of the gift is not likely to bring the Department into disrepute.

Where the offer raises commercial propriety issues, TLBs should always consult the DG Commercial organisation.

8. Gifts of money to the Department constitute unplanned receipts which, under the rules of Managing Public Money, normally have to be surrendered as Consolidated Fund Extra Receipts (CFERs). Accordingly, to avoid this, donors could be invited to direct their generosity to an appropriate charity rather than to MOD itself. With the exception of the circumstances outlined below, any gift of money or equipment which the MOD intends to retain must be authorised by the Treasury and must be treated as public funds or assets.

Exceptions in relation to Donations to MOD

9. Exceptionally, the Treasury has agreed that where a donation is offered towards the cost of a welfare facility (which for these purposes includes sports facilities) which would normally be publicly through the normal supply process it may be accepted as Appropriations-in-Aid and not surrendered as CFERs without the need for specific Treasury approval. Once accepted the donation becomes public funds and should be treated and accounted for in the same way as all other public money. It follows that it should be applied only where the facility is provided for official purposes and should be subject to the same rules that apply to projects funded from the defence budget. MOD may bid for funding from the Nuffield Trust and other Service welfare charities for this purpose but it must not initiate an approach to private individuals and/or companies to fund

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official welfare facilities. Charges should be raised for any non-official uses of welfare facilities funded in this way in accordance with [JSP 368](#).

10. Specific guidance on the policy to be applied when considering the use of public and non-public funds on the Defence Estate is at [Annex A](#).

11. Occasionally MOD is offered money to fund military equipment and services such as armoured vehicles and medical facilities. The Treasury dispensation mentioned above (see paragraph 9) does not extend to the acceptance of money for anything other than to augment public welfare funding and specific Treasury authority is required to accept other gifts.

Accounting Arrangements

12. It is not good financial practice to mix public and non-public funds. Accordingly, MOD banking facilities should not be used to administer non-public funds. In all circumstances, there must be a clear separation between public and non-public funds. Similarly, MOD should not assume any insurance liability in respect of non-public activities.

Finance Training

13. All staff should have the necessary skills to manage activities and risk in line with good business practice and ensure compliance with Parliamentary, Treasury and Departmental governance policies. All staff are encouraged to attend the 'Governance' course run by the Defence Academy.

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Annex A

MIXING OF PUBLIC AND NON-PUBLIC FUNDS ON THE DEFENCE ESTATE

1. 2007DIN09-012 was issued to attempt to clarify the financial policy relating to the use of public and non-public funds on Defence Estates (now under Defence Infrastructure Organisation (DIO) with effect 1 April 2011) projects. However, the policy in the DIN could be interpreted in an unduly restrict way and, as a result, it has been decided to issue this supplementary guidance for finance and budget staff. This guidance complies with the principles set out by the Government in the *Compact on Relations Between Government and the Voluntary and Community Sector in England*. It replaces the guidance in 2007DIN09-012.
2. MOD's financial management policy must follow that set out by HM Treasury. That policy neither precludes the consideration of innovative proposals, best practices or new delivery methods nor prohibits their authorisation provided that authorisation is based on a full examination of all the implications and is given at an appropriate level, including consultation with FMPA-Finance Policy and the Treasury where necessary.
3. It is an accepted principle that there are circumstances in which non-public funds can be used to provide or enhance facilities and infrastructure on the Defence Estate. Where these facilities meet a valid Defence requirement it may be possible to contribute to their costs with public funds. Where no such requirement exists or can be established, all whole-life funding must be via non-public funds.
4. Before accepting non public funding to meet or contribute to the costs of a facility which would normally be publicly funded, recipients should consider whether any conditions attached to the funding constitute a contingent liability. This is most likely to occur when funding is provided for a specific purpose and the donor seeks indemnities requiring the money to be repaid if the funded project does not go ahead or if subsequently the facility/equipment for which funding was provided stops being used and/or is disposed of. Charities, particularly when they have raised monies through a specific appeal, are likely to require some form of indemnity since donors may request money is returned to them if it is not used for the purpose for which it was raised. If when discussing a donation to the MOD indemnities are mentioned you should seek guidance from FMPA-Accounting Policy as to whether these indemnities would create a contingent liability (for further guidance see: [JSP 472 Chapter 8 - Liabilities](#)). This is important since contingent liabilities over £250,000 must be reported to Parliament before they are accepted. The Treasury has ruled that contingent liabilities accepted in the above circumstances can not be regarded as liabilities arising in the normal course of business.
5. The existence of a clear Defence requirement is, therefore, a key determinant of the funding position. In this respect, scales such as those set out in JSP 315 may sometimes be more useful as a guide than a definitive statement which covers all situations. Separate action is being undertaken to ensure that the scales in JSP 315 are examined to ensure that they represent current needs. Scales should therefore be interpreted sensibly, in

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Annex A

consultation with the appropriate TLB Director of Resources, and in line with the overarching principles outlined above. For example, where a facility met a Defence requirement and therefore attracted public funding but where (for example) the site has subsequently changed its role, the facility should normally continue to be regarded as a scaled item for the purposes of ongoing maintenance or appropriate refurbishment. Equally, as the Defence Estate is rationalised and modernised to meet evolving welfare and personnel policies, scales may not provide a complete answer to which facilities or elements of a conjoined facility are appropriate for public or non-public funding. A pragmatic approach may therefore be required.

6. For any facility or enhancement which is deemed to meet a Defence requirement and is therefore eligible for funding from the Defence budget, the normal financial rules apply. Whenever public funding (or non-public funding which is to be treated as public funding in accordance with the Treasury concession referred to in paragraph 8) is involved, a business case must be produced and be available for audit if required which demonstrates:

- That the rules of regularity and propriety set out in this chapter have been clearly adhered to.
- That expenditure meets a Defence requirement and passes the requirement scrutiny tests set out under heading The Financial Scrutiny Process paragraph 1 of this chapter.
- That value for money is being achieved, and;
- That the expenditure is affordable within the TLB's resource control totals.

7. If, however, the facilities in question are not judged to meet a Defence requirement then it is not acceptable to use public funding to make a contribution towards capital costs, to meet operating costs or to maintain the facility in future. TLBs must in such circumstances ensure that the non-public body sponsoring the project has sufficient funds to meet the total capital costs of construction and the future liability for the through life maintenance and running costs of the facility. The use of funds voted by Parliament for Defence purposes, to meet an unendorsed requirement, would be viewed by HM Treasury and the National Audit Office as irregular expenditure.

8. The above highlights the need to apply sensible judgement to decisions on the funding of facilities on the Defence Estate, whilst maintaining financial regularity and propriety at all times. Where application of the principles does not indicate a clear way forward, the case should be carefully considered by the TLB finance staff and guidance sought from FMPA-Finance Policy where necessary, to ensure that the principles are being correctly and appropriately applied.

9. Any proposal which departs from the principles set out in this guidance is, by definition, contentious. If such proposals are to be pursued they would need specific

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Annex A

Treasury authority which should be sought, as in all cases of novel and contentious expenditure, by TLB finance staff, consulting FMPA-Finance Policy.

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Annex B

THE BRIBERY ACT 2010 (to replace 2011DIN05-031)

1. The Bribery Act 2010 modernised the law on bribery and came into force on 1 July 2011. The Act is potentially relevant to Service and Civilian personnel who have contact with external bodies, including commercial organisations and foreign governments.
2. The Act sets out four types of criminal offence:
 - Offences of bribing another person.
 - Offences relating to being bribed.
 - Bribery of a foreign public official.
 - Failure of a commercial organisation to prevent bribery.
3. Very generally, bribery means giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having done so.

Scope

4. The Bribery Act and the policy outlined in this Annex apply to all of MOD's activities (in UK, overseas and on operations) and cover all Service and Civilian Personnel (of all levels and grades), permanent staff, temporary and agency staff, contractors, non-executives, agents, volunteers and consultants.
5. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this Annex.

Ministry of Defence Policy Statement – Anti-Bribery

6. Bribery undermines democracy and the rule of law, leads to violations of human rights, distorts markets, and allows crime and terrorism to flourish.
7. We do not, and we will not, pay bribes or offer improper inducements to anyone for any purpose. Nor do we, or will we, use a third party as a conduit to channel bribes to others. Nor do we, or will we, accept bribes or improper inducements.
8. We are committed to the prevention, deterrence and detection of bribery. We have a “zero-tolerance” approach to bribery. Anti-bribery compliance is “business as usual.”

The Bribery Act 2010

9. The Bribery Act 2010 sets out four types of offence:

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- Offences of bribing another person (offering, promising or giving a financial or other advantage in return for the improper performance of a function or activity) (section 1).
- Offences relating to being bribed (requesting, agreeing to receive or accepting a financial or other advantage in return for the improper performance of a function or activity) (section 2).
- Bribery of a foreign public official with the intention of influencing the recipient in the performance of his or her functions as a public official and with the intention of obtaining or retaining business or a business advantage (section 6).
- Failure to prevent bribery (section 7). This offence can only be committed by a “relevant commercial organisation.” The MOD does not fall within this definition. However, as a matter of policy, MOD will ensure that it has in place adequate procedures to prevent bribery which reflect current best practice.

10. Offences under the bullet points above may be committed if any of the actions in question take place in the UK. In addition, these offences may be committed even if all the actions in question take place outside the UK if the person performing them is a British national or ordinarily resident in the UK, a body incorporated in the UK or a Scottish partnership. For the purposes of an offence under the last bullet point above, it is immaterial where the actions in question take place.

11. The Act extends to individuals in the public service of the Crown.

12. Any offence under the Act committed by an individual under sections 1, 2 or 6 is punishable either by a fine or imprisonment for up to 10 years, or both. A person guilty of an offence under section 7 is liable on conviction to a fine.

13. The Act provides a specific defence for members of the armed forces who are engaged on active service and civilians subject to service discipline working in support of them. (See para 15 below)

Procedures within the MOD

14. The MOD is committed to preventing bribery and to maintaining a culture in which bribery is not acceptable. To this end, it already has in place a robust system of reporting and monitoring for bribery and for fraud of all types. Wider MOD fraud policy is detailed in the MOD Policy on Fraud, Theft, Corruption, Bribery and Irregularity ([2011 DIN05-040](#)) which details the reporting and monitoring system, including the contact details of the Defence Irregularity Reporting Cell – the Fraud and Waste Hotline (0800 161 3665).

15. Persons engaged on active service. Section 13 of the Bribery Act contains a defence which applies to conduct which is “necessary for the proper exercise of any function of the Armed Forces when engaged on active service.” A specific guidance document entitled

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“Guidance to Service Personnel and Civilians Deployed in Support of Military Operations on the Bribery Act 2010” has been produced for personnel engaged on active service. It will be briefed to appropriate personnel and will be included in training and awareness activities. For further information please contact PJHQ J8.

Gifts and Hospitality

16. The policy contained in this Annex is supplementary to the requirements of our existing policy on the acceptance and offering of gifts and hospitality. Relevant instructions remain extant and are provided as links at the end of this Annex. In some respects, MOD policy is stricter than the Act itself. For example, although the Act does not prohibit genuine hospitality, such as providing business clients with tickets to sporting events in certain circumstances, the acceptance of such offers is contrary to MOD policy and is therefore not permitted. It should be noted that acceptance of any gifts or hospitality contrary to MOD rules could constitute an offence under the Bribery Act.

Raising a concern

17. The MOD is committed to ensuring that all of us have a safe, reliable and confidential way of reporting any suspicious activity. We want each and every member of staff to know they can raise concerns.

18. We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

19. There are multiple channels to help you raise concerns. Please refer to the “Concerned Employee” material included in the MOD policy on Fraud etc.

Relevant Policies and Guidance

20. The following well established policies and guidance remain in force:

[DIN 2011DIN05-040: The MOD Policy on Fraud, Theft, Corruption, Bribery and Irregularity](#)

[Ministry of Defence Statement of Policy/Standards of Conduct and Behaviour/Gifts, Rewards & Hospitality Annex](#)

[JSP 915: Tri-Service Domestic Assistance Policy & Official Hospitality Policy for the Armed Forces and Civilians](#)

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THE ACCEPTANCE OF DONATIONS, GIFTS, HOSPITALITY AND OTHER BENEFITS LINKED TO THE PUBLIC DESIRE TO RECOGNISE THE ARMED FORCES (to replace 2009DIN01-195)

Introduction

1. This Annex provides guidance on how to handle offers linked to the public desire to recognise the Armed Forces which is encouraged by the National Recognition Study.

General Guidance

2. General guidance on the acceptance of gifts, rewards and hospitality by Service Personnel and MOD Civilians can be found in the [Ministry of Defence Statement of Policy/Standards of Conduct and Behaviour/Gifts, Rewards & Hospitality Annex](#). The Statement of Policy makes it clear that acceptance of a gift might create an impression that the recipient has been unduly and improperly influenced and that consequently, in general, gifts should not be accepted by Crown Servants (which includes both Military and Civilian Personnel) or their families. Nothing in this Annex should be taken as replacing that general guidance. However, special circumstances might apply when the offer of a gift or other benefit is linked to public recognition of the Armed Forces.

Public recognition of the Armed Forces – criteria for Acceptance of Offers

3. The Government encourages public recognition of the work of the Armed Forces, acknowledges that members of the public and companies may wish to offer benefits to serving personnel and accepts that there are often related benefits which flow from such offers in terms of improvement to morale and therefore operational capability. The associated PR increases public awareness and recognition of the work of the Armed Forces and has a positive impact on their reputation. However, in deciding whether offers should be accepted, it is vital that both the recipient's position and MOD's wider corporate position are not compromised; therefore each offer must be tested against the following principles, which reflect the guidance in the Gifts, Reward and Hospitality Annex referred to above.

- Offers of Gifts or Hospitality or other Benefits must not be solicited or initiated by any Service person or MOD Civilian employee. To do so runs the risk that the recipient of the benefit will be liable for tax on the value of the benefit (see para 9).
- Service Personnel and Civil Servants are Public Servants and remunerated by the Department, not by others.
- Service Personnel and Civil Servants must not allow themselves or others to be placed in a position where their actions might give the impression that they have been, or might be, influenced to show favour or disfavour to any person or organisation by receiving any Gift, Reward, Hospitality, Loan or other consideration. Recipients must have regard not simply to whether they feel

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themselves to have been influenced, but also the impression that their actions will have on others. A high standard of probity is demanded from all Public Servants by Ministers, the Media and the general public.

- Where a would-be donor has an existing business relationship with the MOD, or is an actual or potential bidder for MOD contracts or business, the acceptance of the offer could be construed as creating a conflict of interest or influencing the MOD or recipients of the benefit in future dealings with the donor. Offers from such donors should normally be declined and may only be accepted after clearance by the Director of Resources of the relevant TLB, who might wish to consult Commercial staff before deciding.
- Offers must not be accepted where the donor seeks a reciprocal benefit, whether financial or other, other than appropriate acknowledgement of the offer.
- To avoid any accusation of personal gain, anyone who makes a decision that an offer can be accepted may not benefit from that offer, directly or indirectly. Nor may the recipients of offers sell on the benefit or make any personal gain from the offer.
- Offers must not bring the MOD or the Services into disrepute owing to the source or nature of the offer. Chapter 9 of this publication provides guidance on the suitability of sponsors which may be of assistance when deciding the suitability of donors or offers.
- The value of the offer must be proportionate. In general, the value of the offer should not exceed £50 per head, in line with the guidance on acceptance of trivial gifts. Offers in excess of £50 must be limited to single events, not (for example) season tickets or life membership.
- If either the individual or the Department is in any doubt about the propriety of accepting a Gift or Hospitality, the offer must be refused.

4. In certain circumstances it may be appropriate for Service Personnel attending Public Recognition Events to wear uniform. Duty status is not determined solely by the wearing of uniform and it does not follow that Service Personnel are automatically on duty (and therefore entitled to allowances or travel at public expense) because they are in uniform.

Potential Costs to MOD

5. An offer should generally not be accepted if any associated costs would fall to the MOD as a result. It is not acceptable for the Defence Budget to bear costs (such as travel and subsistence costs) or to waive or abate charges solely in order that Service and Civilian Staff can benefit from offers. All associated costs must therefore normally be borne by the donor, the recipient or non-public funds. Whether an individual is considered to be on duty or not is immaterial when considering this point. There may be cases in which the PR benefits to be gained from participation in an event or acceptance of an offer

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justifies some public expenditure. In such cases, DMC will prepare a business case evaluating the potential costs and benefits and will agree with FMPA Finance Policy whether public expenditure is justified or not.

Offers for Personnel Deployed on Operations

6. Special circumstances apply to benefits offered to personnel deployed on operations. The principles outlined above remain unchanged but it is also important to ensure that any offer provides tangible benefits to those on operations and that there is no risk to operational capability. The potential burden on the Service Supply Chain must also be taken into account.

7. For offers to groups of Service and MOD Civilian Personnel preparing, deployed on or returning from operations, the decision whether to accept an offer rests with the headquarters that commands the group of potential recipients. In practice this will normally be:

- In the home base, the Commanding Officer, Head of Establishment, formation commander or equivalent when either a single unit or group of units within a single formation is affected.
- Within the Area of Operations, PJHQ (or exceptionally a Front Line Command when in the lead) in conjunction with the Commander Joint Force Support/National Support Element for which the benefits are intended.

Implications for Individuals

8. Nothing in this guidance must be taken as relieving individuals of the responsibility of complying with the Bribery Act 2010. Under this act it is a criminal offence for Crown Servants (which include Military Personnel and Civil Servants) in their official capacity to request, agree to receive or accept any Gift or other financial advantage in return for the improper performance of a function or activity.

9. As a general principle, benefits received by virtue of an individual's employment are taxable. However, where the benefits are provided by a third party and MOD has no involvement in the arrangements other than identifying recipients and facilitating distribution of the benefit to them, there will be no tax payable by the recipient provided that:

- Vouchers and tickets provided cannot be converted into cash.
- Benefits are not provided by the employer (MOD) or a person connected with the employer.
- The employer, or a person connected with the employer, did not procure the benefit (directly or indirectly).

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- Benefits are not provided in recognition or anticipation of particular services performed by the recipient.
- The total cost of all benefits to a recipient in a tax year does not exceed £250 from any single party (but see para 3 above for guidance on the acceptable value of individual gifts).

Presentational Aspects

10. Publicity about benefits received as part of the public recognition of the work of the Armed Forces is appropriate provided that individual recipients are content with the level of exposure associated with the benefit. This should be made clear to them from the outset. DMC's staff can provide advice on the potential positive or negative impact of accepting or refusing an offer and on the presentational aspects if any offer has the potential to impact on the public perception of the Armed Forces.

11. It is appropriate for donors to be thanked for their offers and for public recognition generally to be acknowledged and welcomed. There is no obstacle to doing this in Ministerial and Chiefs of Staff statements and speeches when it is relevant to do so provided that there is no endorsement of a specific company or product.

Responsibilities

12. Responsibilities for dealing with offers (other than those linked to operations) rests as follows:

- Tri-Service offers of recognition will be handled in the first instance by DCDS(Pers)' outer office who will identify a lead Service and Point of Contact. Invitations to Sporting Events will be handled initially by the Combined Services Sports Board.
- Single Service Offers of Recognition will be managed by the Single Service at TLB level.
- Localised Offers of Recognition will be managed by the local Commanding Officer of the unit involved.
- The approach in cases in which it is proposed to incur public expenditure associated with an offer will be agreed jointly by DMC and FMPA. Any other financial considerations associated with offers will be dealt with by Directors of Resources.
- It is the responsibility of those making a decision to ensure that all relevant staff (Governance, Finance, Commercial, PR etc) have been consulted at an appropriate level.

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Audit

13. To protect individual recipients of benefits from criticism, a record must be kept in a retrievable format of all offers received, accepted and rejected, recording the source and nature of the offer, value, reasons for the decision made, names of the recipients and the details of the person taking the decision.

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CONFLICT OF INTEREST (to replace 2009DIN01-133)

1. This Annex deals with the potential conflict of interest or loyalty for those who hold formal positions, such as a Trustee in Charities, NDPBs and Not For Profit Organisations including all Service Unit-Based Charitable Activities and Service and Civilian Sporting Associations. The issue arises most obviously when a charity which provides benefits to the Armed Forces or Civil Service or has close contact with the Departmental seeks financial assistance or funding from the Department or privileged access to publicly owned assets. The guidance in this Annex reflects the Charity Commission's guidance on Conflicts of Interest for Charity Trustees.

2. Service Personnel and Civilian Staff who hold appointments (in either a private life or official MOD/Service capacity) in outside organisations, including charities, should avoid placing themselves in a position where a conflict of interest might arise, or be perceived to arise, by:

- Ensuring that any conflict of interest or loyalty is declared and included in the outside organisation's register of interests;
- Taking no part in discussions where a conflict of interest or loyalty exists or might be perceived to exist. For example, Service Personnel and Civilian Staff should not take part in discussions about MOD funding for the organisation, about the privileged use of public assets or services or about the provision of some other benefit from the MOD to the organisation;
- Ensuring that they are not party to any decision by the Department to respond to a request for funding or other benefit from the organisation in which they hold an appointment.

3. Where outside activities could lead to actual or perceived conflicts of interest, personnel must alert their chain of command or line managers so that a decision can be taken on whether the outside appointment is consistent with their official position. When the post holder and his/her immediate Commanding Officer/line manager are unable to agree on the acceptability of an outside appointment, the post holder may appeal to his/her next highest authority, and normal Service/Civilian Grievance Procedures may also be used.

4. Charity Commission Guidance makes it clear that the overriding duty of a trustee is to act in the best interests of their charity and that trustees appointed by an external organisation (such as MOD) must act independently of the organisation which appointed them and act only in the best interests of the charity. Failure to do so may make the trustee personally (and financially) liable to the charity for a breach of trust. There is no guarantee that the MOD would stand behind the trustee in such circumstances.

5. The Charity Commission Guidance for Trustees is at: [Charity Commission/Charity Requirements and Guidance/Charity Governance/Conflicts of Interest](#). All trustees are

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strongly encouraged to read this advice. At the same time. Service and Civilian Personnel also have a responsibility to Defence (and the taxpayer) to ensure that their professional role is not influenced by their charity role in a manner that would be inappropriate.

6. In most cases, following the processes outlined in paragraph 2 will be adequate to manage any conflict of interest or loyalty appropriately. In a few cases, it might be found that an individual's official responsibilities in respect of MOD's relationship with the outside organisation render their position as trustee of the organisation untenable. In such circumstances, the best solution will be to replace the trustee with another appointee whose official duties do not impinge directly on MOD's relationship with the outside organisation.

7. Service and Civilian Personnel should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties; and they must not use their official position or information acquired in the course of their official duties to further their private interests or those of others. This includes not only avoiding actual or potential conflicts of interest but also any suspicion that such conflicts might exist.

19: SOUND GOVERNANCE – SEASONAL FESTIVITIES

Introduction

Particular care should be taken during festive seasons such as Christmas to ensure that public money is not spent inappropriately. Around the Christmas period (which should be interpreted as covering the whole of December and the period of the New Year break) it is understandable that MOD managers (both Service and Civilian) should wish to send greetings to their own staff and to outside bodies and individuals and to celebrate the festivities with their staff. It is not generally appropriate for any celebrations to be funded by the taxpayer and the default position is that Christmas expenditure will fall to non-public funds or will be funded by managers or employees themselves. Expenditure at Christmas is subject to particularly close scrutiny by MPs and the media and arrangements must be made to ensure that the details of any expenditure are captured and reported transparently in response to PQs and FOI requests.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Governance3	Regularity and Propriety; Parliamentary Questions	9621 83688

General Principles

- Public funds may not be spent on seasonal items such as Christmas trees and decorations, nor may they be used to fund (in full or in part) staff parties or other entertainment. Unit cohesiveness or teambuilding events should generally be avoided during the Christmas season because of the risk that they will be perceived as Christmas parties at the taxpayer's expense. If activities such as carol concerts or Christmas fairs take place, they should be arranged so that no costs fall to public funds. The restrictions in this chapter do not apply to seasonal activities for personnel on operational deployments. Where expenditure is incurred at Christmas from the Family Welfare Grant for family activities which enhance morale (under the authority of [JSP 770 Chapter 2 Delivery of Welfare Annex K - Family Welfare Grant](#)), such expenditure should be recorded and reported as seasonal expenditure.
- Greeting cards for Christmas and other seasonal events may be purchased and sent at public expense by Ministers, other members of the Defence Council, Commanders in Chief of the three Services and the Director Media and Communications.
- Seasonal activities are a sensitive area of expenditure which requires careful handling to ensure that no criticism can be levelled against MOD for wasteful or inappropriate use of taxpayer's money. Regular PQs and FOI requests are received asking for details of seasonal expenditure on a wide range of activities including parties, decorations and cards. Detailed records of seasonal expenditure must be kept to ensure that such PQs and FOI requests can be answered fully and transparently.

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Detailed guidance and Exceptions

4. Facilities and site management contracts are not to include any requirement for seasonal decorations at public expense.
5. TLB corporate governance focal points will be responsible for promulgating local guidance on how seasonal expenditure is to be authorised and controlled. This guidance should cover Agencies under TLB control. In cases of doubt, any proposals to incur expenditure which could be viewed as using taxpayer's money for purely seasonal activities should be referred to TLB corporate governance focal points for a ruling by the TLB Senior Finance Officer. Generally, spending public money on activities outside the terms of this chapter should be viewed as novel and contentious and therefore outside MOD's delegated authority and requiring Treasury approval.
6. Greeting cards are not to be sent at public expense to other Crown Servants (including members of the UK Armed Forces and other UK Government Departments). Ministers and other members of the Defence Council, Commanders in Chief of the three Services and the Director Media and Communications may purchase and send greetings cards at public expense in pursuit of specific defence objectives, principally that of maintaining relations with other Governments. Defence attaches may send a modest number of greeting cards for the same purpose. Other TLB holders may send a modest number of greeting cards to selected individuals where it can be shown that this would contribute towards a clear and specific TLB objective such as income generation. The scope of this activity should be agreed in advance by the TLB Senior Finance Officer or his or her corporate governance representatives. TLBs may sub-delegate the authority to send greetings cards on their behalf to Agency Chief Executives or 2 star officers engaged in income generate activities where they consider this would be more appropriate. There must be no delegation below this level.
7. Every year, a number of PQs and FOI and media requests are received asking for details of seasonal expenditure funded by the taxpayer. TLBs must ensure that arrangements are in place to record all seasonal expenditure so that full and transparent responses can be given to such requests.

20: SOUND GOVERNANCE – THIRD SECTOR FUNDING

Introduction

Third Sector Organisations (TSOs) are organisations, belonging to neither the public nor the private sector, which provide a wide variety of social, environmental and cultural services to the public. The Third Sector encompasses voluntary and community organisations, charities, social enterprises, mutuals and co-operatives. This chapter explains the principles which govern MOD's financial relationship with TSOs when public funding is provided from MOD to the Third Sector to deliver outputs and outcomes which support the core defence mission.

Points of Contact

Who	Topic(s)	Telephone Number
DFM-FMPA-Ahd-Governance	Financial policy on engagement with the Third Sector	9621 86949
DGDC CS-2-Dep-Hd	Commercial/contractual policy	9352 32827

Key Points

1. Relations between the Government and the Third Sector are governed by a Compact which sets out a framework within which both parties operate.
2. Government funding for the Third Sector is based on the principles of:
 - a. Allocation of resources against clear criteria, including value for money.
 - b. Funding policies which take account of the special needs of the Third Sector.
 - c. Transparent funding arrangements for grants or grants-in-aid.
 - d. Long term, multi-year funding where appropriate.
3. Financial relationships between the Government and TSOs can either be based on payment of grants, payment of grants-in-aid or normal commercial contracts, known as procurement.

General Principles

1. The principles of Government funding for the Third Sector are:
 - The allocation of resources against clear and consistent criteria, including value for money,
 - Funding policies which take account of the objectives of voluntary and community organisations and their need to operate efficiently and effectively.
 - For organisations funded by grant or grant-in-aid, common, transparent arrangements for agreeing and evaluating objectives, performance indicators and their associated targets, facilitating prompt payment, reviewing financial support, consulting upon changes to the funding position, and informing voluntary and

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community organisations about future funding as early as possible, normally before the end of the current grant period, and

- The value of long-term, multi year funding, where appropriate, to assist longer term planning and stability.

The Third Sector has agreed to maintain high standards of governance and conduct and meet reporting and accountability obligations to funders and users and, where applicable, to observe the accounting framework for charities.

2. Financial relationships between public bodies and TSOs fall into three types; payment of grants, payment of grants-in-aid and provision of services by a TSO under normal commercial contract procedure which is generally called procurement. Detailed guidance on grants and grants-in-aid can be found in Chapter 17 under Transactions within JSP 462.

3. Where a level of service is defined and commissioned by the funding body outside the grants regime this forms a conventional trading relationship. Procurement is defined as being the acquisition of goods and services from third party suppliers under legally binding contractual terms where all the conditions necessary to form a legally binding contract have been met.

4. The main determinant of the relationship between the Government and the TSO is the nature of the intended outcomes. When the intended outcomes are relatively specific, and there are indicators available to evaluate the quality and quantity of those outcomes, a procurement process open to competition and leading to a conventional trading relationship under contract is most likely to be the most appropriate solution. This is generally referred to as “purchasing”. Grants or grants-in-aid are more likely to be suited to supporting TSOs engaged in activities aligned with the Government’s wider objectives and which the Government values. Grants and grants-in-aid are generally together referred to as “funding”.

5. Funding bodies must be clear with recipients about the nature of the financial relationship they are entering into both up front and as the relationship develops. Contracts and grants must be jointly agreed in writing before the work commences.

6. It is important that MOD is seen to be even-handed when dealing with TSOs. No preferential treatment can therefore be given to Service charities or charities with a Service interest; all TSOs should be treated equally and on the same terms.

7. Value for money for the taxpayer must be the overriding principle that dictates whether or not a long-term funding arrangement is appropriate. Annual funding means a considerable level of uncertainty for both funding bodies and providers, limits the ability of TSOs to engage in longer-term planning, borrowing and investment, and can put TSOs into undesirable financial difficulties. Longer term planning and funding arrangements can often represent better value for money than one year funding agreements by providing greater financial stability. Long-term contracts should include termination clauses with a period of reasonable notice (for example six months) in order to leave flexibility.

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8. The length of the funding should be tied to the length of the objective. Historical tendency to fund for a certain period is not an acceptable reason to maintain short-term funding arrangements. Equally, there is a need to guard against advocating long-term funding for its own sake.

9. Funding bodies should not issue explicit or implicit letters of comfort, or oral statements of comfort, that commit the funding body (and therefore the Government) – in either moral or legal terms – to stand behind the recipient of funds if the recipient falls into financial difficulties.

10. It is vital that the timing of payments is considered in collaboration with, and not imposed upon, an organisation providing a service. An inappropriate balance of risk in favour of the funding body (e.g. arrears payments) can sometimes create overly harsh incentives on the recipient of funds, comprising outcomes and value for money. In some cases it may be more appropriate for the funding body to make an advance payment and build in other incentives, or follow an interim payments method.

11. Four key principles apply to the payment procedure:

- Agree payments terms at the outset of the deal and stick to them.
- Explain the payment procedure to suppliers.
- Pay bills in accordance with any contract agreed with the supplier, or as required by law.
- Tell suppliers without delay when an invoice is contested and settle quickly on receiving a satisfactory response.

In general the agreed date of payment should be set out in a financial memorandum, contract or grant conditions.

12. Purchasers should remember that they are bound to offer equal payment terms to all bidders and cannot give preferential terms solely to TSOs to the detriment of other suppliers.

13. Payment in advance will be appropriate when these five criteria are met:

- Payment arrangements are agreed between provider and contractor, or grant maker and recipient.
- Payment arrangements are recorded in a financial memorandum, a contract or grant conditions.
- Payment in advance must meet an identifiable need to spend.
- Payment in advance must not be novel or contentious – such payments always require Treasury approval.
- Payment in advance is wholly necessary – large TSOs with liquid reserves may not need an advance payment.

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14. It is legitimate for providers to include the relevant element of overheads in their cost estimates for providing a given service under service agreement or contract. All TSOs should always aim to recover the full cost of delivering services for public sector bodies, including overheads (and irrecoverable VAT). Under a grant or grant-in-aid regime, it is normally necessary to show that the price is reasonable related to the cost of providing the particular service in order to satisfy the funder that they are securing value for money for the taxpayer.

15. There are two principles that funding bodies should consider at all stages of the funding chain:

- Simplicity and proportionality; the funding process should be as simple as possible, and funding bodies should be mindful of being proportionate when dealing with a wide range of organisations.
- Commonality and co-ordination; where possible funding bodies should endeavour to join up or standardise the elements of the funding chain.

As a general principle, funding bodies should seek to minimise the monitoring and inspection burden on the recipients of funds to a level proportionate to the level of funding, and which maintains proper control of public monies. Under a grant regime, funding bodies should seek only information that is necessary for the purposes of verifying that the grant conditions have been met. Where providers find that information provided to trustees is inadequate then they should, as a condition of funding, require that standards are improved.

16. MOD's external and internal auditors will expect to see that grants-in-aid and grants:

- Are awarded and used only for authorised purposes (the principle of regularity).
- Are made and used fairly, free from undue influence (the principle of propriety), and
- Secure the most cost-effective outputs (the principle of value for money).

Auditors will also expect to see evidence that MOD, as the funding body, has sought the necessary assurance that the payments have been used for their agreed purpose and paid on the basis of need. Auditors will also expect to see evidence that the normal commercial procedures have been followed for purchasing from TSOs.

17. Public bodies must take suitable and proportionate steps to safeguard their financial interests and those of the taxpayer when giving funds to others to acquire or develop assets. The most common way of safeguarding financial assets is to include in the grant conditions a clause that gives the funding body a charge over the asset which means that the asset cannot be sold or put to an alternative use without the prior agreement of the funder.

18. Further information on financial relationships with the Third Sector can be found in [Chapter 7 of Managing Public Money](#) and the website of the [Office for Civil Society](#)

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previously Office of the Third Sector. The Treasury publication [Guidance to Funders and Purchasers](#) is also relevant.