



MINISTRY OF DEFENCE

# **JSP 886 DEFENCE LOGISTICS SUPPORT CHAIN MANUAL**

## **VOLUME 2 INVENTORY MANAGEMENT**

### **PART 404 DISPOSAL OF INVENTORY**

**THE MASTER VERSION OF JSP 886 IS PUBLISHED ON  
THE DEFENCE INTRANET.**

**FOR TECHNICAL REASONS, EXTERNAL LINKS ON THIS  
INTERNET VERSION HAVE BEEN REMOVED.**

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## **CHAPTER 1: INTRODUCTION AND POLICY**

### **INTRODUCTION**

1. This is the policy and process for the identification and disposal of MOD surplus materiel, including Non-Current assets (NCA) such as Capital Equipment, managed by Project Teams (PTs). The policy is the responsibility of D JSC and is jointly managed by:
  - a. **DES JSC SCM-Supply Chain Policy (SCPoI).** SCM-SCPoI are responsible for Inventory Management policy and process including that for the identification of surplus materiel.
  - b. **LCS Disposal Services Authority (DSA).** DSA are responsible for the policy and process for the removal of materiel surplus from the Defence Inventory.
2. In 2010 studies noted that the MOD holds too much stock and CDM tasked COM(L) to regain control of the Defence Inventory. The DE&S Executive Committee of the Management Board (ECMB) endorsed the Accelerated Disposal of Defence Inventory paper [DE&S Paper (10)52] and agreed the implementation of the Fast Track Decision Tool (FTDT)<sup>1</sup> to reach prompt disposal decisions on stock that has been identified as potentially surplus. These directives are incorporated in this document. Other related documents covering disposal are:
  - a. **JSP886 Volume 3 Part 16: Unit Disposal.** This covers the declaration and disposal of materiel by units.
  - b. **JSP886 Volume 4 Part 9: Gifting of MOD Materiel.** This covers the gifting of MOD materiel.

### **POLICY**

3. It is MOD policy that:
  - a. **Project Teams (PTs).** PTs are to identify surplus materiel promptly and declare it to DSA for disposal. PTs are to create and maintain Disposal Plans for all projects. See [Chapter 2 \(Disposal Plan\)](#) for further guidance.
  - b. **Disposal Services Authority (DSA).** The DSA is to dispose of all surplus MOD materiel declared to it. Sale and disposal is to be prompt and at the best financial advantage for the MOD. DSA does not have responsibility for the disposal of general residual waste; including surplus food, paper, cans, plastic and general office waste. The disposal of this type of waste is covered by the Multi Activity Contracts (MAC), Local Authority Waste arrangements and Utilities.

### **GENERAL**

4. PTs are responsible for promptly identifying surplus MOD materiel. This is a Through Life activity and is to be considered in the Disposal Plan contained in the project's Through Life Management Plan (TLMP). See [Chapter 2 \(Disposal Plan\)](#) for further guidance.

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<sup>1</sup> 2010DIN04-157: Accelerated Disposal of Defence Inventory and 2011DIN04-191: Fast Track Disposals Process for Defence Inventory.

5. Although 'Disposal' is identified as the final element of the CADMID/T project management cycle, the disposal of surplus inventory and the implications for the disposal of MOD equipment must be considered at all stages of the acquisition cycle.

- a. The disposal of the equipment and its associated materiel is to be considered during the design of the equipment and its support solution. The disposal of materiel and waste through life, particularly of hazardous materiel, is to influence the project and Support Solution design.
- b. The PT is to consider the environmental impact of the equipment and particularly the environmental impact of the disposal of the equipment, associated materiel and waste products. This will allow the risk from real and potential hazards to be identified and managed in an increasingly environmentally aware climate and in accordance with [JSP 418: MOD Corporate Environmental Protection Manual](#).
- c. The DSA is responsible for the disposal of surplus MOD materiel and non-domestic waste. The DSA is to secure the best possible financial return for the efficient and effective removal of surplus MOD materiel by sale or disposal.

### Site or Unit Closure

6. In the case of a building or unit closure, declarers must notify DSA Commercial Disposal (CD) at least 12 months in advance of the disposal date, to enable sufficient time for a site visit to be conducted by DSA CD personnel and for a disposal programme to be formulated. Guidance on closure of Materiel Accounts is given in JSP 886 Volume 4 Part 5: Closure of Materiel Accounts.

## EXCLUSIONS

### Redeployment of Materiel

7. The redeployment of materiel is not disposal and DSA does not need to be notified. The main categories of redeployment are:

- a. **Reclamation.** Reclamation is the recovery of materiel to allow the materiel to be used in the supply chain. The policy and process for reclamation and spares recovery is contained in JSP 886 Volume 3 Part 14: Transfer of Spares between Units, Cannibalisation, STOROB and Reclamation. If the equipment is to be disposed of, the declaration is to include details of any materiel removed from it.
- b. **Transfer to Training and Instruction Use.** The requirement for surplus assets is to be identified and supported by the Training Authority. The asset will thereafter be transferred to the relevant training unit at an agreed value.
- c. **Gate Guardians.** Requests for Gate Guardians are made through the Heritage Branches. Surplus assets agreed for use as Gate Guardians should be transferred to the relevant station. Prior to transfer the assets should be written down to Net Realisable Value (NRV) within the accounts. Consultation should therefore be undertaken with Single Balance Sheet Owner (SBSO). MOD establishments wishing to acquire capital equipment, including non-flying aircraft, for display purposes should contact the relevant PT and the DSA-Project Support Team (PST) capital equipment focal point.

## **Disposal of Legacy Equipment from the Nuclear Programme**

8. DES NBCD-SIP-PM-D&D Programme Manager is responsible for the disposal or recycling of redundant legacy equipment arising from the nuclear programme. This includes refit support equipment from within the Licensed Site and redundant or surplus equipment from other vessels and items stored within the Naval Base. Further information is contained on the [Disposal of Legacy Equipment from Nuclear and Non Nuclear Programme website](#).

## **Disposal of Munitions**

9. The disposal of munitions is covered in [JSP 762: Weapons and Munitions Through Life Capability](#), Chapter 9: Munitions Disposal Policy & Procedures.

## **Disposal of Official Gifts**

10. Units wishing to dispose of all official gifts made to them with retail value of over £50 must register them with the DSA. For guidance and policy on the acceptance of Official Gifts refer to the Defence Intranet People Services website. In certain circumstances the item may be retained in the workplace for a determined period of time. When the item is no longer required it must be surrendered to the DSA for final disposal or purchased by the recipient, as arranged by the DSA. It remains the responsibility of the holding unit to organize for the transportation of the gifted item to the DSA. When the item has been received, a receipt will be issued. The DSA point of contact on the disposal of official gifts is [DES DSA-MST1a1](#) Tel: Mil: 94240 2808 Civ: 01869 256808. Fax: Mil: 94240 8606 Civ: 01869 258606.

## **Support to MOD-Sponsored Museums**

11. The policy and process covering the transfer of surplus MOD materiel to certain categories of museums is contained in [JSP 886, Volume 4 Part 9: Gifting of MOD Materiel](#).

## **OWNERSHIP AND POINTS OF CONTACT**

12. The policy, processes and procedures described in JSP 886: Defence Logistics Support Chain Manual are owned by Director Joint Support Chain (DJSC). Head Supply Chain Management (SCM-Hd) is responsible for the management of JSC policy on behalf of DJSC.

13. This instruction is jointly sponsored by DES SCM-SCPol and DES DSA who should be approached in case of technical enquiries about the content:

- a. For Inventory Management:

[DES JSC SCM-SCPol-Convergence](#)

Cedar 1A, #3139, MOD Abbey Wood, BRISTOL, BS 34 8JH  
Tel: Mil: 9679 81379, Civ: 030679 81379

- b. For Disposal:

[DES Disposal Services Authority - Management Support Team](#)

Disposal Services Authority (DSA), Building 9, H Site, BICESTER OX25 2LD  
Tel: Mil: 94240 2808, Civ: 01869 256808.  
Fax: Mil: 94240 8606, Civ: 01869 258606.

[DES Disposal Services Authority - Project Support Team 3](#)

Elm 2c, #4231, MOD Abbey Wood, BRISTOL BS34 8JH

Tel: Mil: 9679 80894, Civ: 030 679 80894

- c. Enquiries concerning the accessibility and presentation are to be addressed to:

[DES JSC SCM-SCPol Editorial Team](#)

Cedar 1A, #3139, MOD Abbey Wood, BRISTOL, BS 34 8JH

Tel: Mil: 9679 80953, Civ: 03067 980953

## **GLOSSARY**

14. A glossary of JSC terms is available at [JSP 886 Volume 1 Part 1A](#).

## **LINKED PUBLICATIONS**

15. The following publications are linked to the Disposals process:
- a. [JSP 418: MOD Corporate Environmental Protection Manual](#).
  - b. [JSP 430: MOD Management of Ship Safety and Environmental Protection](#).
  - c. [JSP 440: Defence Manual of Security](#).
  - d. [JSP 454: Land Systems Safety and Environmental Protection](#).
  - e. [JSP 472: Financial Accounting and Reporting Manual](#).
  - f. [JSP 515: Hazardous Stores Information System \(HSIS\)](#).
  - g. [JSP 553: Military Airworthiness Regulations](#).
  - h. [JSP 762: Weapons and Munitions Through Life Capability](#).
  - i. [JSP 886: Defence Logistic Support Chain Manual](#):
    - (1) Volume 2: Inventory Management:
      - (a) Part 2: Project Team Inventory Planning.
      - (b) Part 3: Single Ownership of Items of Supply in the Defence Inventory.
      - (c) Part 4: NATO Codification.
    - (2) Volume 3: Support Chain Management:
      - (a) Part 10: Urgent Operational Requirement (UOR).
      - (b) Part 14: Transfer of Spares between Units, Cannibalisation, STOROB and Reclamation.
      - (c) Part 16: Unit Disposals.

- (3) Volume 4: Materiel Accounting:
  - (a) Part 4: Government Furnished Equipment.
  - (b) Part 9: Gifting of MOD Materiel.
- (4) Volume 7 Part 2: ILS Management.
- j. [DEFSTAN 00-56: Safety Management Requirements](#)
- k. [2007DIN09-020 FI 20/07: Process for dealing with Surplus Fixed Assets.](#)
- l. [2009DIN06-027: Ship Disposal Policy.](#)
- m. [2011DIN04-136: DE&S Combat Air Disposal of Air Spares and Non-Explosives Armament Stores Instructions.](#)

## **SUPERSEDED PUBLICATIONS**

16. The following publications are superseded by this instruction:
- a. JSP 886 Volume 9 Part 1: Introduction to Disposals and the Declaration Process.
  - b. JSP 886 Volume 9 Part 4: The Disposal of Capital Equipment.
  - c. JSP 886 Volume 9 Part 6: The Disposal of Materiel (other than Capital Equipment) within the United Kingdom.
  - d. JSP 886 Volume 9 Part 7: Disposal of Materiel from Overseas.
  - e. JSP 886 Volume 9 Part 8: Financial Accounting for the Disposal of Surplus Non-Property Fixed Assets, Capital Spares and Stock.]
  - f. JSP 886 Volume 9 Part 9: Gifting of Surplus MOD Property.
  - g. DIN 2010DIN04-157: Accelerated Disposal of Defence Inventory.
  - h. DIN 2011DIN04-191: Fast Track Disposals Process for Defence Inventory.



## **CHAPTER 2: PROCESS**

### **GENERAL**

#### **PT Disposal Focal Point**

1. Each PT is to have a PT Disposal Focal Point, normally the Inventory Management (IM) cell. The focal point is to manage all work concerned with the identification of surpluses and declaring materiel for disposal.

#### **Disposal Decision Management Control Values**

2. The decision to dispose of a line item (the total quantity of items on a single NSN) is subject to management control based on the recorded value of the line item. The suggested management control values are below at Figure 1.

a. The **Owner Known** management control values are set by the Operating Centre or Project Team and reflect the type of inventory being managed and the required degree of control; suggested values are below.

b. The **Owner Unknown** values are set by negotiation between DG Fin and COM(L). The values are expressed as basic price not including VAT.

**Figure 1: Disposal Decision Management Control Values**

	<b>&lt; £50k</b>	<b>£50k to &lt; £500k</b>	<b>£500k to &lt; £5m</b>	<b>£5m +</b>
Owner Known	PT IM (C1/C2)	PT IM (C1/B2)	PT Leader	Relevant COM
Owner Unknown	SCM PTST (C1/C2)	DHd SCM SC Pol	Hd SCM	COM(L)

### **PREPARATION FOR DISPOSAL**

#### **Disposal Plan**

3. The PT is to create and maintain a Disposal Plan for all its equipments. The Disposal Plan is to be part of the Through Life Management Plan (TLMP) and is to be integrated with the Inventory Plan. The Disposal Plan is to be created by the Demonstrate phase of the CADMID/T cycle and is to be routinely maintained.

4. Guidance on the content of the Disposal Plan is contained in JSP 886 Volume 2 Part 2: Project Team Inventory Planning and JSP 886 Volume 7 Part 2: ILS Management, particularly Annex L: Template for a Disposal Plan. The Disposal Plan is to cover:

a. The disposal risks identified during the Assessment phase and the action taken during the 'Influence the Design' period of the Integrated Logistic Support (ILS) delivery.

b. The initial and subsequent amendments to the fleet size and life of the equipment. The planned and any amended Out of Service Dates (OSD) are to be recorded.

c. The anticipated disposal route for waste generated by the equipment and of the equipment. This is to include identified risks to the disposal; hazardous materials, changes in legislation.

d. Promptly identify surplus support; ie surplus spares, documentation, special tools, training, etc; and their disposal route.

e. The Disposal Decision Process, illustrated at Figure 6, is mandated for the management of inventory with no identified owner (orphaned items).

5. All stakeholders are to be kept informed of changes to the planned life of the equipment and the draft Disposal Plan. PTs are responsible for budgeting and funding any disposal at cost activities.

6. The PT, informed by the Capability Sponsor, is to maintain in the Disposal Plan a record of the planned Out of Service Date (OSD) and significant disposal factors for the PT's equipments.

## **IDENTIFICATION OF SURPLUS MATERIEL**

7. The 3 main processes of identifying surplus materiel are:

### **Disposal of Equipment Out of Service**

8. When an equipment, such as a ship or an aircraft, reaches the end of its MOD life it is the start of a complicated exercise that will lead to the main equipment, associated support equipments, unique maintenance tools, unique spares and technical documents (TD) being declared surplus. There are also likely to be implications for training and facilities. This process is covered in more depth at [Chapter 3](#).

### **Routine Disposal**

9. This is the identification of surpluses during routine Inventory Management (IM) processes that are carried out during the In-Service phase. This should result in a steady declaration of surplus materiel. These surpluses are normally due to initial overstocking, implementation of modifications and changes in equipment use. This process is covered in more depth at [Chapter 4](#).

### **Disposal Exercise**

10. This refers to planned tasks that identify surplus stocks by the analysis of inventory accounts and the investigation of physical holdings. These projects often have specific instructions associated with them stating the criteria for identifying surpluses and modified declaration processes. Analysis shows that the majority of surplus materiel identified in these exercises has been retained in the Defence Inventory due to a failure to carry out **Disposal of Equipment Out of Service** or **Routine Disposal** correctly. This process is covered in more depth at [Chapter 5](#).

## **AUTHORISING MATERIEL FOR DISPOSAL**

11. The process for the authorisation of surpluses internal to the PT is generic but where the procedures are specific to either an environment or a system; this is stated in the text.

12. The PT Disposal Focal Point is to manage all work identifying surpluses and declaring materiel for disposal, ensuring that:

a. The identification of the surpluses is carried out with the knowledge of the relevant equipment managers to whom contentious issues are to be referred.

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- b. The Equipment Manager (EM) is to give specific approval for the disposal of:
  - (1) P Class items.
  - (2) Modification Sets and Kits.
  - (3) Jigs, Tooling & Test Equipment (JTTE), Special Tools & Test Equipment (STTE) and Ground Support Equipment (GSE).
- c. The disposal is authorised in accordance with the Management Control Values.

### **Recording of Decisions**

13. PTs are to maintain an auditable record of the following details where the decision to declare materiel surplus has been made:

- a. Item details.
- b. Quantity made surplus (total or partial disposal).
- c. Equipment manager approval for P Class items, JTTE, STTE and GSE, including details and signature.
- d. Managerial approval, defined by the value of the disposal, where required, including details and signature.

14. A signed copy of the Disposal Authorisation Form (DAF), see, at paragraph 21 below is to be retained by the PT for 6 years. The record can be part of the normal Inventory record (Item Pad) or on a dedicated system. PTs are to be able to generate Management Information from the record, ie number of line items and value declared surplus in a period. The DAF is signed by the PT stating that any resultant costs will be met by the PT, by inserting the appropriate UIN. When total quantity disposals have been agreed the Retention Quantity figure is to be set to zero.

### **SCCS Users**

15. The PTs using SCCS are encouraged, but not mandated, to use the Disposal Authorisation Manager (DAM) database to provide an auditable record of disposal action and to produce DAFs. If the DAM is not used, SCCS users are to raise DAFs.

16. A copy of the completed paperwork is to be sent to Air Sector Disposal Team (ASDT) who will undertake the LCS activities on behalf of PTs and LCS. If required, a copy of ASDT activity and disposal records can be requested from [DES CA-ASDT-WO](#).

17. The DAM database can be downloaded from the Inventory Managers Tool Kit IMTK. Once downloaded, the DAM must be stored in a local directory.

## **DECLARATION OF MATERIEL FOR DISPOSAL**

### **Declaration Process**

18. Surplus items for disposal are identified and declared to DSA following the procedures outlined below. DSA will decide the best method of sale or disposal and the

appropriate contractor to use and will notify the declarer accordingly. Any deviation from utilising a DSA disposal contract is to be the subject of a fully costed business case.

19. The declaration process for PTs is dependent on the Base Inventory System (BIS) being used to manage the materiel being declared:

a. **CRISP and SS3.**

(1) The PT is to issue the materiel declared surplus to the appropriate disposal UIN advised by DSA.

(a) The CRISP Procedure is laid down in CRISP Job Instruction Sheet (JIS) 0640. The IM inputs one of the following CRISP transactions DSP (Disposal Issue) or DCJ (Issue Order Standard).

(b) The SS3 Procedure is laid down in Army Stores System Basic Procedure (ASSBP) 12/01 Disposal on Computer Recommendation. The IM inputs one of the following OLIVER transactions LRJ (Disposal Issue Order) single NSN or LNY (Disposal Decision) multi NSN.

(2) The IM must complete the Special Instructions field to show, Total Disposal, Partial Disposal retain Qty, and other relevant detail eg. DEMIL, Haz code, etc.

(3) This generates an Issue Voucher for Disposal on WITS or BODMS. The Voucher then goes to the Disposal Warehouse of whichever Depot the stock is held.

(4) The Depot Warehouse personnel raise the DSA Declaration Forms for the materiel on the voucher. They must ensure any Special Instructions on the Issue Voucher are annotated on the Declaration. The DSA Declaration provides an audit trail of the materiel sent to the Contractor.

(5) The DSA must task the Contractor before Disposal can commence.

b. **SCCS.** Declarations for surplus materiel held on SCCS can use the Disposal Authorisation and Declaration process described in [SCCS Users](#).

c. **Materiel not held on BIS.** Where materiel is held at a Main Operating Base (MOB) using MJDI or other secondary LogIS the PT is to instruct the holding unit to declare the materiel to DSA.

20. The information and detail on the DSA Declaration Form allows DSA to exercise their duty of care, and assists in making informed decisions regarding the correct disposal route in order for the MOD to be compliant with the Environmental Protection Act 1990 and other current disposal environmental and waste management legislation. The MOD has a moral and legal obligation to exercise a Duty of Care under Health and Safety at Work (HSAW) legislation and to pass on all relevant information when declaring stores or equipment for disposal.

21. The DSA accepts disposal instructions/declarations on the understanding that the following conditions are met:

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- a. All materiel declared is to be available for collection at one location unless notified otherwise. Materiel awaiting collection is normally to be stored in secure, dry conditions unless it is normally stored outside.
- b. No additions will be accepted unless agreed in writing by DSA. Any additions not agreed by DSA may result in the materiel being left uncollected.
- c. No deletions from declarations will be accepted unless agreed in writing by DSA. Any deletions not agreed by DSA may result in charges being levied by the contractor.
- d. Details of any known potential purchasers and their contact details or any written representations or offers made are sent with the declaration to DSA.
- e. All hazardous materials and radioactive sources are to be described on the declaration, and Safety Data Sheets are to be attached. By submitting the Declaration Form to DSA, the declarer accepts all responsibility for the Health and Safety status of all the materiel declared.

**Figure 2: Specimen Disposal Authorisation Form (DAF)**

Disposal Authorisation Form																								
PT DETAILS										DISPOSAL APPROVAL					EQPT MANAGER APPROVAL									
PT Contact										Signature					Signature									
PT Reference										Rank / Name					Rank / Name									
Equipment Type										Post					Post									
Disposal Costs (PT UIN)*										Date					Date									
Line No	DMC	NSC	NC	IIN	Part No	Description	SMBI	UI previously DofQ	Requested Disposal				Acct Class	RAB Code	Item Price	VAT Y/N	Line Value	US DeMii Code	HAZ Item? Y/N	Handling Code	Security Code	Retention Qty	Issue to	Actual Disposal Qty
									S	R2	R4	E0												
1																								
2																								
3																								
4																								
5																								
6																								
7																								
Comment																								
Note: *The UIN is required to allow resultant disposal costs to be charged to the PT.																								

22. In the case of a building or unit closure, declarers must notify DSA Commercial Disposal (CD) at least 12 months in advance of the disposal date, to enable sufficient time for a site visit to be conducted by DSA CD personnel and for a Disposal Programme to be formulated.

23. Should any assistance be required in completing any aspect of the DSA Declaration Form contact DSA on Tel: Mil: 96770 2911, Civ: 030 6770 2911.

24. Acknowledgment of the declaration will be sent to the address entered in the 'Declarer Details' section of the Declaration Form. All subsequent correspondence relating to a declaration will be sent to the first nominated point of contact at the holding unit, as

shown against the 'Points of Contact at holding unit' section of the form unless otherwise specified.

25. Once the declaration has been accepted DSA will task the relevant contractor to collect the materiel from site and will confirm this with the declarer in writing. The declarer will be contacted by the contractor to agree a collection date. Timescale for collection varies according to the stores declared, but will be a maximum of 10 working days from the date on the DSA's task letter, unless agreed otherwise.

26. It should be noted that items disposed of at cost require budgetary / financial approval prior to the declaration being processed.

### Collection Arrangements

27. The Contractor and declarer must agree a convenient date and time for collection, and where appropriate the Contractor shall provide the name, address and contact number of any sub-contractor acting on his behalf. If, for any reason, the collection date exceeds that mentioned in the tasking letter, the declarer should notify DSA immediately. On arrival at site the contractor will present proof of authority for the collection in the form of the tasking letter, but the contractor should be accompanied at all times whilst on MOD property.

28. To enable monitoring of the DSA's contractor's performance, the declarer will be required to complete a Contractor Performance Proforma, which will be attached to the confirmation task letter. The declarer is to complete the form and fax to the number provided on the form within 3 working days of collection.

29. DSA will dispose of surplus MOD assets and materiel taking into account all costs or value including disposal of equipment to overseas governments where it provides the most advantageous benefits for Her Majesty's Government. DSA will undertake disposal of minor capital equipments and spares by securing removal using Industry, where necessary, who will refurbish, modify, store, account and sell such surplus assets and materiel. DSA may select other methods of disposal including private treaty, tender or auction.

30. Costs incurred for the removal of hazardous, special and contaminated waste and all 'at cost' disposals will be borne by the PT and not DSA.

31. DSA is charged with providing a cost-effective Disposal Service to all parts of the MOD.

### Preparation

32. Storage facilities, units and Industry must comply with specific technical instructions provided by PTs for issues such as mutilation, demilitarisation (demil), Free from Explosive checks, hazardous items or discharge of compressed gases and preparation of vehicles. Units must advise the DSA that appropriate action has been taken using the Disposals Declaration Form on the Defence Intranet. Materiel is to be ready for collection at the time and place agreed with the disposal contractor.

### Declaration

33. Upon receipt of a completed [Disposal Declaration Form](#), the DSA will establish the correct and most effective disposal route for the materiel. Once selected, the DSA will



formally task the contractor to collect. A copy of this formal tasking notice will be sent to the Declarer.

## **DUTY HOLDER FOR SAFETY AND ENVIRONMENTAL PROTECTION RESPONSIBILITIES**

34. A Duty Holder for Safety and Environmental Protection is the person charged with the development of a safety regime for an equipment (ship, plane, etc) and for the subsequent maintenance of the case through all phases of the acquisition cycle, ie CADMID/T. A Duty Holder is responsible for satisfying the objectives of this policy through the application of the safety regime for the design and material state of equipment and, in particular, generating and subsequently maintaining the safety case.

35. On declaration of equipment for disposal, the Duty Holder's responsibilities shall not be transferred to the DSA but will be retained by the current Duty Holder until ownership of the equipment is passed to the new non-MOD owner. There may be several Duty Holders at any one time with responsibility for different aspects of safety management for a major equipment. Detailed responsibilities of a Duty Holder can be found in DEFSTAN 00-56: Safety Management Requirements, JSP 430: MOD Management of Ship Safety and Environmental Protection, JSP 454: Land Systems Safety and Environmental Protection and JSP 553: Military Airworthiness Regulations. Further guidance on Sea Systems disposal is available from 2009DIN06-027: Ship Disposal Policy<sup>2</sup>.

## **RESTRICTIONS ON SALE OR DISPOSAL**

36. There are a number of reasons why the MOD may wish to restrict the sale of certain items or where additional care needs to be taken in determining the correct disposal route. The articles below provide generic scenarios where the declarer must provide notice to the DSA as part of the Declaration process.

### **Disposal of Items with Safety Related Restrictions**

37. The duty holder for Safety and Environmental Protection, through the PT, is to provide the DSA with the Safety Case highlighting those areas which could be a restriction on the sale or disposal of the materiel.

38. Items deemed by PTs as Safety Related are to be identified to the DSA who will determine whether, with rework or certification, these can be sold into the market place.

### **Disposal of Items of Foreign Origin**

39. Items of a foreign origin should be notified separately along with any restrictions included within the original procurement contract as to their disposal route. See below for US sourced materiel.

### **Materiel obtained from the United States**

40. Materiel procured or supplied by the US Government is subject to the US regulations regarding demilitarisation and disposal. The common procurement routes that this applies to are:

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<sup>2</sup> It is intended that the content of 2009DIN06-27: Ship Disposal Policy will be incorporated in JSP 430 during 2012.

## INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

- a. **Foreign Military Sales (FMS).** FMS is a program that allows the purchase of defense articles, services, and training from the US Government on a 'no-profit' and 'no-loss' basis.
- b. **Direct Commercial Sales (DCS).** DCS allows the purchase of defense articles, services, and training directly from US companies. The US company is responsible for obtaining a licence, under International Traffic in Arms Regulations (ITAR), from the Office of Defense Trade Controls.
- c. **International Trade in Arms Regulations (ITAR).** ITAR is a set of US Government regulations that control the export and import of defense materiel and services on the United States Munitions List (USML). Items listed on the USML can only be shared with US Persons unless authorisation from the Department of State is received or a special exemption is used.
- d. The United States ITAR Regulations cover both whole platforms and spares, and continue throughout the life of the particular item, irrespective of age or downgrading of classifications. Formal applications for US Government approval to use or sell on ITAR equipment cannot be submitted until the potential End User is identified. Applications will be staffed by DSA personnel; however it is incumbent on PTs to identify any potential ITAR restrictions at the earliest opportunity in the disposals process.

- 41. PTs are responsible for identifying surplus items of US origin and recording this on the DAF. All codified items with a Nation Code (NC) of 00 to 09 are to be treated as being potentially of US origin. In addition LogIS indicators are to be used to identify materiel of US origin.
- 42. The appropriate US Demilitarisation (Demil) Code entered in the appropriate column. This can be obtained by visiting [US Defense Logistic Agency, Disposition Services](#).
- 43. US-procured items requiring disposal should be input on a separate declaration and the following information provided:
  - a. **Requires demilitarisation.** Enter in the declaration comments box "US PROCURED ITEMS - DISPOSAL BY DEMILITARISATION REQUIRED".
  - b. **Does not require demilitarisation.** Demil Codes A, B and Q only require the items to be scrapped. Enter in the declaration comments box "US PROCURED ITEMS - DISPOSAL BY SCRAPPING REQUIRED".
  - c. **Where NC is 00 to 09 but not US procured.** Where the PT holds the records that show the item was not procured from the US, input on a separate declaration and enter in the comments box that "ITEMS WITH US NATION CODE - NOT US-PROCURED, NOT SUBJECT TO US DISPOSAL INSTRUCTIONS".

- 44. All queries relating to the disposal of surplus US or foreign procured items are to be directed to [DES SCM-SCPol-Convergence](#).

### Disposal of Protectively Marked Materiel

- 45. Protective Marking and Security Classification materiel is not to be declared for disposal by units unless it has been formally declassified. All classified materiel is to be



referred to the managing PT for a decision on the disposal action. The following methods of disposal apply to the relevant security grading:

- a. **RESTRICTED or Below.** Materiel with a security grading of RESTRICTED or below can be issued to the DSA for disposal via the appropriate disposal contractor.
- b. **CONFIDENTIAL or Above.** Materiel with a security grading of CONFIDENTIAL or above is to be notified to the DSA for a decision on the disposal route to be taken.

46. **De-Classification.** The PT will, on a case-by-case basis and where possible, reduce the classification of the materiel, allowing it to be made available for sale. Where this is not possible, de-militarization and / or mutilation of the materiel may need to take place.

47. **Demilitarisation or Destruction.** It is the responsibility of the PT to determine if surplus materiel needs to be demilitarised or destroyed. When materiel needs to be demilitarised or destroyed the PT is to state clearly on the Disposal Declaration, or on the 'instruction to dispose' where another unit is going to complete the Disposal Declaration.

### Disposal of Information Technology

48. Units must ensure that data has been erased in accordance with JSP 440, Part 8, Section 3, Chapter 2. However, if local resources are unable to undertake the necessary action in line with Communications Electronics Security Group (CESG) Guidelines INFOSEC No. 5, then contact DBRDefSy InfoSy Pol (Civ: 0207 218 3746 / Mil: 9621 83746). The exception to this is TOP SECRET data, where advice is to be sought from the local Security Authority prior to declaration.

### Scrap Metal, De-Militarisation & Crushing

49. Establishments are to note that a DSA contract also exists for the disposal of scrap metal, items that require de-militarisation or crushing. The declaration process under these contracts requires collection by the disposal contractor concerned.

50. It is the responsibility of the PTs to instruct the holding establishment that de-militarisation is a disposal requirement and to annotate the Declaration Form with the need for de-militarisation, mutilation or crushing together with the name of the appropriate disposal contractor.

### Hazardous or Special Waste

51. Establishments should note that a DSA Contract exists to provide for the disposal of hazardous or special waste. This includes items such as Lithium Batteries, Drop Fuel Tanks and items containing PCB (Polychlorinated Biphenyls), PCT (Polychlorinated Triphenyls), PCN (Polychlorinated Naphthantenes), and PBB (Polybrominated Biphenyls). Any such materiel must be declared to the DSA for disposal instructions. The relevant [Safety Data Sheet](#) from JSP 515 is to be included with the DAF. JSP886 Volume 3 Part 4: Hazardous Materiel also refers. Any associated disposal costs will be the responsibility of the PT. Disposal can be effected through the contractor who supplied the stock if:

- a. The contractor is prepared to undertake the disposal;
- b. Costs to the department do not exceed those incurred using the DSA appointed contractor. DSA are to be advised before such action is taken.

- c. The original contractor is licensed to accept the waste that they are being given.

## **MATERIEL ISSUED TO CONTRACTORS IN ERROR**

### **Goods Issued to Disposal in Error**

52. Inventory Managers can retrieve materiel consigned to the DSA's disposal contractors. However, the PT will be expected to cover legitimate costs incurred by the disposal contractor and there may be additional 'buy back' costs if the items / equipments are not still held by our contractors prior to sale. DSA will assess the action to be taken and costs levied and may require the originating unit to retrieve the errant items. Requests for retrievals should be directed to DSA's Commercial Disposals Team

### **Goods Received in Error Form (GRIEF)**

53. If in receipt of incorrectly disposed items, the contractor in question will submit a Goods Received in Error Form (GRIEF) to DSA. The cost of resolving the situation will fall either to the PT concerned, or to the Establishment / Unit, depending on who is responsible for the issue. However, the DSA will consider the Project Team to be liable for the costs and resolve any issues once notified.

## **CHAPTER 3: DISPOSAL OF EQUIPMENT OUT OF SERVICE**

### **INTRODUCTION**

1. This chapter covers the withdrawal from service of equipment and associated support elements in both the Traditional and Contractor Logistic Support (CLS) environments. Whilst the processes discussed are directly linked to Out of Service Dates (OSD) it is recognised that increasingly equipments are being withdrawn from service through reduction in fleet sizes through the Options Process or Defence reviews.
2. Thus, whilst the OSD may remain, there will be a requirement to dispose of assets with shorter notice than the processes in this chapter outline. In such cases early consultation is to be made with the DSA to enable the equipment to be disposed of in a timely manner, whilst giving every opportunity to conduct a sale and maximise the financial return.

### **POLICY**

3. The Project Teams (PTs), informed by the Capability Sponsor, are to maintain Disposal Plans or a Disposal element to the Inventory Plan<sup>3</sup>, recording the planned Out of Service Date (OSD) and significant disposal factors for the PTs equipments. See [Chapter 2 \(Disposal Plan\)](#) for further guidance.
4. PTs are responsible for keeping the stakeholders informed of the planned disposal, capability change or fleet reductions for their equipments.
5. PTs are to manage the disposal of the equipment and associated support.

### **PROCESS**

#### **Capability Requirement**

6. PTs are responsible for ensuring their equipment ranges are reviewed regularly with the Capability Sponsor<sup>4</sup> and the Front Line Commands (FLCs) are to confirm planned OSDs and / or revised fleet sizes.
7. PTs with DSA, after consultation and with the written support of the Capability Sponsor and involved FLCs, are responsible for planning the Disposal Programme which is to cover the equipment drawdown and reduction of stock, tools and technical publications. The declaration of a Confirmed OSD is the precursor to the finalisation and implementation of the final [Disposal Programme](#).

#### **Agreed Equipment Life Picture**

8. PTs are to routinely liaise with the Capability Sponsor to ensure that the planned equipment life picture is agreed. PTs are to maintain details of the equipment life picture; typically changes in gross and supported fleet sizes, changes in capability and the OSD, in the Through Life Management Plan (TLMP). The PT is to use the agreed equipment life picture to inform the financial case for the future support of the equipment and any disposal costs. The PT is to advise changes to the equipment life picture to all stakeholders.

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<sup>3</sup> JSP886 Volume 2 Part 2 Inventory Planning.

<sup>4</sup> Capability Sponsors were formally known as Director Equipment Capability (DEC).

9. Where possible, PTs should advise the DSA two years prior to an asset's OSD stating:

- a. An accurate description of materiel condition and identify any known hazards or legal obligations with regards Duty of Care.
- b. Details of funding available for disposal.

10. A guide to the approximate timescales within which actions should be taken to dispose of capital equipment is given at Figure 3. Where PTs cannot give 2 years notice, they are to inform DSA immediately of any planned disposal, examples are disposal of UORs and disposals arising from Ministerial decisions.

**Figure 3: Timescales for the Declaration of Capital Equipment for Disposal**

Serial	Timescale	Event	Action by
1	Ongoing	PTs advise DSA of Out of Service Dates (OSDs) and quantities.	PTs
2	24 months before OSD	PTs, in consultation with DE&S Resource Plans (RP) single service elements (Fleet Plans, Army Plans and Air Plans), will prepare a Disposal Programme for the equipment and assist DSA in producing the Phase One BC. All stakeholders are to be informed and a project plan developed and agreed, ensuring any politically or potentially sensitive issues are addressed.	PTs, DSA, RP (Fleet Plans / Army Plans / Air Plans), Key Stakeholders
3	21 months before OSD	Completed Phase One BC to be assessed and agreed by all Stakeholders. Project proceeds as per the recommendation endorsed by the Phase One BC.	DSA
4	6 months before OSD or earlier if a sale of the platform has been agreed	Where appropriate, PTs will initiate disposal of special-to-type spares and support equipment. Single Service RP Directorates, in consultation with Operational Commands, will identify non-effective equipment (by individual identification) to the PT. In tandem, PTs/FLCs should provide a statement on: <ul style="list-style-type: none"> <li>▲ The expected equipment condition / usage to the DSA.</li> <li>▲ Safety Case, highlighting pertinent factors.</li> </ul> Equipment is withdrawn from Operational use in accordance with the Disposal Programme. PTs and FLCs agree transfer standard and allot equipment to the Sustainment Fleet.	PT, RP, DSA
5	During lead-time to OSD	Prior to OSD and declaration for disposal equipment, including that in storage, may be subject to Spares Recovery with the authority of the PT. This must be in accordance with any BC guidance. The PT is to agree with DSA any spares recovery that will affect the equipment's sale. The PT is to provide all necessary manpower and Support Equipment for removals.	PTs
6	From OSD	Once equipments are non-effective and have been formally declared for disposal, Spares Recovery may not take place unless specific prior authority has been obtained from the DSA.	PTs, DSA

11. Exceptions to the 2 years prior notification to OSD only apply when the asset is being made surplus due to an Option as described in JSP 472: Financial Accounting and Reporting Manual.

### Engagement with DSA-PST

12. Once the OSD has been confirmed the PT is to engage with the [DSA Project Support Team \(PST 3\)](#) to determine if the equipment disposal will be managed by DSA.

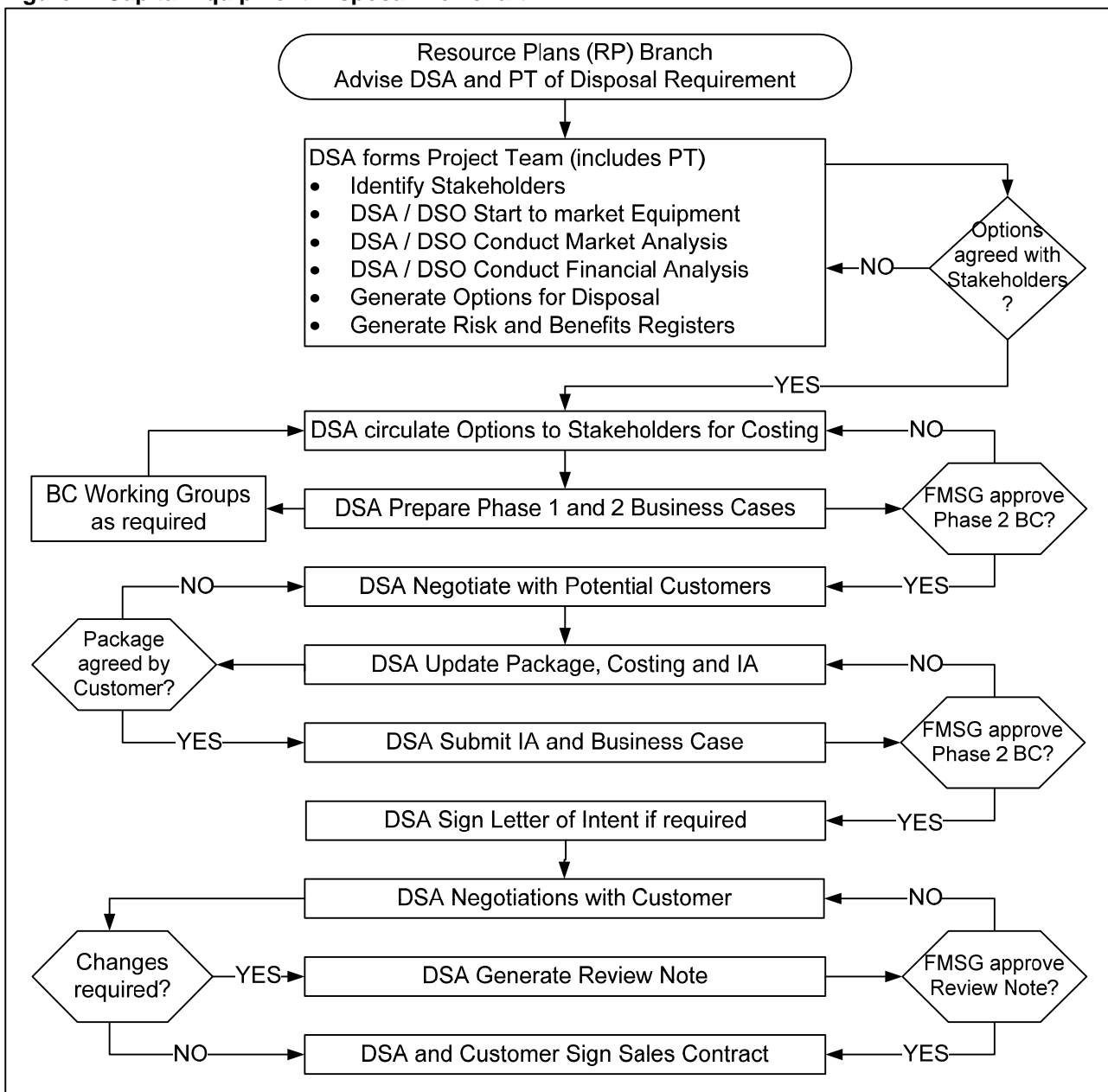
13. DSA will determine the Net Realisable Value (NRV) and complete a Phase One Business Case (BC) for assets that individually or collectively have a NRV of £1M or more to determine the most suitable disposal route. A business case is not required for those assets with a NRV under £1M.

14. Where the BC determines that a Government-to Government sale is the preferred disposal route a Disposal Project Board is to be set up in accordance with [Annex A](#).

15. When the appropriate disposal method has been agreed those high value assets over £1M will have a Phase Two BC produced by DSA outlining a recommended project strategy. The DSA will then further support UK Trade and Industry Defence Security Organisation (UKTI DSO) in marketing surplus capital assets and will negotiate and project-manage the sale and transfer of these higher value assets. This will take into consideration the wider political and Foreign Policy considerations and will balance these requirements against the need to realise the maximum financial return for the MOD.

16. A generic Process Flowchart which outlines the top-level capital equipment disposal and sale and approval processes is at Figure 4. The actual process will depend on the item and the sales method, which will vary depending on the contract agreement and the requirements of the purchaser.

**Figure 4: Capital Equipment Disposal Flowchart**



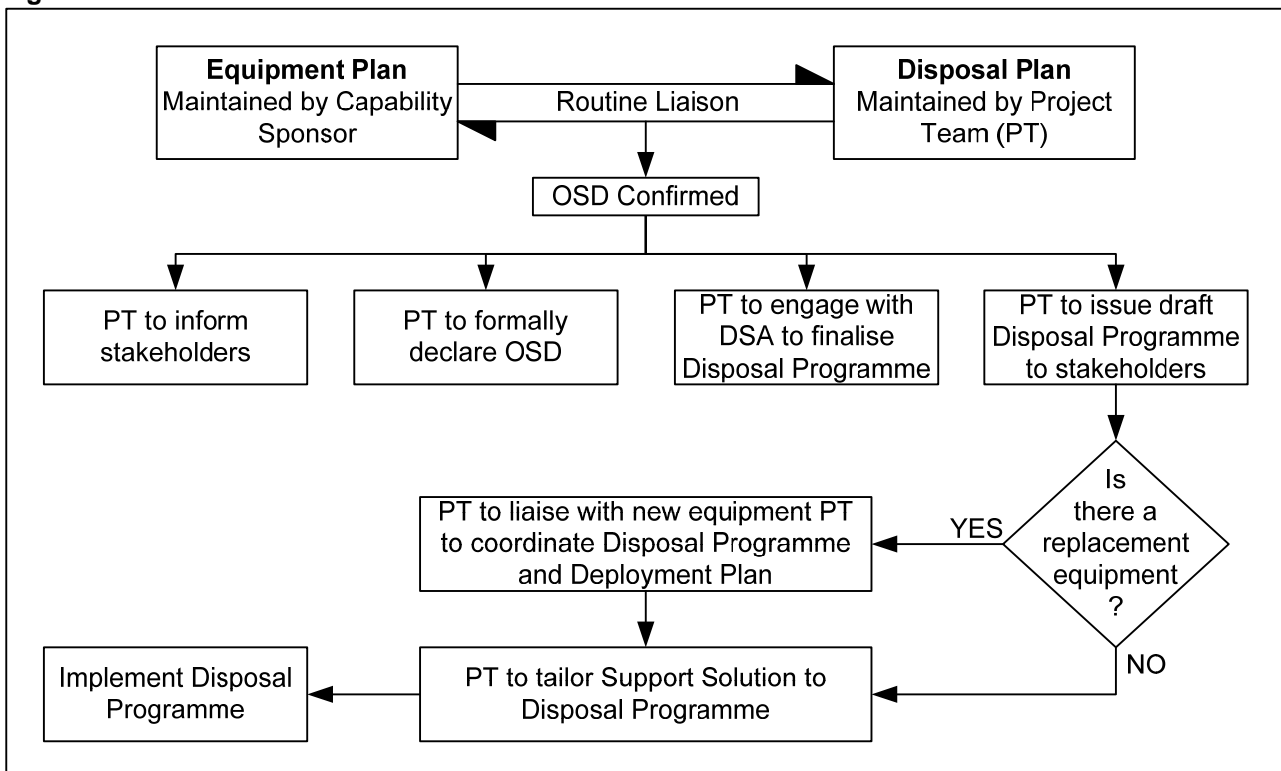
## DISPOSAL PROGRAMME

### Materiel Strategy

17. On confirmation of OSD, see Figure 5, the fleet managers from the PT and FLC are to plan for equipment and materiel drawdown which will be incorporated into the Inventory Plan and the final Disposal Plan for either Traditional or CLS items. See [Chapter 2 \(Disposal Plan\)](#) for further guidance.

18. Guidance is given in JSP 886 Volume 3 Part 10: Urgent Operational Requirement (UOR) on the disposal process for UORs.

**Figure 5: Confirm Out of Service Date**



19. The following organisations are to be consulted on the revision of the Disposal Plan and the production of the draft Disposal Programme: FLC, LCS, DSA and, if so supported, the CLS Provider. Internally the PT is to involve the IM and Commercial staff. The aim is to outline the following:

- Timeline.** Expected equipment drawdown process and timelines (all at OSD or a rolling programme).
- Modification.** Design changes, Post Design Services (PDS) and modifications are to be reduced to the minimum required to satisfy safety and operational requirements.
- Equipment and Repairable Repair Strategy.** Review repair strategy and reduce future repair requirements to ensure minimum support to satisfy training and operational requirements.

d. **Consumables Strategy.** Model expected fleet and spares usage profile and adjust procurement to match. Seek guidance from DES JSC SCM (Optimisation) on modelling assistance that may be required to:

- (1) Minimise procurement to satisfy training and operational requirements.
- (2) Identify items unique to the equipment and declare for disposal.
- (3) Identify items used by other equipments and transfer using the Single Item Ownership (SIO) rules - JSP 886 Volume 2 Part 3: Single Ownership of Items of Supply in the Defence Inventory.

20. For CLS-supported equipments the contract is to be tailored to incorporate the required elements of the above leading towards the end of contract date.

### Declaration of OSD

21. It is mandated that PTs raise a declaration for the confirmed OSD. It is recommended that 18 months before, but not later than one year prior to OSD, the PT issues a DIN declaring the equipment's planned OSD.

22. The PT is to formally inform the stakeholder community of the intention to significantly change the size or use of an equipment fleet, including the confirmation of the OSD. Guidance on the following points is to be made in the declaration:

- a. The policy for any phased withdrawal, part fleet disposal and / or deployment plan for replacement equipment.
- b. Repair policy.
- c. Sales requirements, both current and future and the resulting policy for publications, spares support, Special Tools and Test Equipment (STTE) and storage requirements.
- d. The policy and process covering the handling of any classified items.
- e. Planned Disposal route.
- f. Identification of those parts of the equipment to be maintained to specified safety standards and any requirements for reclamation of spares.
- g. Resource Issues; changes in support, manpower and equipment which may be required.
- h. Training; the requirement or otherwise for both operator and maintenance training.
- i. Any changes in Post Design Services (PDS) and modification activity which may affect the support and operation of the equipment.
- j. At OSD, dependent upon the agreed equipment drawdown programme, the PT is to commence the final drawdown for both traditionally-supported items and those managed under CLS provision. On completion of final drawdown prior to instigating the final disposal programme PTs, in conjunction with FLCs, are to ensure that no

stock is held on deployed IS. PT and DSA will then instigate the disposal programme in accordance with current disposal guidance.

k. As a safety factor it is recommended, no earlier than two years after final disposal action has been taken, that the PT staff commence action to remove the old NSNs from the BIS. This is to include liaison from OSD with the UK National Codification Bureau (UKNCB) to identify related NSNs and to update the ISIS records, see JSP 886 Volume 2 Part 4: NATO Codification.



## **ANNEX A: CAPITAL EQUIPMENT DISPOSAL PROJECT BOARD**

(Introduced at [Paragraph 16](#))

1. This Annex describes a generic Disposal Project Board Structure and Terms of Reference which is to be adopted for Capital Equipment Disposals. A Project Board will be established as soon as Phase 1 Business Case (BC) has determined that a Government-to-Government sale is the preferred disposal route. This should occur at the earliest date possible, before decisions regarding the customer are decided.
2. A Project Board may oversee a single project or a group of projects that are linked.

### **Disposal Project Board Role**

3. The role of the Disposal Project Board is to:
  - a. Ensure that the project is properly captured and resourced within an inter-TLB Joint Business Agreement between the DE&S and Central TLBs. This should include endorsing funding and manpower limits for the project.
  - b. Take on responsibility for, and ensure the project is consistent with, wider political / governmental requirements and constraints, eg export licensing, environmental, safety, and humanitarian issues; for example, the use of aid. This will be captured during the Joint Project Marketing Board, which attended by Other Government Departments (OGDs) and International Policy desks within MOD.
  - c. Provide strategic direction to industry and DSA/DE&S on the delivery of the project. Ensure the contracting strategy is consistent with the principle of providing best Value for Money (VFM) for MOD and/or UK plc.
  - d. Establish and deploy an effective internal and external Communications Strategy including handling Parliamentary Questions and Freedom of Information issues.
  - e. De-conflict resource allocation, prioritise resources and project delivery where resource conflict occurs within a group of projects being overseen by the Board. Reconcile differences in opinion and approach, and resolve disputes arising from them.
  - f. Oversee delivery to the customer of the total package solution including a short/medium and longer-term post sale support strategy.
  - g. Ensure the project's scope aligns with the BC. Monitor the project against the criteria agreed in the BC and ensure effort and expenditure are consistent with that approved in the BC.
  - h. Act as the key interface with the customer (eg country) and report progress and issues to key project stakeholders (eg HDES, D JSC, DCS).
  - i. Ensure that a Project Director is appointed with a clearly defined role and responsibilities and provide authoritative advice and guidance to the Project Director.
  - j. Keep the project scope under control where emergent issues force changes to be considered.

- k. Report on project progress to those responsible at a high level, eg Ministers.
- l. Consider wider issues such as Political or ITAR implications.

### **Disposal Project Board Membership**

4. **Chairman.** The appointment of the chairman will be determined on a case-by-case basis for each project. The chairman will act as Disposal Project Sponsor and will be responsible to the Chief of Defence Materiel.

5. **Permanent Members.** The following will be permanent members:

Defence Sales Organisation (DSO): Appropriate Regional Director  
DE&S / DSA: Project Manager, Project Accountant/Finance Officer  
Other DE&S: Asset owning PT, Commodity PTs, Commercial Staff

6. **Co-opted Members.** The following will be co-opted to the Project Board as determined necessary by the chairperson:

Contributing PTs and Business Units.  
Resource Plans (RP) Branches.  
TLBs.  
Security Staff.  
Other Government Departments eg DEFRA, DTI, FCO.  
Industry Representative(s).  
International Policy and Planning (IPP).  
Director Intellectual Property Rights (DIPR).

### **Meetings**

7. The Board shall meet at least quarterly, although it may be necessary to meet more frequently in the early stages of the project.

### **Project Director – Roles and Responsibilities**

8. The Project Manager will be accountable to the Project Board for the delivery of both the MOD and Industry aspects of Government-to-Government sales. The Project Manager will be responsible for:

- a. Delivering the customer requirements within the constraints of the BC and/or Sales Agreement.
- b. Managing the financial resources allocated to the project, supported by Financial personnel as required.
- c. Project planning and establishing an acceptable programme of activities.
- d. Establishing an initial project Risk Assessment and a Risk Management Strategy.
- e. Establishing appropriate commercial and financial support arrangements.
- f. With the support of the Project Board, to establish a Project Team.

- g. Managing Project progress against criteria established in the Project Plan.
- h. Chairing Project Review Meetings.
- i. Chairing Project Risk Review Meetings.
- j. Providing advice and direction to the Project Team as necessary.
- k. Monitoring the project's progress and initiating corrective action as necessary.
- l. Reporting to the Project Board on project progress and all related matters.
- m. Monitoring the established programme highlighting any changes to the Project Risk Management Strategy as they become apparent.
- n. Ensuring that a Project Action List is maintained.
- o. Ensuring that a Project Decision Register and Project Diary are maintained.
- p. Ensuring that a Risk Register is maintained.
- q. Undertaking all the necessary day-to-day activities as the project dictates.
- r. Monitoring the project's progress and initiate corrective action as necessary.
- s. Maintaining effective communications with all key stakeholders.
- t. Ensuring that Project Evaluations are completed at agreed stages.

## **CHAPTER 4: ROUTINE DISPOSAL**

### **INTRODUCTION**

1. Routine Disposal assessments are to be carried out by the PTs managing the materiel. All items are to be reviewed routinely by Inventory Management (IM) staff. Where the review indicates that usage of the item has decreased or stopped the IM is to investigate full provision position.

### **DISPOSAL RECOMMENDATION**

2. Where an item is in surplus the Base Inventory System (BIS) will produce a partial or total Disposal Recommendation. Before carrying out the investigation the IM is to check that the following detail is correct on the recommendation:

- a. The assets are correct, particularly any dues in. Where appropriate any requisition or contract dues in are to be reduced or cancelled.
- b. The validity of the liabilities (reserves and earmarks) are to be checked and cancelled where appropriate.
- c. Long-Term Buy items should be retained if the equipment to which they apply is still in service.
- d. Any additional information known to the PT / EA, particularly changes introduced by modifications and changes of equipment use.

### **DISPOSAL INVESTIGATION**

3. The investigation is to consider:

- a. Has the item been made obsolete by the full or partial adoption of a modification? If it has the EA is to be consulted to determine if the pre-modification item has to be supported for a partial fleet and / or a given implementation period. If there is no requirement to support the pre-modification item then the immediate full disposal is to be considered.
- b. Is the item recorded as being uniquely used on an equipment that is no longer in service? Recent usage is to be investigated with demanding units to establish what equipment is being supported. If it is established that a legitimate equipment is being supported the item is to be transferred to the owning PT under Single Item Ownership (SIO) policy.
- c. Is an apparent future requirement being created by the algorithm placing too much emphasis on historic usage? If there have been no recurring demands in the last 4 years the EA is to be consulted about the lack of usage. If there is no identifiable future requirement then the immediate full disposal of the item is to be considered.
- d. Has there been no usage since the item was originally procured? If there have been no recurring demands in the last 4 years the EA is to be consulted about the lack of usage. If there is no identifiable future requirement then the immediate full disposal of the item is to be considered.

4. If the materiel is surplus the following are to be actioned:
  - a. Disposal Restrictions are to be referred to the appropriate authority.
  - b. Where a number of MATCONs are held, which are to be disposed of and in what order.
  - c. When stock is held in more than one location, take advice from LCS whether disposal should be from one location first.
  - d. Where a full disposal is to be considered, a risk that the item may have to be procured in the future has to be taken.
  - e. Are there Assets in Industry (AiL) as a result of Government Furnished Equipment (GFE) or other loans? Further guidance is given in JSP 886 Volume 4 Part 4: Government Furnished Equipment.

### Item Identification

5. The decision to declare materiel surplus rests with the owning PT who must be satisfied that there is no further practicable use for the materiel and that it is truly surplus to MOD requirements, not just PTs, before declaring it surplus. Where an item is recorded as being used by more than one PT, the owning PT is to ensure that the item is considered to be surplus by the other users. The stock of materiel can be totally or partially surplus:
  - a. **Totally Surplus.** This is where an item has been declared surplus, typically because the equipment which it was used on has been taken out of service. The PT is to take action to ensure that deployed stocks are included in the subsequent disposal action. Technical Documentation will need to be cancelled or amended to remove reference to the item. LogIS parameters are to be set to prevent future procurement.
  - b. **Partially Surplus.** This is where the item is still required but the stocks are excessive for the expected usage. This could be due to initial over procurement, increased equipment reliability or reduced equipment utilisation.

### Logistical Analysis

6. Where it is difficult to determine the quantity of an item to declare surplus, modelling can inform the decision. Logistical Analysis which can range from a simple spreadsheet to a full system Multi Indenture, Multi Echelon (MIME) model, can give a level of assurance to the PT that the materiel is surplus. The level of analysis is dependent on cost, operational risk and the complexity of the system or equipment under review. Further guidance can be found in JSP886 Volume 2 Part 2: Project Team Inventory Planning.

### RECORDING OF DISPOSAL DECISIONS

7. The disposal investigation and decision (full disposal, partial disposal or retention) is to be recorded, including details of the IM and EA advice; see [Recording of Decisions](#).

### DECLARATION

8. The quantity is to be declared to DSA.

## **CHAPTER 5: DISPOSAL EXERCISES**

### **INTRODUCTION**

1. Disposal Exercises are planned tasks to identify surplus inventory by the analysis of inventory accounts and the investigation of physical holdings. Disposal Exercises can be carried out by PTs and OCs but are usually initiated and supported by DES JSC Support Chain Management (SCM) Stock Transformation Programme Team (STPT). Analysis shows that the majority of surplus materiel identified in these exercises has been retained in the Defence Inventory due to a failure to carry out Equipment Disposal or Routine Disposal correctly.

2. These projects often have specific instructions associated with them stating the criteria for identifying surpluses and may have modified declaration processes. Further guidance on the Combat Air sponsored disposal exercise (Project HERCULES) is available at 2011DIN04-136: DE&S Combat Air Disposal of Air Spares and Non-Explosives Armament Stores Instructions.

### **PROCESS**

3. Normally SCM-STPT will assume lead responsibility for the identification of possible surplus inventory. Where Disposal Exercises are managed by another entity, normally OCs or PTs, best practice will be shared with SCM-STPT.

#### **Identify Surplus Inventory**

4. The scope and method of identifying surplus inventory is to be defined during the initiation of the Disposal Exercise. There are 2 main methods of identifying surplus inventory:

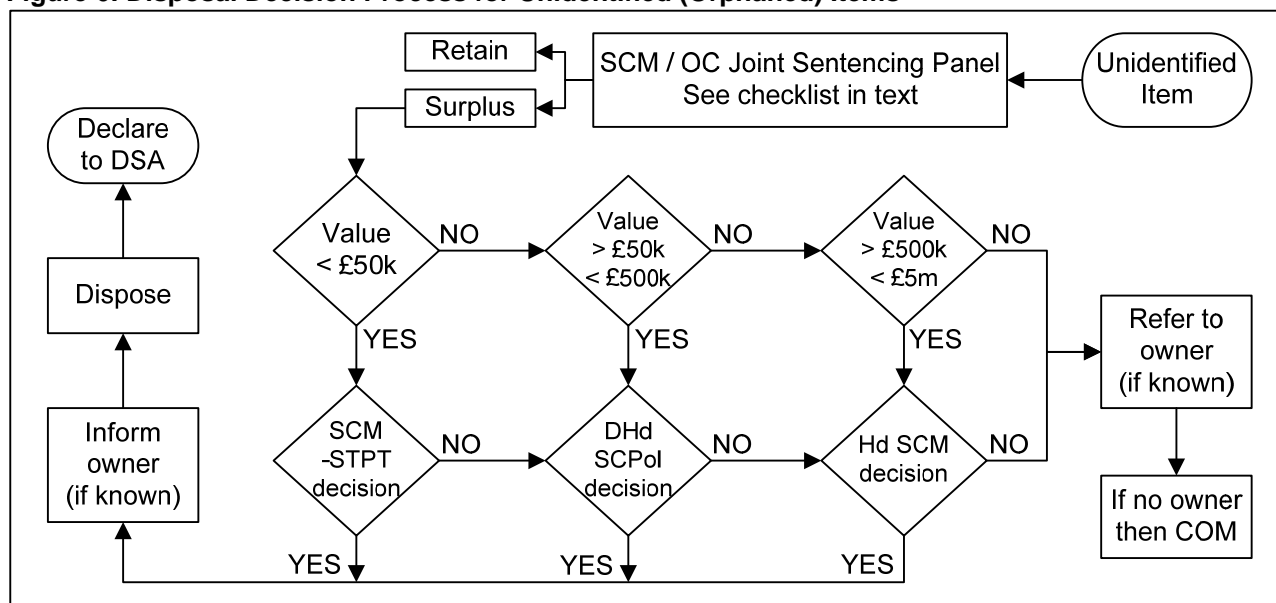
- a. Analysis of stock accounts against given criteria such as date of last issue, predicted future usage and excess stock quantities.
- b. Physical inspection of storage locations to identify static and slow-moving stock. Stock that is not held on the stock account and / or the main account is to be included. Stock that cannot be readily identified is to be segregated and photographs taken to assist identification by OCs, PTs and Units.

#### **Identify Stock Owner**

5. The owner of the surplus stock is to be identified wherever possible from account records and / or package markings.

- a. **Owner Identified.** Details of the surplus stock are to be passed to the owner for investigation and a disposal decision. The stock owner is to provide feedback on the action taken.
- b. **Owner not Identified.** If the PT owner of the surplus stock cannot be identified the flowchart at Figure 6 is to be used to determine who will take the disposal decision. The relevant OC is determined by SCM-STPT or the Disposal Team leader allocating the item to the most appropriate OC based on item description and other relevant information.

**Figure 6: Disposal Decision Process for Unidentified (Orphaned) Items**



### Sentencing Materiel Surplus

6. The owning PT or the Joint Sentencing Panel will consider candidate items within 10 working days of the notification. The Joint Sentencing Panel will comprise representatives of the OC and SCM / Disposal Team and will decide if the stock is surplus or not. Any decisions to retain stock identified as potentially surplus must be supported by appropriate justification.

7. **Quantity to Declare.** Where possible items are to be declared as totally surplus as this achieves the greatest storage and administrative savings to the MOD. When deciding quantities of items to be declared surplus the following factors are to be considered:

- Probable future use of the item. What is the expected future usage including reserves and training? Consider past usage including programme and non-recurring use and future equipment utilisation.
- Difficulty of future procurement.
- Storage and administrative costs. What resources will be required to retain the item?
- Where a partial disposal is being considered, is it worth while?

8. **Disposal Decision Checklist.** The owner or Joint OC / SCM sentencing panel will determine if the item is in surplus by considering the following factors:

- If the parent platform is still in service?
- Has the item moved in the preceding four years?
  - Exempting recently acquired items.
  - Taking into account refit periodicity.
- If the item is serviceable or un-serviceable.

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- d. If the item is subject to International Trade in Arms Regulations (ITAR) or Multi-National (MN) acquisition agreements?
- e. Does the item form part of an 'earmark' or war reserve?
- f. If the item is part of a lifetime buy.
- g. If the item is retained for future valid use.

### **Declaration of Surplus Items for Disposal**

9. Once the formal decision to dispose has been taken the managing organisation (PT or SCM PTST / Disposal Team) are to declare the items to DSA for disposal.

### **Disposal Records**

10. The managing organisation (PT or SCM PTST / Disposal Team) are to maintain records of the items considered by the Disposal Exercise, the quantities and the decisions taken.

11. Where the disposal has been managed by SCM PTST / Disposal Team copies of the records are to be passed to the owning PT, if known.



## **CHAPTER 6: FINANCIAL ACCOUNTING FOR THE DISPOSAL OF SURPLUS MATERIEL**

### **INTRODUCTION**

1. This chapter details the Financial Accounting treatment that is applied to the disposal of surplus non-property assets including Fixed Assets, Capital Spares, Raw Materials and Consumables (RMC) and the management of receipts in line with the accounting treatment found in JSP 472: Financial Accounting and Reporting Manual.

2. For further assistance and guidance contact:

[DES Fin FA-Planning](#)

Tel: Mil: 94240 2069, Civ: 01869 256069

[DES Fin FA-IAET AsstHd](#)

Tel: Mil: 9679 83759, Civ: 0306 798 3759

### **ASSET VALUATION**

3. DSA will, once the materiel has been declared for disposal, establish the Net Realisable Value (NRV) of the individual asset with a Net Current Replacement Cost (NCRC). The NCRC of an item is the Basic Materiel Price (BMP) recorded on the managing Inventory System. DSA will ensure regular liaison occurs with the Shared Service Centre (SSC) and Asset Management Enabling Team (AMET) in order to determine progress. Note that all values are VAT exclusive in accordance with JSP 472 guidance.

4. After declaration to DSA that an asset is surplus, PTs are to continue to manage their assets and ensure that inspections, maintenance and preparation for disposal are being conducted until such time as the asset is physically removed from their custody.

#### **Fixed Assets**

5. Except for Capital Spares and Consumable Stock, DSA will establish the NRV and communicate this to the Defence Business Services (DBS) Asset Data Management Team (ADMT) and SBSO to enable any adjustments or impairments to the asset value which are required to be posted into the accounts.

6. Where an asset is sold in a later financial year, it may mean that an impairment reversal will be required. The owning PTs are responsible for monitoring this, and the associated impact on the Non Cash Resource Departmental Expenditure Limit (RDEL) Control Total. PTs are to ensure that the AMET are notified of the details of all reversals to impairments of Non Current Assets.

7. Once the PT has declared the asset for disposal DSA will raise an Asset Change Notification (ACN) to DBS FAPC/SBSO to enable the appropriate accounting transactions to be carried out against the surplus asset.

8. For vehicles held on the MERLIN system an ACN is not required to be passed to DBS FAPC as MERLIN feeds the relevant data directly to them, but DSA will use the ACN

format as a good means of informing the requirement to transfer the asset when it is removed from MERLIN.

9. The owning PTs are to manage the impairment of all surplus Non Current Assets for which they are responsible. PTs are to ensure that the AMET are notified of the details of all impairments of Non Current Assets. DBS ADMT are to post the impairment values into the accounts upon receipt of the ACN from the PT.

#### **Fixed assets - NCRC greater than £10k**

10. Non-property assets are normally carried in the accounts at NCRC. On disposal a Net Realisable Value (NRV) for the asset will be determined by DSA (with the possibility that a reduction in cost, or impairment, is required) and forwarded to the SBSO who will perform the relevant accounting treatment. This will enable relevant journals to be produced by the appropriate finance team to impair the asset or establish the stock provision.

11. DBS FAPC will raise a GL10 in the form of a journal, which will transfer the surplus assets from the main Asset Register to DSA accounts. Only those that have been declared as surplus will be transferred. From the point of transfer, the assets are dealt with solely by DSA. DSA will calculate the NRV, SBSO will however continue to account for any impairment.

#### **Fixed Assets - NCRC £10k or less**

12. Assets at or below the £10K threshold will have a suitably determined NRV attached. DSA will record and inform PTs and SBSO of any material changes to NRVs.

#### **Capital Spares (CS) and RMC**

13. PTs as the owner of CS and RMC are responsible for the items until they are disposed of by DSA, albeit that the value of the assets is held on DSA's Statement of Financial Position (SoFP) once the PT has taken disposal action on the stores system (CRISP and SS3) or completed the DAF (SCCS).

14. CS and RMC are normally held at Net Book Value (NBV), Gross Book Value (GBV) less depreciation or provision. On marking the items for disposal on the stores systems (SS3 and CRISP) the item is written off to zero NBV and the GBV is transferred to DSA's SoFP. This happens on SCCS items at the end of the DAF process. When the item is actually disposed of by DSA the GBV of the item will be removed from the DE&S SoFP.

#### **DISPOSAL COSTS**

15. The PTs are to meet all disposal preparation costs until the Asset Declared for Disposal (ADD) transfers from the SBSO to DSA. The PTs will have raised an Impairment journal to reduce the value of the ADD based on the information provided by FAPC. The Asset Impairment will be the difference between the NBV of the Asset Declared for Disposal, and the Net Realisable Value (NRV) minus any costs to bring the Asset to a condition where it can be sold, plus costs incurred by the Agent in selling the Asset. Under Clear Line of sight, the value of the Impairment journal will be charged to the owning PTs Accounts.

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16. Financial assurances are obtained from Project Financial Accounts identifying the full cost of disposals; these details are to be made available by PT finance staff and are to indicate if the financial objectives have been achieved. This process forms an important input for Post Project Evaluation.

### **DISPOSAL RECEIPTS**

17. DSA will retain and account for all disposal receipts on behalf of DE&S.

### **LOCAL SALES**

18. Local disposals may only take place for Non Current Assets (excluding RMC & Capital spares) after written delegated authority and instructions are received from DSA Commercial. For local sales a sale return spreadsheet should be maintained by the unit and forwarded to DSA on a monthly basis. Local sales issues are dealt with by DSA on a case-by-case basis. For further assistance and guidance contact:

[DES LCS LS-DSA-Commercial](#)

Tel: Mil: 9677 02861 Civ: 030 677 02861

Tel: Mil: 9677 02860 Civ: 030 677 02860

Tel: Mil: 94240 2013 Civ: 01869 256013

### **ACCOUNTING FOR DISPOSALS**

19. Assets that are still in use during the disposal process will remain on the SBSO Fixed Asset Register until the actual date of disposal when the monetary values will be transferred to DSA.

20. Separate project accounts for those disposals with an individual value of over £1m NRV will be implemented by DSA. All other disposals are accounted for on a pooled basis.

21. When final disposal of the asset takes place DSA will undertake all necessary accounting treatment and ensure that accurate data is held on the final value total irrespective of whether this is a positive or negative balance. All information regarding the financial accounting treatment of the disposed assets will be retained by DSA for audit purposes.

### **Orphaned Items – Delegation of Financial Powers**

22. DFin AAC shall instigate investigation for cases where neither the Project PT nor the Supplier PT can be established for an asset from the data supplied by a Contractor. Where the investigation, fails to confirm ownership of these assets and due diligence has taken place to discover whether the assets are still required, and neither owner nor requirement can be found, they are to be treated as orphaned surplus assets. D JSC has the delegated authority to dispose of these orphaned assets.

23. Where the disposal decision is taken within SCM in respect of orphaned items, the letters of delegation will be issued by D JSC.

a. SCM-STPT will be responsible for authorising disposals under £50k.

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- b. DHd SCM-STPT will be responsible for authorising disposals worth from £50k to under £500k.
- c. Head SCM will be responsible for authorising disposals worth from £500k to under £5m.
- d. Disposals worth £5m and over will be referred to DE&S COMs.

24. D Hd Fin Sys is developing a concise guide to the financial implications of disposals for use by PTs. In summary:

- a. The correct financial treatment of disposals is essential in order to ensure that the value of the Defence Inventory is reflected accurately in the Statement of Financial Position ('the Balance Sheet').
- b. The write-down for disposal of items attracts a non-Cash Resource Departmental Expenditure Limit (RDEL) charge, for which provision should have been made in the PR leading up to disposal. However, where financial provision does not exist to support disposal action, OCs should approach D Fin for guidance - lack of provision is not a sufficient reason to retain.
- c. If items identified for disposal under SCM-STPT have been reviewed and it is decided that they have no form, fit or function then they should be treated as scrap. If they have been previously identified for disposal and are not on any of the warehouse or inventory systems but are still located at the Logistic Commodities & Support (LCS) storage facilities, action should be taken to transfer to DSA for final disposal. A local spreadsheet or register, detailing all items found, is to be maintained by the organisation declaring the items for disposal. Minimum details to be included are date, NSN or pattern number, description and quantity. The register is to be checked by local management every 3 months and any anomalies are to be investigated.
- d. A non-cash RDEL bid for disposals forecast in the next FY should have been made by each PT in the Planning Round. A lack of provision should not act as a disincentive to disposal; however, it is recognised that unforeseen items for disposal will arise in-year, and it is vital that a lack of non-cash RDEL does not prevent action being taken. Application through OCs to D Fin seeking an uplift of non-cash RDEL will be possible, if made in time for the Spring supplementaries, although there is likely to be less flexibility under the new Departmental Expenditure Limits (DELs).

## LOSSES

25. The routine disposal is not treated as a loss. In the following circumstances loss procedures are to be followed:

- a. **Culpable Loss.** If the disposal arises from a culpable action then the PT is to take appropriate Loss action. (eg a material error was made in the ordered quantity and not rectified).
- b. **Constructive Loss.** Where the disposal arises from a policy decision external to the MOD then Constructive Loss action may be appropriate. PTs are to seek advice from DES Fin before initiating loss procedures.

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26. The value to be used for loss action is NBV minus NRV.
27. The owning PTs is to take the loss action in accordance with JSP 886 Volume 4 Part 6: Losses.