



MINISTRY OF DEFENCE

JSP 886 DEFENCE LOGISTIC SUPPORT CHAIN MANUAL

VOLUME 4 MATERIEL ACCOUNTING

PART 4 GOVERNMENT FURNISHED EQUIPMENT

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

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

VERSION RECORD		
Version Number	Version Date	Version Description
1.0	02/09/09	Original
1.1	11/11/09	Amendments to Chapter 1 Paragraphs 6 to 9
1.2	16/02/10	Amendments to Chapter 3 Paragraph 6b
1.3	23/08/11	Incorporate changes identified from the MJDI Ready review
1.4	02/12/11	Clarification and Policy Change to 'Dispensation'
1.5	12/01/12	Introduces Orphaned Assets at Chapter 3 Paragraph 33 .

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CHAPTER 1: INTRODUCTION

BACKGROUND

1. In general MOD Contractors are expected to provide all materiel to allow them to complete any MOD contract. There are times where it is appropriate for the MOD to provide materiel, where they are not available from any other source. Examples are:
 - a. Materiel to allow Contractors to develop modifications or additional uses.
 - b. Materiel to allow Contractors to repair or modify the supplied items.
 - c. Materiel to allow Contractors to embody them into new build or repair equipments. This can include maintenance items.
 - d. Materiel supplied to Contractors to ensure standardisation.
 - e. Special Jigs, Tooling and Test Equipment (JTTE) to allow Contractors to manufacture or repair equipments.

Government Furnished Equipment (GFE)

2. GFE is materiel provided to a contractor, under [DEFCON 611: Issued Property](#), or a MOD Agency operating as a Trading Fund for a particular purpose and specified period, with or without charge, which, unless embodied in another asset, are normally subject to physical return in the same condition as issued, with the exception of fair wear and tear. The materiel can be fixed, capital spare or consumable in nature and can either be embodied in other assets or remain in a singular state throughout the period of the contract. GFE includes JTTE purchased under [DEFCON 23: Special Jigs, Tooling And Test Equipment](#) and subsequently transferred to DEFCON 611 status.
3. There are various types of GFE category for issued property in existence. A revised and simplified GFE category structure has been developed. The new structure has been adopted for a revised Contract Statistics Input Form (DEFFORM 57). The previous GFE category definitions, loan categories and scheme titles are shown cross-referred to the revised rationalised terms at Figure 1. For further detail refer to [DEFSTAN 05-99: Managing Government Furnished Equipment in Industry](#). It is emphasised that retrospective action to change loan records is not required and it is also recognised that changes to supply systems are a long-term objective.

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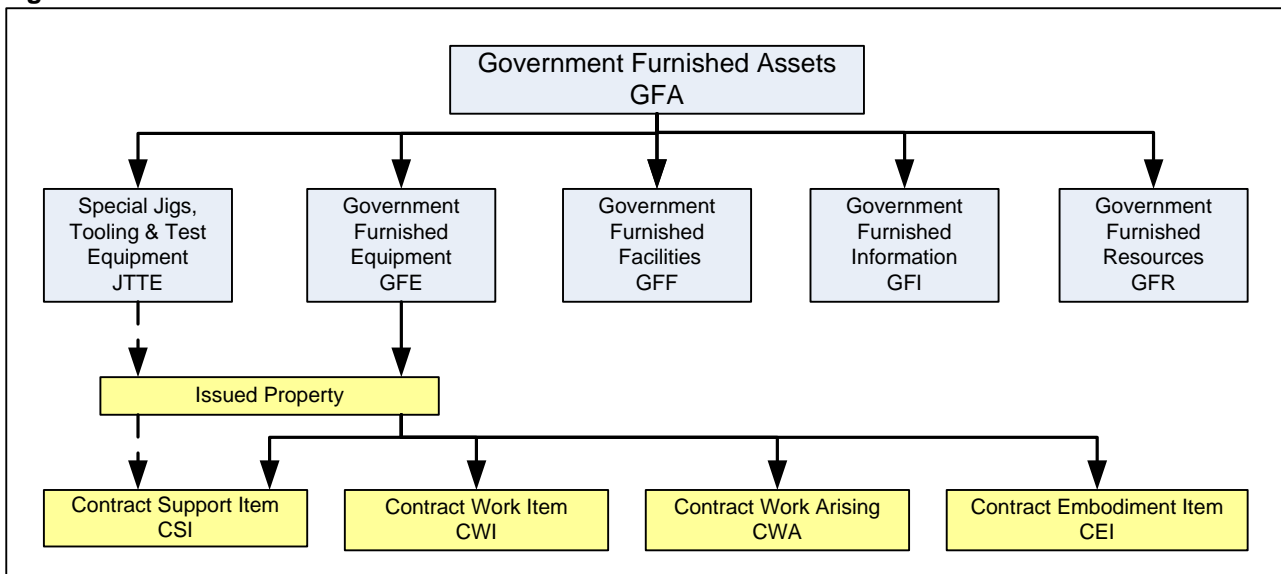
Figure 1: Comparison of Government Furnished Equipment Categories.

CATEGORIES	DESCRIPTION	SUPERSEDED LOAN TERMS	SUPERSEDED SCHEME TITLES
Contract Work Item (CWI)	Item or equipment being worked on	Contract Loan	Contract Loan
Contract Work Arising (CWA)	Item or sub assembly removed from the CWI	Contract Loan Arising	Contract Loan Arising
Contract Support Item (CSI)	Item provided to support work on the CWI	Ordinary Loan / (Repayment) (Prepayment) (Replacement)	Special Jigs Tooling and Test Equipment (JTTE) Portable Specialised Support Equipment Jigs for ship weapon systems (PROFILE 77) Ordinary Loan
Contract Embodiment Item (CEI)	Item or sub assembly embodied in the CWI	Embodiment Loan	Contract Repair Support Procedures. Contract Repair Support Stock Contractors Bonded Stores Scheme Embodiment Loan Embodiment Issue Ministry Supplied Materiel

Detailed information on each category of GFE and JTTE can be found at [Annex A](#).

4. GFE is a sub category of Government Furnished Assets (GFA) see Figure 2. An overview on the management of GFA is given at the Commercial Toolkit site hosted on the Acquisition Operating Framework ([AOF](#)).

Figure 2: Government Furnished Assets



5. Materiel issued on loan to other external authorities such as Other Government Departments (OGD), Local Authorities and Other Nations are to be dealt with as External Loans.

PURPOSE

6. This Part states the Policy, Processes and Procedures with the issue of and management of MOD owned materiel to MOD Contractors. It aims to link the related Defence Conditions and Standards to ensure the robust management of GFE and provide an audit record of historical transactions and maintain an audit trail. Additionally, it provides controls to monitor and prevent theft, fraud, negligence and breaches of security as well as providing data that can be used as management information on which decisions for improvements in efficiency and effectiveness can be based.

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OWNERSHIP AND POINTS OF CONTACT

7. Formulation of MA policy for GFE is vested in the Deputy Head Supply Chain Management - Policy and Compliance (DES JSC SCM-SCPoI-DepHd) and is subject to Ratification by the Defence Logistic Policy Working Group (DLPWG).

- a. Enquiries concerning this instruction should be addressed to:

[DES JSC SCM-SCPoI-Materiel Accounting 2](#)

Cedar 1a #3139, MOD Abbey Wood, Bristol BS34 8JH

Tel: Mil: 9679 81442 Civ: 030679 81442

- b. Enquiries regarding accessibility are to be addressed to:

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

Cedar 1a #3139, MOD Abbey Wood, Bristol BS34 8JH

Tel: Mil: 9679 80953 Civ: 030679 80953

LINKED PUBLICATIONS

8. The following publications are linked to this instruction:

- a. [JSP 368: MOD Guide to Repayment.](#)
- b. [JSP 462: Financial Management Policy Manual.](#)
- c. [JSP 472: Financial Accounting and Reporting Manual.](#)
- d. [JSP 886 Volume 2 Part 4: NATO Codification in the United Kingdom.](#)
- e. [JSP 886 Volume 4 Part 6: Losses.](#)
- f. [DEFCON 23: Special Jigs, Tooling And Test Equipment.](#)
- g. [DEFCON 601: Redundant Materiel.](#)
- h. [DEFCON 611: Issued Property.](#)
- i. [DEFCON 694: Accounting for Property of the Authority.](#)
- j. [DEFSTAN 05-99: Managing Government Furnished Equipment in Industry.](#)
- k. [Acquisition Operating Framework \(AOF\).](#) Commercial Toolkit.

SUPERSEDED PUBLICATIONS

9. The following publications are superseded by this instruction:

- a. JSP 886 Volume 2 Part 105: Chapter 9: Loan and Stores at Contractors Works (Partially cancelled).
- b. JSP 886 Volume 4 Part 206: Loans of Army Materiel (Partially cancelled).
- c. JSP 886 Volume 4 Part 312: Provision and Supply of RAF Equipment on Embodiment Loan to Contractors (Cancelled).

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- d. JSP 886 Volume 4 Part 313: Provision and Supply of RAF Equipment on Ordinary Loan to Contractors (Cancelled).

ANNEX A TO CHAPTER 1: CATEGORIES OF GOVERNMENT FURNISHED EQUIPMENT

Contract Work Item (CWI)

1. This describes materiel being worked on in accordance with a MOD contract. It is materiel temporarily issued to a contractor, without charge and for a specified period, typically for the purpose of undergoing repair, refurbishment, maintenance, servicing, modification, enhancement or conversion, or for the purposes of undergoing inspection or packing, and which is subject to physical return in a specified condition. CWI was formerly referred to as a Contract Loan Item.
2. A record is to be created on the appropriate Logistic Information System (LogIS) or Manual System detailing the contractor, the quantity issued for repair, the quantity returned, the quantity outstanding and quantity written off as Beyond Repair¹ (BR), see Chapter 4 Paragraph 1.
3. The BIS (CRISP, SS3 and SCCS) have specific processes for the management of the issue and return of CWI to Contractors. Guidance on these procedures is available from PT repair and IM staff and are also contained in the User documentation of the Supply Systems.

Contract Support Item (CSI)

4. This describes materiel, capital spare, provided to support work on a CWI in accordance with a MOD contract. It is materiel provided to a contractor for a particular purpose and specified period, with or without charge, which is subject to return in the same condition as issued, excepting fair wear and tear, or is replaced with an identical item as new. CSI Loan transactions issued without charge must be discouraged as far as possible and restricted to Accounting Class P (Permanent) items only. Additionally:
 - a. Consumable and Stock-in-Trade items (ie tools of the trade and items that are commonplace or generally available on the open market) are not to be supplied on loan. These items must be treated as a Sale on Repayment Terms provided excess or surplus stock exists.
 - b. Items, irrespective of value, which are unlikely to be returned in a serviceable condition, must not be supplied on CSI Loan terms.
 - c. Loans in connection with Low Value Purchase Orders and Government Procurement Card purchases are not to be arranged.
5. CSI Loan transactions issued with charge can be summarised under the following headings. Loan Charges must be calculated and applied in accordance with JSP368: The MOD Guide to Repayment.
 - a. **Prepayment.** Refers to a loan of materiel, which is subject to a hire or rental charge which is payable in advance. A deposit may also be required.
 - b. **Repayment.** Refers to a loan of materiel, which is subject to a hire or rental charge payable in arrears. A deposit may be required before materiel is supplied.

¹ Only applicable to Base Inventory Systems managed Loans.

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The period of loan will be specified, at the end of which the item must be returned in an unchanged condition except for fair wear and tear.

c. **Replacement.** Refers to a loan of materiel to a contractor for use other than on MOD contracts for which a charge is to be made either at stated intervals or when it is returned. The contractor undertakes to replace it with an identical item from new production.

Loans to Contractors for Non MOD Contracts

6. Loans to contractors in support of Non MOD contracts are to be made on CSI Replacement Loan terms. These include:

- a. Loans of special test equipment, JTTE etc to allow the Contractor to manufacture for other customers.
- b. Loans of finished materiel which allow the Contractor to meet obligations to another customer and which will be replaced from new production.
- c. Loans of materiel manufactured completely or in part by the Contractor to permit demonstration of the equipment to prospective customers.

Loans to Contractors for MOD Contracts

7. Loans to MOD contractors where the equipment to be supplied on loan is not specifically detailed in the contract should be made on CSI Repayment terms.

Contract Embodiment Item (CEI)

8. This describes materiel embodied in a CWI in accordance with a MOD contract. It is materiel provided to a contractor, without charge, for incorporation into an asset under manufacture, production, construction, repair, refurbishment, maintenance, servicing, modification, enhancement or conversion. A common feature of which is the contractors' direct custodial responsibility of the items prior to issue. Issues for CEI are only to be made in accordance with the scales laid down by the Project PT for the major item involved. Issues above the scales laid down should be on Repayment terms.

Contract Work Arising (CWA)

9. This describes materiel removed from a CWI in accordance with a MOD contract. It is materiel, which is removed (often as a result of cannibalisation or salvage action) from an existing item (which may then be identified for disposal) for incorporation into another item, or for retention as a fixed asset or stock item. Once removed, if the item is not to be disposed of, it is brought on charge either, as a CWI pending work completion, issued as a CEI for embodiment, or retained as a CEI for future use. CWAs include items removed from items of materiel by a primary repair contractor for onward transfer to sub-contractors.

Jigs, Tooling and Test Equipment (JTTE)

10. The Contractor should normally provide all tooling; generically known as Jigs, Tooling and Test Equipment (JTTE); required for the manufacture or repair of MOD equipment. If there is special JTTE that is only applicable to the MOD contract the Contractor can make

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a written application to the MOD for this specific JTTE to be met as a direct charge to the contract, providing the Contract Price has yet to be agreed.

11. If the Project PT accepts the application for the JTTE, the manufacture of the JTTE should be covered under DEFCON 23. It is normal for the ownership of the JTTE to remain with the contractor until acceptance of the first deliverable from the contract, however see DEFCON 23 for other conditions, at which time ownership passes to MOD. The JTTE is then accounted for as GFE Issued Property - Contract Support Item (CSI) in accordance with DEFCON 611. Pending the transfer to the Public Stores Account and being managed as GFE the Contractor under the terms of DEFCON 23 is to maintain a register of JTTE procured or manufactured by the contractor.

CHAPTER 2: POLICY

1. It is MOD policy that:
 - a. All issues of GFE must be authorised and subject to contract cover.
 - b. GFE remains the property of MOD and must only be issued on loan.
 - c. GFE commitments should be kept to a minimum and restricted to materiel not available from any other source, and should be limited to those which are strictly necessary for performance of the contract by the contractor.
 - d. All items of GFE are to be robustly accounted for in accordance with the principles and requirements of Materiel Accounting (MA) and Financial Accounting (FA) for Government Furnished Equipment (GFE), and there must be a visible Audit Trail.
 - e. MOD contractors are to maintain a Public Store Account (PSA) in accordance with [DEFSTAN 05-99](#).
 - f. The rules on managing and accounting for such assets are to be applied rigorously and be compliant with the requirements of Resource Accounting and Budgeting (RAB), and policies on financial regularity and propriety. It is important that the information flow between MOD and its contractors with regard to GFE is accurate.
 - g. Each PT will have a dedicated focal point for GFE management.
 - h. GFE may only be scrapped with both the prior authority of MOD and by use of a MOD Form 650A.
 - i. Issue documentation and the contract must contain sufficient data to enable the contractor to meet the data reporting requirements of [DEFCON 694](#).
2. [Where full compliance with the policy is not possible or not considered practicable a request for dispensation may be submitted to DES JSC SCM SCPol MatAcctg2 for consideration.](#)

RESPONSIBILITIES

Project PT

3. The Project PT is the PT running the project and the owner of the contract. The process of managing GFE, ensuring that only appropriate, equipment is issued and that management is controlled and appropriate, is their responsibility. They are ultimately responsible for the equipment and therefore its loan to an external organisation even though it may delegate this to organisations such as FLCs or it may be tasked to arrange a loan by the MOD as part of an MOU. They have overall administrative responsibility of liaising with the contractor and other associated PTs to ensure that the required quantity of GFE is issued and/or returned at the agreed timescales.
4. Additionally they are responsible for:
 - a. Determining whether the requirement for GFE is justifiable.

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- b. Planning and approving the GFE requirement, assessing the risk and opportunities and recording them in the appropriate section of the Through Life Management Plan (TLMP).
- c. Considering and approving any changes to quantity or time period.
- d. Keeping finance staff informed of planned and actual changes to GFE, so that the financial implications can be fully addressed.
- e. Ensuring that the contractor maintains a Public Store Account (PSA) in accordance with DEFSTAN 05-99.
- f. Ensuring wherever possible, that new equipment provided as GFE, is specified and tested as working with other, associated existing equipment, in addition to meeting a paper specification.
- g. Continuously updating the PT loan register to ensure that assets are being accounted for correctly.
- h. Considering Health and Safety issues associated with the GFE and notifying the contractor.
- i. Review AAC audit reports and where a Limited or No Assurance classification has been awarded take action with their contractor to resolve the shortcomings and ensure that contract conditions are being met.
- j. If requested will notify the contractor of the value of the GFE or, where not available or if commercially sensitive provide an indicative value.
- k. Resolving discrepancy reports.
- l. Providing disposal instructions expeditiously upon the contractors' request.
- m. For GFE issue as CWI, CEI and CWA, accounting of the issued GFE and actioning GFE losses accepted as contractor liability, calculating loan charges and monitoring recovery of these charges for repayment, prepayment, replacement and overdue loans.
- n. PT Commercial Officers are responsible for ensuring that all GFE required is specified in the contract (including associated responsibilities such as damage, modification and repair), appropriate elements are in the Invitation to Tender (ITT) action and that the appropriate contract conditions are issued and agreed by the contractor.

Supplying PT

- 5. The Supplier PT, which may or may not be the same as the Project PT, as Single Item Owner (SIO) is responsible for:
 - a. Determining availability of items from stock and for ensuring that correct issuing procedures are followed in accordance with these instructions.
 - b. Advising the Project PT of any problems with supplying the GFE.

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- c. For GFE issued as CSI, accounting of the issued GFE and actioning GFE losses accepted as contractor liability, calculating loan charges and monitoring recovery of these charges for repayment, prepayment, replacement and overdue loans.

Director Financial - Asset Accounting Centre (DFin AAC)²

6. The [Asset Accounting Centre](#) is the MOD Public Accounting Authority and is responsible for:
 - a. Providing an assurance opinion that GFE supplied to contractors is properly managed and physically accounted for by contractors and Maintaining a programme of contractor audits, including managing the Annual Stocktaking exercises, in accordance with [DEFSTAN 05-99](#). This DEFSTAN mandates that the contractor is responsible for carrying out a 100% physical stocktake annually. The AAC within their contractor audit programme will only undertake a sample physical check to meet an acceptable confidence level.
 - b. The collection and provision of GFE data from contractors under [DEFCON 694](#) for inclusion in the DRAc on behalf of the asset owners. Centrally managing the data on the DE&S GFE management information system, including the valuation and attribution of ownership, and the distribution to PTs.
 - c. The initial processing of GFE losses reported by contractors or discovered during audit and advising the appropriate PTs. Providing authorisation to the contractor to adjust the Public Store Account (PSA) to reflect the discrepancies.
 - d. The preparation of an annual NAO audit pack to support the Defence Resource Account (DRAc), to demonstrate that RAB compliant recording and reporting of MOD assets held in industry are maintained.
 - e. As a result of their audit inspections, communicate the findings to the respective PTs. Where Limited or No Assurance classifications are given, and where the nature of the shortcoming is such that a 100% physical check of the GFE is required co-ordinate the PTs inspections in order to minimise the impact on the contractors' resources.

Financial Management Shared Service Centre (FMSSC)

7. FMSSC is responsible for the recovery of monies from contractors for loss of materiel and recovery of charges for overdue loans.

Contractor

8. The contractor is responsible for managing and recording GFE transactions and holdings within a PSA in accordance with the requirements for the management of GFE as set out in [DEFSTAN 05-99](#) including the timely submission of stocktaking certificates, reports and returns.
9. Where full compliance with DEFSTAN 05-99 is not possible or not considered practicable, the contractor may submit a request for dispensation³ through the DES Fin,

² The AAC has recently undergone reorganisation involving DIA, DBSO and DFin. This section will be updated when the responsibilities of the new organisation structure have been fully established.

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Asset Management Enabling Team (AMET) to DES JSC SCM SCPol MatAcctg2 for consideration. ACTO, Attractive and Security Classified items will not normally be included in any dispensation. Such dispensations will be for a specific period and a further application will have to be submitted for a continuation or revised proposal.

³ Where the request for dispensation is seeking a change to the submission date for the AAC32 Stocktake Certificate, then this can be agreed and managed locally by the AAC providing the amended return date falls within the current MOD financial year.

CHAPTER 3: PROCESS

REQUIREMENT FOR GFE

1. The Project PT (i.e. the PT running the project) is to agree the GFE requirement with the Contractor and determine the action that they will take if the required GFE cannot be supplied by the MOD. The Project PT is then to agree the GFE requirement with the other Supplier PTs. The GFE requirement is to be written into the contract. Typical requirements are:

- a. **Development.** The loan of an equipment for a specified period to allow development or testing of equipment. MOD and Contractor are to agree who is responsible for operating and maintaining the equipment. MOD is normally responsible for providing maintenance spares; these spares will be supplied as a Contract Support Item (CSI).
- b. **Reference Equipment.** The supply of Reference Equipments to the Design Authority or other agreed design organisations is to be treated as GFE under loan category CSI. Where the contractor is holding Reference Equipment to meet the requirements of providing Continuous Design Services or Post Design Services, then the Reference Equipment is to be recorded under loan category CSI on the PSA. In the event that a component of the Reference Equipment becomes defective and a replacement component is supplied by MOD for embodiment then on receipt the item should be recorded as CEI with the Loan Category being updated to CSI upon embodiment within the Reference Equipment; the defective component is to be treated initially as a CWA. Recording the individual component as a CSI upon embodiment is only required where the contractor is recording the individual components of the Reference Equipment on the PSA.
- c. **New Build.**
 - (1) **JTTE.** To be treated as a CSI.
 - (2) **Embodiment Items.** Normally limited to items defective or missing from the repair carcass due to cannibalisation, or to modifications that are to be embodied as part of the repair. For defective or missing components it will not normally be possible to specify in the contract details of the components required upfront. Demands will therefore be rendered after examination of the major item concerned and the work package agreed between the contractor and the Project PT. The contract shall be amended to cover the loan of any agreed components. To be treated as a Contract Embodiment Item (CEI).
- d. **Repair.**
 - (1) **Work Items.** Items that the MOD has contracted to be repaired or modified. To be treated as a Contract Work Item (CWI).
 - (2) **JTTE.** To be treated as a CSI.
 - (3) **Embodiment Items.** Normally limited to items missing from the repair carcass due to cannibalisation or to modifications that are to be embodied as part of the repair. To be treated as a Contract Embodiment Item (CEI).

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2. The requirement for GFE must be identified and documented in the TLPM at the earliest possible stage of the CADMID⁴ cycle and the management of GFE planned throughout the whole process.

GFE MANAGEMENT

Monitoring of GFE Management

3. The DE&S GFE Compliance Framework ([Annex A](#)) is to be used as the basis for the monitoring of GFE management within DE&S. This is to be used as the basis for which PTs and environments assess their own processes and can be used to inform any compliance/systems audits conducted by Corporate Governance Teams. The Compliance Framework will form part of the Inventory Plan Assessment and link to the Inventory Audit Pack to provide assurance that the PTs' Inventory plans have been delivered.

GFE Business Model

4. The GFE business model, illustrated at [Annex B](#), stresses that the TLMP is a key medium for bringing together a variety of management information on GFE and for keeping it regularly updated throughout the life of the equipment. Typically, the GFE section of a TLMP is to address the following aspects:

- a. Range and quantity of GFE to be used.
- b. Costing of GFE items as part of the project's Through Life Cost (TLC) and Cost of Ownership (COO) estimates.
- c. Details of any agreements for supply of GFE from third parties.
- d. Information on transfer arrangements for any GFE produced as a result of the project, eg for use in the In-Service Support phase.
- e. Information on Disposals requirements during the life of the project, particularly when it moves from the manufacture stage into the In-Service Phase.
- f. The TLMP is therefore intended to provide a baseline source of data for all GFE to be used in support of a platform or equipment, throughout its life cycle, and should be continuously updated to reflect changing requirements. As such, it is a key source of information for finance officers to construct financial plans incorporating GFE values.

Through Life Engineering Management

5. Where engineering records need to be maintained on a Through Life Engineering Management System (TLEMS), such as JAMES or LITS, as part of a loaned equipment's TLMP, this requirement must be a condition of the loan agreement.

Contracts

6. All new Contracts that include an element of Loan materiel shall specify [DEFCON 694](#) within them. For extant contracts which currently do not specify DEFCON 694, then at each point of review or future amendment consideration is to be given to including DEFCON 694. Where the decision is taken not to include DEFCON 694 then the reasons

⁴ Concept, Assessment, Demonstration, Manufacture, In-Service and Disposal phases of the Defence Acquisition process.

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for this decision are to be fully recorded and maintained as part of an audit pack together with the compliance framework. DEFCON 694 requires the Contractor to submit quarterly reports, unless otherwise specified, of all MOD owned equipment holdings, including transactional data, to the AAC. Contracts should specify the following address as the reporting point:

DE&S Asset Accounting Centre
4th Floor, Piccadilly Gate,
Store Street, Manchester M1 2WD

7. PT Commercial staff are to:
 - a. Ensure that the contract details the scale of GFE authorised for loan.
 - b. Record changes to the scale in quantity on loan in a contract amendment.
 - c. Record changes in the loan period in a contract amendment.
 - d. Review the GFE requirements and holdings when:
 - (1) The contract is closed.
 - (2) The contract is cancelled.
 - (3) The contract is renewed.
 - e. Include DEFCON 23 in the contract where the contract allows for JTTE being produced by the Contractor at MOD expense.

AUTHORITY FOR MAKING GFE LOANS

8. When issuing GFE the Project PT is to:
 - a. Have a contract, listing the GFE items and any associated responsibilities, as the authority for its loan.
 - b. Have an audit trail to identify the need for a Loan from concept, through issue to final return.
 - c. Ensure that GFE is issued to, or transacted through an appropriate body.
 - d. Ensure that GFE is subjected to robust management thus ensuring it is correctly accounted for in both materiel and financial terms.
 - e. Ensure that GFE is used for the purpose it was issued in a way that ensures relevant and accurate Management Information is available pertaining to its use and status. The asset is only to be used on the specified MOD contract unless agreed on a case by case basis with the Project Team PT responsible for the 'on loan to' contract.
 - f. Ensure that GFE is returned or disposed of quickly and appropriately when its purpose of use has ended.
 - g. Ensure that GFE does not include items that are easily obtained in the commercial sector.

CONSIDERATIONS

9. The following points must be borne in mind when loaning stores:
 - a. Items must not be lent for indefinite periods. Loans must be authorised for whatever is the minimum period needed by the Contractor and progression of the loan will be at the end of the loan period or every 3 years (whichever is the sooner).
 - b. The PT has discretionary powers to hasten/monitor at more frequent intervals if the type of item or the nature of the Contract dictates, ie Where an item is in short supply or where the work has been completed within the contractual period.
 - c. The appropriate loan forms must be raised whenever a loan transfers to a new Contract or an extension takes it more than 30 days beyond the original return date.
 - d. Loans are not to be extended on the basis that a new Contract will be let in due course. Items are to be returned and re-issued on placement of a new contract.

Urgent Service Demands

10. Where GFE is required to satisfy an urgent Service demand the PT, following confirmation that the Contractor physically holds the stock, will arrange for the immediate despatch to the demanding Service. The Contractor should raise MOD Form 650 to cover the despatch, forwarding a copy to the AAC endorsed "Record only Ex GFE Contract". The PT Loan record and the Public Stores Account (PSA) are to be cleared using the MOD Form 650 as the authority. Additionally, the PT is to ensure that any dues-in to stockholders are amended accordingly.

Self to Self and Contractor to Contractor

11. The supply of items direct from supplier to the contractor, either as a specific contract or as a Diversion Order from an existing contract is GFE. The Project PT is responsible for ensuring that:
 - a. These items are registered and accounted for as GFE, both by the Defence Contractor and within the PTs' Loan register.
 - b. Any dues-in to stockholders are amended accordingly.

Request by Contractor for change of use of GFE

12. The contractor may request a change of use for the GFE other than initially authorised, such as for non-MOD contract work. Loans not in support of a MOD contract should be discouraged in favour of sale on repayment terms, where surplus stocks exist. If sale on repayment terms is not appropriate, and the PT approves the request for change of use, then terms should be agreed on pre/repayment loan basis. On receipt of approval the Contractor and PT must ensure that the relevant transactions are recorded for 'record only' purposes to maintain the Loan Account and must advise the AAC for audit purposes.
13. If a Contractor requests a loan extension or wishes to retain an item in support of a new Contract the Project PT must confirm the validity of the request and raise new loan documentation. This should then be processed as a new application for a Loan.

Security

14. If it is proposed to authorise a loan of any materiel which might have security implications, prior approval must be obtained from the appropriate security branch or, in the case of loans to outside bodies where export is involved, from the Defence Export Services Organisation. Any equipment loaned which was originally purchased from USA sources may be subject to International Traffic in Arms Regulations (ITAR), and Authorising Officers are to seek appropriate advice from the PT and, if necessary UKDPO specialists. As UK MOD has direct responsibility to ensure that full visibility of ITAR items is maintained at all times, any loans are to be issued and tracked by Serial Number.

Special to Contents Containers

15. Special to contents containers are to remain with the assembly throughout the loan and are to be returned, and are not therefore to be charged at the outset.

RISK AND OPPORTUNITIES

16. The supply of GFE to Contractors is a potential risk and opportunity to the MOD. The Project PT is to evaluate the risk and develop appropriate mitigation strategies.

Potential Risks

17. Failure of the MOD to provide, or to provide on time, the contracted GFE may allow a Contractor to sue the MOD for non-compliance with the contract. PTs are to develop strategies to mitigate the risk if the MOD cannot supply the GFE.

18. The MOD may be liable to supply replacement GFE if the original items fail or become obsolescent or obsolete.

19. MOD may be unable to enforce other contract conditions because the contractor may claim that his non-compliance is a result of the non-supply of GFE.

Potential opportunities

20. Allows the use of standardised Defence items throughout the Defence equipment fleet.

21. It allows Contractors to obtain Defence items that may not be readily available in the commercial sector or where there is no current production. This should allow the project to progress more quickly.

22. GFE normally represents a small financial investment compared to the overall project and as such, it allows Contractors access to common Defence items that could be difficult to source. The PT must ensure that the MOD commitment to supply GFE does not provide Contractors with justification not to fulfil contractual obligations.

IDENTIFICATION

23. All GFE is to be readily and uniquely identifiable to allow Contractors to account for the materiel on a Public Stores Account (PSA) in accordance with DEFSTAN 05-99: Managing Government Furnished Assets in Industry. Acceptable MOD references are:

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- a. **Assets.** The unique identifier, for example Equipment Registration Mark (ERM) is used to manage the item on the appropriate MOD Asset Management system.
- b. **Base Inventory System (BIS)⁵ Managed Items.** The NATO Stock Number (NSN) by which the item is managed on the BIS. The principles for Codification are contained in [JSP 886 Volume 2 Part 4: NATO Codification in the United Kingdom](#).
- c. **Non-Codified Items.** Certain items such as Special Jigs, Tooling and Test Equipment (JTTE) and Contractor Repair Support Procedures (CRSP) stock may not be codified and are usually managed by their Manufacturer's Part Number (MPN). There is no requirement for these items to be codified unless they are to enter the Joint Support Chain (JSC).

REGISTRATION AND MONITORING

Loan Register

24. The PT is to retain a Loan Register, which can be manual or IT based. On receipt of the GFE Request the PT is to allocate a Loan Reference Number to each approved Loan request, raise an individual Loan File for each Loan, and record the following details in the Loan Register:

- a. Loan Serial Number.
- b. Loan Request Date.
- c. Contractor/UIN.
- d. Contract Number.
- e. Loan Expiry Date.
- f. NSN.
- g. Quantity.
- h. Loan Confirmation from Contractor.
- i. Hasten Date.
- j. Additional Remarks.

Monitoring

25. Correct monitoring and hastening of Loans is essential to the efficient management of GFE. Outstanding Loans are to be hastened one month prior to expiry and thereafter be hastened on a 6 weekly basis. If hasteners are routinely ignored, the authority with responsibility for hastening is to advise the AAC, as well as following internal procedures.

26. The following actions are to be taken by the Supplier PT:

- a. At 30 days before the loan expiry date the Project PT is to be asked whether return action or an extension to the loan is applicable.

⁵ BIS includes CRISP, SS3 and SCCS.

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- b. If return is appropriate but the item has not been received by the due date the Contractor is to be hastened by letter and a copy sent to the Project PT.
- c. If at 30 days after the loan expiry date no response has been received, the Supplier PT Finance Officer is to be requested to initiate billing action ([Form DAB1](#)).
- d. No action is to be taken to clear the Supply System/Manual System Loan Account until either notification is received from Defence Bills Agency (DBA) that stores have been paid for by the Contractor or Stores are returned to the MOD.
- e. If items are returned from loan after the expiry date the PT Finance Officer should be advised of the return in order that the Form DAB1 raised as described above can be rescinded.

Reconciliation

27. Reconciliation of GFE holdings at Contractors is important. Project Teams are required to reconcile the contractors holding to their own internal loan register. Loss of GFE may affect the Contractor's ability to discharge his contractual commitments. Discrepancies are to be investigated immediately and may require loss action by submitting a MOD Form 650A (other than losses identified during the Annual Stocktake, when Form PE (SA) F749 should be used) to the AAC. Slippage to original agreed return dates should not be routinely accepted and the relevant monthly charges should normally be applied.

Damaged, Defective or Lost Assets

28. Recovery action is to be taken by the Project PT in respect of GFE items that are lost, damaged or scrapped in circumstances where the Contractor is liable for the loss; The Project PT is responsible for establishing liability and agreeing with the Contractor whether the recovery action will be in the form of a replacement asset or a cash recovery on a full cost basis. Additionally, the Project PT is responsible for ensuring that the appropriate action is taken to amend / update the loan account record. The AAC will initiate the action using the procedure outlined in [Annex C](#).

29. Where a PT receives a MOD Form 650A direct from a Contractor where a contractor liable loss is being reported, the PT should forward a copy of the Form 650A to the AAC. If recovery is not complete within six months of the date of discovery a report should be made to Corporate Financial Accounting Team (CFAT). In the event that recovery costs are not forthcoming or not pursued by the PT the loss is to be reported by the PT as a Claim Abandoned, see JSP 472: Financial Accounting and Reporting Manual. GFE condemned by the appropriate Quality Assurance authority as damaged or defective, but where liability does not rest with the Contractor, are to be written off as a stores loss in accordance with procedures laid down in JSP 886 Volume 4 Part 6: Losses.

RETURN FROM LOAN

30. On contract completion or termination the contractor is to provide the Project PT with a schedule of surpluses using DEFFORM 44a and seek return instructions for GFE, in accordance with [DEFCON 601](#) or [DEFCON 611](#). Where GFE is held under another authorising document the contractor is to seek return instructions in a similar manner.

31. If the items are required to be returned to the MOD the Project PT is ensure that the contractor complies with the packaging and labelling requirements. Where Contract Loan

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stores are due to be returned under a different stock number to that which they were originally issued under, the PT is to ensure Supply System records are set up correctly to both accept the receipt and clear the Loan Account. Returns are to be made as follows:

- a. **All Loans except CWI.** Loans are to be returned using MOD Form 650 quoting a recognisable reference to the loan (Contract and Loan No). Items lost or scrapped on site must be reported on MOD Form 650A also quoting a recognisable reference to the loan (Contract and Loan No). Returns from CSI loans where charges are involved are to be reported to the PT Inventory Manager and PT Finance Officer with the date of return in order for them to terminate loan charges on the correct date. Items returned from loan are to be conditioned to confirm that they have been returned “in an unchanged condition except for fair wear and tear”. If stores are returned in an unreasonable condition, and contractor liability can be established then loss recovery action should be taken against the contractor, with the AAC being notified of details.
- b. **CWI Loans.** Contract Work Items (CWI) are to be returned using:
 - (1) MOD Form 640 for serviceable returns, when payment is involved.
 - (2) MOD Form 650 where items are returned as issued, free of charge repairs or are conditioned Beyond Repair (BR).
 - (3) MOD Form 650A, when the items are deemed to be BR and authority is given to scrap on site, disposal being negotiated through the Defence Quality Assurance Field Force and Disposal Services Authority (DSA) to the best advantage of the MOD, informing the PT accordingly.

32. If the Project PT, after consultation with the Supplier PT, decides that the item should be offered for disposal, the Project PT is to advise the contractor of the action to be taken. Guidance is available from the Disposal Services Authority (DSA) on the disposal and sale of surplus materiel and equipment. All Disposal activity must be co-ordinated through DSA in accordance with JSP 886 Volume 9 and the DE&S Customer Supplier Agreement.

ORPHANED ASSETS

33. 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. Dir JSC has the authority to dispose of these assets.

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ANNEX A TO CHAPTER 3: DE&S GOVERNMENT FURNISHED EQUIPMENT COMPLIANCE FRAMEWORK

Introduced at Paragraph 3

CONSIDERATION	YES/NO	COMMENTS
Do you maintain and can you produce on request a complete list of all Government Furnished Equipment (GFE) held in industry, including items held following transfer from DE&S, in a format suitable for inspection by the NAO or internal audit authority? Data should include: a. Contract Number. b. Name of Contractor. c. Loan Scheme/Type. d. NSN (mandatory for codified items) or Part Number (OEM). e. Quantity. f. Asset owner (PT Desk level). g. Basic Price (VAT excl). h. Stock Category (Fixed Asset / Capital Spare / Consumable).		
Are staffs involved in GFE management aware of and follow the relevant policy and procedures in JSP 886 and local regulations?		
Is all GFE loaned in accordance with the relevant policy and procedures particularly when decisions are being made to use GFE?		
Is contract cover always in place, and is all GFE itemised in the contract, before loan items are delivered to contractors?		
Where contract conditions apply, do you obtain GFE stockholding reports direct from contractors?		
Is GFE verified against owner's listings and reconciled with the Public Store Account (PSA) by the owner or through the Asset Accounting Centre (AAC)?		
Is GFE validated as having been used for the purpose intended?		
Do you maintain a register of Contract Work Arising (CWA) –Item / sub-assemblies removed from the Contract Work Item (CWI)?		
Is codified GFE valued using single Service price files? (Non-codified GFE should be valued by contract (purchase) price with date of price stated)?		
Is all GFE values (consumed or held) accurately accounted for.		
Is consumption of GFE reflected in Operating Cost statements.		
Is new authorisation and issue requisition documentation raised where a Contract Support Item (CSI), provided to support work on the Contract Work Item (CWI), extension is required?		
Are procedures in place to monitor and hasten the return of GFE?		
Are DEFCON 23 items (Special Jigs, Tooling and Test Equipment) reviewed by the PT prior to disposal or before transfer to DEFCON 611 by the contractor?		
Are you aware of the dispensations given by the AAC in respect of individual contractor Public Store Accounts?		
Where follow-up actions are specified in AAC Audit Reports are these actioned where they relate to the PT?		
Is a claims process (including loss recovery) in place, in accordance with JSP 368: MOD Guide to Repayment ?		
Do you have a contract closure procedure in place that includes identification of GFE for return to depot, disposal, or transfer to new contract?		
Where contract conditions apply, is all GFE returned from loan in accordance with those conditions, JSP 886 and local regulations?		
Do you have a procedure in place to review and ensure the return, transfer or disposal of surplus GFE, and do you comply with it?		
Is the Disposal Services Authority used for the disposal of surplus GFE?		

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ANNEX B TO CHAPTER 3: GFE BUSINESS MODEL

PHASE	ACTIVITY	INTERACTIONS PT / CONTRACTOR	MANAGEMENT INFORMATION	OTHER PTs	PLANNING AND MANAGEMENT OF GFE
C	There will potentially be GFE issued at this stage, e.g. issue of GFE from research projects.	Discussion and agreement on the what, when, where, why, how and who of GFE to be provided, especially for the Assessment phase.	On basis of agreed approach, first estimates of GFE element costs for the Through Life Management Plan (TLMP). Information to support stewardship and RAB in respect of GFE items already provided.	Specify and agree, especially for Assessment phase, requirements for use of GFE owned by other PTs.	In assessing the what, when, where, why, how and who of GFE to be provided (especially for Assessment phase and disposal), consider the following objectives: Achieving Value for Money (VFM). Maintaining physical control. Generating RAB compliant accounting data.
A	Potentially: Return of items issued in Concept phase. Issue/return of in-service and technical demonstrator items.	Control GFE elements issued as agreed in Concept and Assessment phases. Agree what, when, where, why, how and who of future GFE to be provided, especially for Demonstration phase	Further development of the GFE cost elements of the TLMP. Information to support stewardship and RAB in respect of GFE items already provided	Manage use of other PT GFE assets agreed in concept phase. Specify and agree Demonstration phase requirements for use of GFE owned by other PTs. Agree use by other PTs of GFE acquired by this PT as required.	As above, with the focus on the D, M and I stages, ensuring that: Range and quantity of items; Terms of issue; Special stewardship requirements; Limitations on use; Accounting requirements; Disposal arrangements; Are all considered and addressed in draft specification and contractual documentation.
D M I	Record issues and receipts including details of where, from and to.	Review projected usage Maintain GFE information on database and agree periodically Review ownership e.g. should GFE be sold to contractor?	Serviceability Actual/forecast usage (valued) Obsolescence (valued) Modification Kits Quantity of GFE held (value and life) Price validation For Maintenance or Enhancements?	Need for Internal Business Agreement (IBA) if equipment is being shared Ensure ownership of equipment is clearly defined Global visibility of assets is needed to highlight opportunities for sharing	Agree the GFE schedules in advance and ensure these are maintained Comprehensive accounting Periodic review of TLMP and WLC plan
As above but for Loans to Other Nations or to Contractors during Operations. Appropriate authority from the Chain of Command together with an Audit Trail and Accounting must be present.					

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PHASE	ACTIVITY	INTERACTIONS PT / CONTRACTOR	MANAGEMENT INFORMATION	OTHER PTs	PLANNING AND MANAGEMENT OF GFE
D / T	Returns Transfers to other contractors Transfers to other contracts with same contractor Transfer to Assets Declared for Disposal Account Write down of value to net realisable value (NRV) Credit of sales proceeds to PT	Contractor highlights that they no longer need equipment. May suggest alternative use; say to another PT. PT decides action PT may request contractor to dispose	Items earmarked for disposal valued at net realisable value (NRV) Central register of equipment to be disposed would provide global visibility Provision for disposal costs Transfer value from one PT to another		Disposal should have been planned for in the TLMP. Disposal plans should be incorporated into the contract. Processes and mechanisms need to be timely Comparison with WLC and TLMP

Notes:

1. CADMID/T – Represents the equipment and services acquisition lifecycle taken from the initial letters of its six phases - Concept, Assessment, Demonstration, Manufacture, In-Service, Disposal/Termination. For equipment it ends with D for Disposal and for Services T for Termination.
2. The model relates to the process, as it needs to operate on new projects. It is difficult to apply retrospectively.
3. There is provision to authorise 'scrap on site' as a means of disposal, where items have no other value. Advice should be sought from relevant disposal contact points.
4. The model matches the activities, interactions between PT and contractor, etc with the most likely phase of the CADMID process. However, it should be used flexibly to allow some movement between the boxes. An example is that return of GFE is often likely to be needed in all phases (not just in the "Disposal" phase at the end of the CADMID process). This is especially true of items that should have been embodied into the equipment during manufacture but turn out not to be needed, for example too many were issued.
5. The model highlights the information needed for accounting without going into the different accounting treatments applicable within the different CADMID phases. Guidance on financial accounting treatments is included in JSP472: Financial Accounting and Reporting Manual.
6. Each PT is to nominate a focal point for each project using GFE such as the Integrated Logistic Support Manager (ILSM).
7. Each activity should be accompanied by the information:
 - a. What – how much?
 - b. When – under what terms?
 - c. From whom – to whom?
 - d. For how long?
8. Underpinning the model is a standard for the information required:
 - a. A uniform set of information for use by all stakeholders in the MOD and industry.
 - b. The information requirement to be underpinned by a revised DEFSTANs and associated DEFCONs.
 - c. A standard format and content to cover all types of GFE (Issued Property and [DEFCON 23](#)). The ideal periodicity for collecting this information is quarterly.
9. The content should typically include:
 - a. Description; Contract Number; Part Number; NATO Stock Number (NSN), Project Code.
 - b. Owner.
 - c. Quantity information - Opening Balance / Transactions / Closing Balance.
 - d. Price.
 - e. Fixed Asset or Stock Categorisation.
 - f. Terms of Issue.
 - g. Date of issue; planned return date.
 - h. Location stored.

ANNEX C TO CHAPTER 3: ACTION OF GFE LOSS DOCUMENTATION

Introduction

1. Losses of GFE for which the contractor is liable are either to be replaced by the contractor, if still required, or costs recovered on a “full-cost” basis. Losses are notified to stockowners by the AAC forwarding the contractor raised MOD Form 650A or PE (SA) 749. The AAC will forward the loss documentation direct to the Project PT or Platform Support Team (Supplier PT for CSI Loans where codified) that is responsible for the loan. Where ownership of the contract is unclear the AAC is to investigate further with the Contractor.

Registration

2. On receipt of loss documentation from the contractor the AAC will register the details on a Loss Register. This Loss Register will be used by the AAC to monitor the progress of the recovery action by the appropriate PT and will be the central register for collation of Management Information in connection with GFE Losses and their recovery. Following registration the AAC will authorise the Contractor to adjust their PSA.

Note: The GFE financial journals raised by the AAC will reflect the value of the lost assets until the Loss Recovery action by the PT is complete.

3. The PT is to open a separate loss file for each set of documents received from the AAC, marking each file with the AAC serial number. The AAC serial number is the primary reference for the loss and is to be used as identification on all documents and correspondence. Issue abatement/adjustment action will need to be initiated at the stockholding point of issue with subsequent write-off issue being input by the PT to ensure the loan account is updated and a credible audit trail maintained. All documents relating to the loss are to be placed in the loss file.

Ownership

4. The Project PT is responsible, except for CSI loan items where the Supplier PT will be responsible, for actioning the GFE loss recovery. Where the Project PT is unknown but the reported loss is codified then the Supplier PT will be responsible. These PTs will also receive recoveries made in respect of the losses. Prior to any recoveries being made the appropriate PT is to investigate and agree liability with the Contractor.

Calculated Price

5. The price of the item is to be calculated:

- a. **Codified items.** The recovery charge should be based on the Basic Materiel Price (BMP) plus VAT taken from ISOPS (Integrated Stock Ownership and Pricing System) at time of loss. If in doubt or the authority date is over 5 years old the Supplier PT is responsible for validating the price. The BMP is to be enhanced by the appropriate Fixed and Variable Costs⁶ in accordance with JSP 368: The MOD Guide To Repayment. If the Project PT has declared the GFE as surplus or scrap before discovery of the loss, then the disposal value (either known or estimated) should be used in place of the BMP.

⁶ The PT is responsible for calculating the Departmental Expenses (DE). The DE rates published for Repayment Sales are not applicable for GFE Losses and must not be used.

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- b. **Non-codified items.** The recovery charge is as for codified items however the Project PT is responsible for determining the BMP.

Invoice

6. Where, following investigation by the PT, liability has been accepted by the Contractor then, a request to invoice should be submitted to the Defence Business Service Finance (DBS). The web based Invoice Request Input System (IRIS) is the prime method of submitting requests to invoice to the DBS. The paper [Form DAB1](#) will only be accepted in exceptional circumstances or where the Originator does not have access to the RLI.

Unactioned Lines

7. In the event of recovery of costs is not forthcoming or not pursued, the Project PT (Supplier PT for CSI Loans) is responsible for actioning the loss as a Claim Abandoned in accordance with procedures as laid down in [JSP 886 Volume 4 Part 6: Losses](#). If a loss is not pursued, AAC are to be informed.

Monitoring

8. All management information is available on a self-service basis from Oracle Discoverer. If you are unable to access Oracle Discoverer, your TLB focal point will either provide you with the management information you require or details of who to contact. Following recovery of the loss the PT is to notify the AAC of the action taken and the value recovered in order for the AAC to update the central Loss Register.

CHAPTER 4: PROCEDURES

ISSUES OF GFE

1. Issues of GFE on loan to Contractors are to be dealt with as follows:
 - a. **Materiel Supplied via CRISP.** Procedures for the issue of GFE items to Contractors from the CRISP BIS are contained in Supply Chain Management Instruction (SCMI) 12.1 – Loan Account Procedures and Management and Chapter 22 of the [CRISP User Manual](#).
 - b. **Materiel Supplied via SS3.** The procedures for the issue of GFE items to Contractors from the SS3 BIS are contained in [Army Stores System Basic Procedure Guide Number 17: Embodiment Loan](#). The details of the loan are to be provided on an AFG 3670.
 - c. **Materiel Supplied via SCCS.** For the issue of GFE item to Contractors from the SCCS BIS, the PT is to notify the DES JSC SCM-SS Platform Support Team - Government Furnished Spares cell of the item details, quantity, delivery address and contract reference. DES JSC SCM-SCPol-PT-Sp - Government Furnished Spares Cell are to action such requests in accordance with the process guide at [Annex A](#).
 - d. **Material Supplied via MJDI.** Units are to action the issue of GFE in 2 distinct ways:
 - (1) **Return Expected.** Items issued to a contractor for repair or modification under a MOD contract or instruction and which, after repair, are expected to be returned direct to the Issuing Unit are to be processed on MJDI as an External Loan using the procedures contained with the MJDI User Guide. The GFE loan is to be monitored by the use of MJDI to ensure that the materiel is returned within the agreed timescales.
 - (2) **Return not Expected.** Items issued to a contractor for repair or modification under a MOD contract or instruction which are not expected to be returned direct to the issuing Unit are to be dealt with in accordance with JSP 886 Volume 3 Part 8: Returns and the MJDI User Guide. The Project PT is to monitor the GFE loan to ensure that the materiel is returned within the agreed timescales.

CONTRACTOR MANAGEMENT OF GOVERNMENT FURNISHED EQUIPMENT

2. The requirements for the management of GFE by contractors are contained in DEFSTAN 05-99

ASSET ACCOUNTING CENTRE AUDIT REQUIREMENTS

3. The AAC Audit Requirements are contained In DEFSTAN 05-99.

VALIDATION OF ASSETS IN INDUSTRY PRIME DATA

4. Project Teams are required to validate / reconcile the contractor data, as provided by the AAC, to their internal loan register. Any discrepancies identified between the contractors data and the PTs' internal loan register should be resolved with the contractor, keeping the AAC informed of issues and actions taken.

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Note: The number of lines to be validated may be significant for some Project Teams and the effort expended in verifying the accuracy of those lines with a low value may prove nugatory. Therefore, the materiality threshold to be applied to this exercise will be published through a DE&S Financial Accounting – Accounting Policy Instruction.

LOAN CHARGES

5. Where the loan is subject to Repayment, Prepayment terms or is overdue from the agreed loan period, monthly loan charges are to be applied. An acceptable approach to calculating the monthly charges can be based on the following calculation:

$$\frac{(\text{BMP} \times (\text{Period of Loan [in months]} / \text{Life of Asset [in months]}) \times \text{DE})}{\text{Period of Loan [in months]}}$$

The Department Expenses (DE) is to be calculated from the appropriate Fixed and Variable Costs in accordance with JSP 368: MOD Guide to Repayment. The Loan Charge is also to include VAT.

ANNEX A TO CHAPTER 4: PLATFORM TEAM SUPPORT GFE PROCESS GUIDE

Introduction

1. The [DES JSC SCM-SCPol-Platform Team Service Desk](#) Government Furnished Spares cell provides a full cradle to grave support package for both Contract Support Items (CSI) and Contract Embodiment Items (CEI) for MAE items in conjunction with DEFSTAN 05-123⁷.

Manage Contract Support Items.

2. Receive Contract Support Request.
3. Confirm CSI Authority/Instructions.
 - a. Check contract details and information on the system.
 - (1) Ensure contract is still valid at the end of the loan period.
 - (2) Ensure contract contains the required DEFCON 611 and Loans Clause.
 - b. If contract not valid or no details of contract are held, return request to Contractor. Copy of contract is required before loan can proceed.
 - c. A letter/memo/email of intent to set-up or amend the contract from Project Officer is sufficient to allow loan action to continue.
 - d. Find Item Information on SCCS and enter on system.
 - e. Seek Range Manager approval by e-mailing an 'ordinary loan request availability' form.
 - (1) If denied - advise Project Officer and Contractor by e-mail explaining the reasons for refusal. Close the Loan Request on the GFS Ledger.
 - f. At the same time seek the Project Officers approval by e-mailing a 'project officer approval' form.
 - g. If denied - advise Range Manager and Contractor by e-mail explaining the reasons for refusal. Close the Loan Request on the GFS Ledger.
 - h. If the Contractor cancels the loan request - inform the Range Manager and Project Officer. Close the Loan Request on the GFS Ledger.
4. Assure CSI Issue.
 - a. If stock is available – proceed according to Range Manager's instructions.
 - b. If stock is not available – obtain Delivery Forecast from Range Manager, inform contractor of date and set BF.
5. Make/Track CSI Issue.

⁷ This standard is no longer required for the procurement of new equipment but retained for maintenance purposes in support of existing in-service equipment. This standard has been superseded by MAA Regulations.

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- a. If depot stock - make issue on WTMS, using the ABC Code of 770.
 - b. If the item(s) are held on a Unit fax an 'ordinary loan request to issue' form, requesting they make the issue.
 - (1) Hasten Issuing Unit if issue details not given in 3-7 days (dependent on RDD) or check on MJDI MIS or SCCS.
 - c. If no stock is available at this point, for Depot stock – check to see whether items are available via CRISP or SS3. If still not available, contact Range Manager.
6. Issue 'Confirmation of Delivery'.
- a. E-mail the 'confirmation of delivery' form to the Contractor on day that the item is issued from depot or when notified of issue from the Issuing Unit.
 - b. If the form has not been received in four weeks, reissue the form to the Contractor.
 - c. When the form has been returned, set BF, on the PST Loan Ledger for one month prior to 'Expired Date' (if short term loan, BF accordingly).
7. Resolve Delivery Failures.
- a. Request that the Contractor double checks their delivery system to see if they have received the item but it is in another location.
 - b. Contact the Depot/Issuing Unit or check on WTMS for package information to help in process of tracking item.
 - c. Contact last delivery point for package information and request proof of delivery.
 - d. If not resolved, the Contractor must raise a Discrepancy Report. This must be done within 30 days of original issue to allow tracking on VITAL. A copy of the Discrepancy Report is to be forwarded to the GFS Support Cell at Abbey Wood for records.
 - e. Reissue using the original demand, remembering to cross-refer to the original task.
8. Recall CSI Issue.
- a. Send the Contractor the 'Expiring Notice' form 30 days before the end of the loan. Remember that for short term loans this date may be less than 30 days.
 - b. Loan item(s) will be either:
 - (1) Returned to the MOD, to the original place of issue.
 - (2) Extended, after the Contractor requests a loan extension.or
 - (3) Scrapped, after the Contractor submits a F650A to confirm the item is lost or damaged.

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- c. If no response to 'Expiring Notice' form, e-mail the Contractor the 'Expired Notice' form on the day that the loan ends.
 - d. BF CSI Loan.
 - e. If no response to 'Expired Notice' form, issue 'hastener' giving Contractor 4 weeks to reply to prevent billing action. A BF of 4 weeks on the PST Loan Ledger.
 - f. If still no response, recovery procedures will be instigated.
9. Confirm Loan Return.
- a. Contractor is returning equipment - BF for one month after 'expired date'.
 - b. On receipt of signed 'brown' Form 650, update system or:
 - (1) If returned to Depot - check CIHLA on WTMS.
 - (2) If returned to Unit - check MJDI MIS.
 - c. Inform Range Manager when item(s) has/have been returned.
 - d. Close the Loan Request on the relevant PST Loan Ledger.
10. Extend CSI Loan.
- a. Contractor is requesting a loan extension - on receipt of Extension Request, check that the contract is still valid at 'proposed' new loan end date.
 - b. Update system with new loan end date.
 - c. Seek Range Manager approval by e-mailing a 'loan extension request' form.
 - (1) If denied - advise Project Officer and Contractor by e-mailing an 'ordinary loan extension declined' form explaining the reasons for refusal and instruct the Contractor to return the item.
 - d. Seek the Project Officer approval for an extension by e-mailing a 'project officer approval for loan extension' form.
 - (1) If denied – Advise Contractor by e-mail explaining the reasons for refusal and instruct them to return the item.
 - e. When approved, e-mail an 'ordinary loan extension confirmation' form to Contractor and e-mail/fax an 'ordinary loan extension authority' form to the Issuing Unit.
 - f. Update the GFS Loan Ledger with the new details setting the BF accordingly.
11. Recover Loan Costs.
- a. If the Contractor fails to reply to the 'hastener', start the recovery process.

Manage Contract Embodiment Items

12. Receive Contract Embodiment Request.
13. Confirm Authority/Instructions.
 - a. Check contract details and information on the system.
 - (1) Ensure contract is valid.
 - (2) Ensure contract contains the required DEFCON 611 and Loans Clause.
 - (3) If contract not valid or no details of contract are held, return request to Contractor. Copy of contract required before loan can proceed.
 - (4) A letter/memo/email of intent to set-up or amend the contract from Project Officer is sufficient to allow issue action to continue.
 - b. Use QUZ on SCCS to identify availability and location of requested item.
 - c. If quantity shown on QUZ is low, or is only available from a Unit, issue is to be made through the Range Manager.
 - d. Use QLZ on SCCS to gather the following data on requested item.
 - (1) Asset Code.
 - (2) Classification Code - 'P' class goes through Range Manager.
 - (3) Denomination of Quantity.
 - (4) Degree of Control - Above 0, goes through Range Manager.
 - (5) Basic Price – over £1000 goes through Range Manager.
 - (6) SMB + Subscript.
 - (7) VAT number.
 - e. If the issue of 'C' or 'L' class items under £1000 results in stock level falling below the Provisioning Action Figure (PAF), refer demand to Range Manager.
 - f. Enter new record on system.
 - g. Seek Range Manager approval to confirm authority to issue by e-mailing 'embodiment loan issue request' form.
 - (1) If denied - advise Contractor by e-mail explaining the reasons for refusal. Close the Loan Request on the GFS Ledger.
 - h. If the Contractor cancels the issue request – inform the Range Manager and Close the Loan Request on the GFS Ledger.
14. Assure CEI Issue.

INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

- a. Make CEI Issue.
 - (1) If Depot stock - carry out a Management Issue via WTMS using the ABC codes of 621 (for Recurring Items) or 623 (for Non-Recurring Items).
 - (2) If the item(s) are held on a Unit fax a 'CEI loan request to issue' form, requesting they make the issue.
 - (a) Hasten Issuing Unit if issue details not given in 3-7 days (dependent on RDD) or check details on MJDI MIS or SCCS.
 - (3) If no stock is available at this point, for Depot stock – check to see whether items are available via CRISP or SS3. If still not available, contact Range Manager.
 - (4) If the Range Manager issues the item, use QWZ on SCCS/MJDI MIS to obtain Issue Details or hastening paperwork from Range Manager.
 - (5) Enter Issue Details onto the relevant GFS Ledger.
- b. Issue 'Notification of Issue'.
 - (1) E-mail the 'Notification of Issue' form to the Contractor on day that the item is issued from depot or when notified of issue from the Issuing Unit. Close the Loan Request on the relevant GFS Ledger.
- c. Resolve Delivery Failures.
 - (1) Request that the Contractor double checks their delivery system to see if they have received the item but it is in another location.
 - (2) Contact the Depot/Issuing Unit or check on WTMS for package information to help in process of tracking item.
 - (3) Contact last delivery point for package information and request proof of delivery.
 - (4) If not resolved, the Contractor must raise a Discrepancy Report. This must be done within 30 days of original issue to allow tracking on VITAL. A copy of the Discrepancy Report is to be forwarded to the GFS Support Cell at Abbey Wood for records.
 - (5) Re-issue using the original demand, remembering to cross-refer to the original task.