



Ministry  
of Defence

Ministry of Defence  
Main Building  
Whitehall  
London SW1A 2HB  
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Ref: FOI2020/09026

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Mr Jeremy Hutton  
jeremy.hutton@taxpayersalliance.com

7<sup>th</sup> September 2020

Dear Mr Hutton,

Thank you for your email of 7<sup>th</sup> August requesting the following information:

- “1. The number of fruitless payments (payments for which liability not to have been incurred or whether the demand for the goods and services in questions could have been cancelled in time to avoid liability) in excess of £30,000 made by or paid for by your department in 2019-20*
- 2. What each payment was for*
- 3. The value of each payment*
- 4. The reason why the payment was made*
- 5. The reason why the payment was classified as fruitless”*

I am treating your correspondence as a request for information under the Freedom of Information Act 2000 (FOIA).

A search for the information has now been completed within the Ministry of Defence, and I can confirm that all the information in scope of your request is held.

The information you have requested can be found at annex A.

If you are not satisfied with this response or you wish to complain about any aspect of the handling of your request, then you should contact us in the first instance at the address above. If informal resolution is not possible and you are still dissatisfied then you may apply for an independent internal review by contacting the Information Rights Compliance team, Ground Floor, MOD Main Building, Whitehall, SW1A 2HB (e-mail [CIO-FOI-IR@mod.uk](mailto:CIO-FOI-IR@mod.uk)). Please note that any request for an internal review must be made within 40 working days of the date on which the attempt to reach informal resolution has come to an end.

If you remain dissatisfied following an internal review, you may take your complaint to the Information Commissioner under the provisions of Section 50 of the Freedom of Information Act. Please note that the Information Commissioner will not normally investigate your case until the MOD internal review process has been completed. Further details of the role and powers of the Information Commissioner can be found on the Commissioner's website, <http://www.ico.org.uk>.

Yours sincerely,

Defence Resources Secretariat

1. There was a total of 10 fruitless payments paid by the Ministry of Defence in 19/20.

2) What the payment was for	3) Payment value £	4) Reason for payment	5) Why the payment is classified as fruitless
Air Defence Equipment	£134,518.73	Contractual settlement for work and materials already incurred.	Payment should not have been incurred.
HMRC Fines + Interest Payments	£74,330.85	Incorrect VAT coding on contract.	Payment should not have been incurred.
HMRC Fines + Interest Payments	£63,985.65	Incorrect VAT coding on contract.	Payment should not have been incurred.
HMRC Fines + Interest Payments	£35,964.00	Incorrect VAT coding on contract.	Payment should not have been incurred.
Payment of a MOD Contractor costs in Settlement of Court Action brought against the MOD for the Future Boats Support Project	£75,000.00	Legal settlement of contractor's court costs.	Payment should not have been incurred.
HMRC Interest Payment	£133,735.73	<p>Incorrect VAT coding on contract.</p> <p>A technical query was submitted to HMRC which ruled the contract as a supply of goods, resulting in a whole contract review.</p> <p>When the contract payment schedule was reviewed, additional payments were identified where VAT was incorrectly accounted for to the value of £133,735.73.</p>	Had the interpretation of the VAT treatment been appropriate initially, interest payments would not have been necessary.
17 airline tickets to USA	£34,500.00	<p>The expense relates to non-refundable costs of air fares. All other expenses (hotels, transport and flight tax) were recovered.</p> <p>Joint exercise was cancelled at short notice. All other costs were recovered or not incurred, but due to short notice, there was no refund of air fares available. Air tax was recovered.</p>	There had been no expectation of cancellation and therefore cheaper non-refundable tickets were purchased.

<p>Payment of VAT to HMRC</p>	<p>£842, 784</p>	<p>There was conflicting information over whether VAT could be claimed back on the assessment study stage of a project. Once this was resolved, it was too late to claim back the VAT charges.</p>	<p>The Annual Report and Accounts guidance issued by the Top-Level Budget holder on 11/10/19 advised that VAT errors be reported as a Cat A (IV) Loss – overpayments due to miscalculation or misinterpretation.</p>
<p>The payment was in respect of VAT incurred on the Strategic Design Adviser contract for FY18/19. This cost should have been recoverable but was entered onto the system incorrectly and this was not identified until after the deadline for corrections via HMRC</p>	<p>£239,989</p>	<p>The VAT was paid in line with progress payments made on the contract as and when the milestones were achieved. When the contract details were entered onto MOD system, an incorrect category code was used which resulted in VAT at a standard rate being applied to invoices rather than being recoverable as per the original business case.</p>	<p>The error on the system was identified on 24 July 2019. As the deadline for VAT recovery for FY18/19 was 30 June 2019, it was not possible to recover the VAT that was paid in FY18/19.</p>
<p>An administrative fee as part of wider costs for the MOD's failure to meet an Innovation and Networks Executive Agency (INEA) audit requirement.</p>	<p>£82,484.05</p>	<p>The MOD was required to make the payment under the terms of its agreement.</p>	<p>The MOD paid the administrative fee but received no benefit from the payment.</p>