



MINISTRY OF DEFENCE

JSP 886 DEFENCE LOGISTICS SUPPORT CHAIN MANUAL

VOLUME 2 INVENTORY MANAGEMENT

PART 2 PROJECT TEAM INVENTORY PLANNING

**THE MASTER VERSION OF JSP 886 IS PUBLISHED ON
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**FOR TECHNICAL REASONS, EXTERNAL LINKS ON THIS
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Contents

Contents	2
Figures.....	2
CHAPTER 1: INTRODUCTION	3
INTRODUCTION TO INVENTORY PLANNING	3
POLICY.....	3
GOVERNING POLICY AND ASSURANCE	3
OWNERSHIP AND POINTS OF CONTACT	4
LINKED PUBLICATIONS	4
SUPERSEDED PUBLICATIONS	5
CHAPTER 2: PROCESS.....	6
DEFINITION	6
SCOPE	6
KEY PRINCIPLES	7
BENEFITS	7
ROLE OF THE PT	7
PROCEDURE.....	8
SECTION HEADINGS IN THE INVENTORY PLAN	8
Introduction and Scope	8
Governance.....	8
FINANCIAL MANAGEMENT	9
NAO Requirements	9
OPTIMISATION.....	12
Analysis and Modelling.....	12
Segmentation	13
Disposal Plan.....	14
Data Availability to Support Inventory Analysis.....	14
Volumetrics	15
Risks and Assumptions	15
ANNEX A: INVENTORY PLANNING ASSESSMENT CRITERIA.....	16
ANNEX B: SPECIALIST ADVICE AND GUIDANCE ON INVENTORY PLANNING.....	17
General Guidance	17

Figures

Figure 1: Financial Statement Table.....	11
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CHAPTER 1: INTRODUCTION

INTRODUCTION TO INVENTORY PLANNING

1. The purpose of this instruction is to detail the policy and procedures to be followed by a Project Team (PT) in the development and ongoing maintenance of an Inventory Plan. The policy and procedures navigate the PT through the various stages and requirements of Inventory Planning. The plan is intended to be a 'living' document, adding value to PT business by providing clear direction on effective and efficient through life inventory management in support of platform/equipment readiness and sustainability, including Initial Provisioning (IP) in accordance with Supportability Engineering (SE) activities detailed in JSP886 Volume 7 Part 5: Supply Support Procedures, Re-Provisioning (RP), modification and inventory sustainability activities. Inventory Planning applies to MOD platform, equipment and commodity PTs involved in inventory management, including both traditional support and Contractor Logistic Support (CLS)¹ type solutions. Inventory planning requirements may vary according to whether or not the inventory is on the MOD balance sheet.

POLICY

2. It is MOD policy that Inventory Planning is a mandatory acquisition activity performed throughout the CADMID cycle in support of all acquisition projects and in accordance with the Support Solutions Envelope (SSE). An Inventory Plan is to be produced, as an element of the Through Life Management Plan (TLMP), for each acquisition project, Including Urgent Operational Requirements (UORs)

GOVERNING POLICY AND ASSURANCE

3. This policy and procedures are mandated in JSP 886 Volume 1 Part 2: JSC Blueprint and defines the governing policy (GP) for Inventory Planning. Additionally, the SSE KSA 3 details the mandatory areas of compliance for PT SSE submissions. PTs are to ensure that SCM-SCO is invited to initial planning meetings early in the CADMID cycle to explain and emphasise the overall policy and procedures requirements to be applied through life.

4. The maturity of all PT Inventory Plans is subject to annual review using the assessment criteria guidelines detailed at [Annex A](#). SCM-SCO Plans will assess individual PT plans for evidence of compliance against 10 assessment criteria, 3 of which are essential to meet the highest maturity level. SCM-SCO Plans, who will guide and assist PTs to develop their Inventory Plans, will also review assessment criteria annually.

5. Feedback from SCM-SCO Plans on the assessment of PT inventory plans will include detailed findings and recommendations, together with an overall colour code that depicts the maturity assessment score. Feedback will highlight best practice as well as any further development needs, and it will also provide specialist guidance on how to maintain an optimised inventory. The overall status of Inventory Plans is reviewed regularly by the DE&S Chief Operating Officer (COO) and Operating Centre (OC) leaders as an integral part of the DE&S Planning Round (PR) and performance management regime.

¹ CLS is a generic term covering various forms of Contracting for Availability (CfA) and Contracting for Capability (CfC) support.

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OWNERSHIP AND POINTS OF CONTACT

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

a. This instruction is sponsored by DES SCM SCO Convergence who should be approached in case of technical enquiries about the content:

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LINKED PUBLICATIONS

7. The following publications are linked to this instruction:

- a. JSP 462: Financial Management Policy Manual.
- b. JSP 472: Financial Accounting and Reporting Manual 2010/11.
- c. JSP 886 Volume 1 Part 2: The Joint Supply Chain Blueprint.
- d. JSP 886 Volume 2 Part 3: Single Ownership of Items of Supply in the Defence Inventory.
- e. JSP 886 Volume 2 Part 4: NATO Codification in the UK.
- f. JSP 886 Volume 2 Part 6: Financial Accounting for Inventory.
- g. JSP 886 Volume 3 Part 1: Standard Priority System.

INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

- h. JSP 886 Volume 3 Part 8: Reverse Supply Chain (RSC).
- i. JSP 886 Volume 9 Part 1: Disposal of Materiel: Introduction.
- j. Support Solution Envelope (SSE): Key Support Area (KSA) 3.
- k. Support Solution Envelope (SSE) KSA 2: Supportability Engineering-Obsolescence Management.
- l. Support Solution Envelope (SSE) KSA 2: Supportability Engineering – Disposal Planning.
- m. DEFSTAN 05-123: The Technical Procedures for the Procurement of Aircraft and their Weapon and Electronic Systems.

SUPERSEDED PUBLICATIONS

- 8. The following publication is superseded by this instruction:
 - a. JSP 886 Volume 2 Part 2: PT Inventory Planning Version 3.8 dated 2 Aug 10.

CHAPTER 2: PROCESS

DEFINITION

1. Inventory Planning is mandatory policy that enables through life optimisation of inventory effectiveness and efficiency. It is an essential sub-component of a Through Life Management Plan (TLMP). The aim is to minimise military operational and business financial risk over the life of a platform, equipment or commodity range. The inventory scope is defined by Ranging and the level of inventory quantified through Scaling. Appropriate Inventory Analysis, including Logistics Modelling, determines Ranging and Scaling (R&S) and inventory storage volume at key stages in the Concept, Assessment, Demonstration, Manufacture, In-service and Disposal (CADMID) cycle. The policy, which is endorsed by DE&S D Finance as a best practice, directly supports the Planning Round (PR) by helping to justify bids for future funding of inventory requirements.
2. The range, scale, volume and cost of MOD inventory attracts continual attention and close scrutiny both from MOD and external authorities. DE&S, through PTs, must be in a position to demonstrate how well they are meeting the military requirement whilst simultaneously delivering best value for money (VFM).
3. Sub-optimal inventory management increases the risk of both operational failure and inefficiency. Unless the right inventory is in the right place at the right time DE&S will not provide adequate support to Front Line Commands (FLCs) with consequent impact on operations and training. Excessive levels of inventory indicate that DE&S has incurred unnecessary expenditure². Such situations leave specific PTs, and DE&S as a whole, open to criticism from external authorities.

SCOPE

4. Inventory Planning must form part of the Investment Approval Board (IAB) Main Gate (MG) submission to comply with governing policy within the Support Solutions Envelope (SSE). An outline Inventory Plan must be available in time for Initial Gate (IG) submission to demonstrate progressive commitment to applying the policy as soon as possible in the CADMID cycle.
5. Where the inventory is held on the PT balance sheet an Inventory Plan is required, whether it is covered by traditional or CLS arrangements. Where inventory is to be managed off balance sheet, an Inventory Plan mirroring the MOD internal requirement (particularly with respect to Inventory Metrics) is to be obtained from the contractor. The requirement for inventory planning during project development is detailed in the SSE KSA 3 Joint Support Chain compliance narrative.
6. PTs that manage various platforms or equipments should produce an Inventory Plan for the whole inventory covered by the PT, adhering to the principles and basic layout of the Inventory Plan at Procedures. PTs should tailor their plan to suit their particular business needs whilst also providing the necessary information to demonstrate robust planning for inventory optimisation. Thus, options include:
 - a. A generic introduction followed by separate Annexes addressing specific platforms / equipments / capabilities.

² Normally Capital Departmental Expenditure Limit (CDEL) for new purchases of Capital Spares (CS) and Resource Departmental Expenditure Limit (RDEL) for repair costs.

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- b. Close adherence to the format of Procedures, but with sub-paragraphs under each heading covering specific platforms / equipments / capabilities.

KEY PRINCIPLES

7. An Inventory Plan will demonstrate the following 5 key principles:
 - a. Planned inventory levels and storage volume will be based upon meeting Customer requirements and targets as agreed.
 - b. Governance of the Inventory will be achieved through performance measurement and management regimes.
 - c. The Inventory will be optimised through a continual process of analysis and modelling.
 - d. The management of Inventory will comply with Inventory Accounting and Financial Accounting policy.
 - e. Roles and responsibilities for Inventory management are clearly understood for current and future business models.

BENEFITS

8. Optimises the Initial Provisioning List (IPL) from the outset of a support solution through appropriate Inventory Analysis to ensure VFM in meeting the military requirement. Downstream the risk of large scale inventory disposals is mitigated.
9. Contributes to effective current and future through life management by providing a quantitative and qualitative assessment of future inventory requirements for consideration by the PT with key stakeholders, particularly the FLCs, Joint Support Chain (JSC) Services and Industry.
10. Enables the PT to produce robust impact statements on the effect of potential reductions in inventory funding upon platform/equipment readiness and sustainability.
11. Forms an integral part of the evidence provided by PTs to the National Audit Office (NAO) in inventory accounting audit packs. It also assists Defence Internal Audit (DIA) audit by substantiating business and financial requirements for inventory.
12. Encourages greater coherence and integration between the PT, FLC, Industry, Defence Support Chain and other key stakeholders through joint working, data gathering and sharing of knowledge on the required support solution.
13. Requires contractors to demonstrate the robustness of their inventory planning that otherwise might not attract sufficient attention and priority within the overarching platform, equipment or commodity support solution. Thus the PT obtains firmer evidence on which to base assessment and assurance of proposed solutions, including their ability to meet operational and surge requirements.

ROLE OF THE PT

14. Effective inventory planning involves the integration of various logistic, commercial and financial inputs from subject matter experts within the PT and the relevant FLC.

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Specialist advice and support is also available from SCM-SCO.

15. The PT should nominate an Inventory Planner to lead the development and upkeep of the plan on behalf of the PT Leader and functional heads of specialisation. The planner is responsible for ensuring that all the relevant information is compiled and presented coherently by using the structure and content outlined at Procedures. The planner will provide the single point of contact between the PT and SCM-SCO on all inventory planning matters.

16. Further advice and guidance on the compilation of the Inventory Plan is available to PTs from SCM-SCO Plans. Full details of the services of SCM-SCO are at [Annex B](#).

PROCEDURE

17. This procedure guides the PT Inventory Planner through the process of creating an Inventory Plan. The following headings and descriptions of field content are provided for guidance. If one or more are not applicable the heading(s) is/are to be annotated accordingly to explain the reason for exclusion.

SECTION HEADINGS IN THE INVENTORY PLAN

Introduction and Scope

18. This field must detail the specific platform / equipment / commodity group responsible for the Inventory Plan as follows:

- a. PT Title.
- b. PT Location.
- c. Operating Centre.
- d. Mission Statement.
- e. Platform / Equipment / Commodity Group operating environments; must incorporate details of Single Item Ownership of Multi Applicable Inventory Items.
- f. Briefly describe the PTs current contracting arrangements, which may range from traditional to CLS, including all its permutations, such as Contracting for Capability (CfC). Where logistic IS data is available from MOD supply systems PTs are to incorporate number of line items. PTs are also required to indicate any future proposed support solution covering their range to support SSE compliance within Governing Principles (GP) 3.3 and 3.5.
- g. e. Roles and Responsibilities. This field must contain details of the organisational structure supporting the current and future inventory management business model and the roles ascribed. In particular the role of Inventory Planner and Supply Chain Management SME should be detailed, this forms part of assessment criteria 4.

Governance

19. **Involvement of FLCs.** Customers. PTs are to incorporate details of Joint Business Arrangements (JBA) and any relationships to other PTs via Internal Business Agreements

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(IBA). This may be shown in pictorial format (this forms part of assessment criteria 1). This field must demonstrate the relationship the PT has with the relevant FLC and how the needs of the FLC are reflected in the plan i.e. through reflecting outputs required within the JBAs (forms part of assessment criteria 1). Where a PT is not funded sufficiently to meet FLC expectations the Inventory Plan should provide clear evidence of this and its impact on FLC business. The Inventory Plan can then intelligently contribute to the wider debate on Defence funding priorities and must therefore be endorsed by the FLC.

20. IM Planning Review Process & Integration with the TLMP. PTs will undertake regular reviews (at least annually) and provide evidence of these reviews, including details of those involved. Any actions/recommendations are to be recorded and updates provided at subsequent reviews. Additionally, evidence of the integration of the Inventory Plan with the TLMP is to be provided as part of the submission of the plan to SCM-SCO Plans in order to obtain and demonstrate customer agreement and strategic fit to the PT business (forms part of assessment criteria 2). Where a significant change to either operating requirement or new SSE project has been identified the update can be attached as an Annex to the Inventory Plan.

21. Performance Management. This field must detail how the PT manages its performance, the reporting regime in place, the KPIs that are in use and any targets for continuous improvement agreed with the FLCs (forms part of assessment criteria 3). KPIs could include amongst others:

- a. System Availability.
- b. First Demand Availability.
- c. Dues out back log.
- d. Stock issue ratio (for RMC).
- e. Supplier performance.
- f. Inventory Value.
- g. Forward Available Fleet Numbers.
- h. Track Miles / Flying Hours.

FINANCIAL MANAGEMENT

NAO Requirements

22. This section forms part of the evidence supporting assessment criteria 5. The major NAO requirements including Accounting Assurance, Segregation of Inventory, Stock Financial Position and Financial Statement are detailed below. The ownership of risk is further endorsed by the NAO report released July 2007 on Transforming Logistics Support for Fast Jets. It states that as the Department moves to CfC and CfA type arrangements and the contractor takes over responsibility for spares provisioning “the Department cannot afford to be unsighted on issues further down the Supply Chain as ultimately the risk of insufficient serviceable platforms or equipments remains with the Department” (recommendation 2 of the report refers). The PT must therefore be confident that the package offered is optimised to ensure operational availability. Where a CLS / CfA / CfC type contract is in place the following sub-fields are to be completed:

INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

- a. **Accounting Assurance.** This field must describe what accounting systems and arrangements are in place for all MOD owned inventory supported by either, Traditional / CLS / CfA / CfC contracts. It is the responsibility of the PT, as stockowner, to ensure that robust and visible accounting arrangements are in place, particularly where inventory is not visible via MOD supply systems. The PT must identify how accounting balances get on the balance sheet and how they are maintained through the contract life. Guidance on financial and materiel accounting issues to be considered when negotiating CLS / CfA / CfC contracts are given in JSP 886 Volume 3 Part 2 – Contractor Logistic Support, JSP 886 Volume 2 Part 6 – Financial Accounting For Inventory and Support Solutions Envelope (SSE) Key Support Area (KSA) 3. The Resource Accounting Treatment Bulletin (RATB) 13d details the policy that determines stock accounting ownership and PT staff are directed to approach DE&S Partnering Support Group (PSG) for advice in the first instance.
- b. **Segregation of Inventory.** This field must detail what segregation strategies exist within the PTs inventory where the support is via CLS / CfA/ CfC contracts. The PT must describe arrangements made to ensure that positive segregation exists between public and commercial property. This is a requirement where MOD owned inventory is held on contractor supply systems or off Balance sheet inventory is reported to the MOD IS systems. This is particularly important for multi-applicable items in use with other business units. Within this field PTs are required to detail their materiel and financial accounting processes for the management of Government Furnished Equipment (GFE).
- c. **Stock Financial Provision.** This field must specify the value, the method of calculation and assumptions made by a PT when generating the Stock Financial Provision figure. This is created on the basis of an assessment of the quantity of stock for particular items within the Raw Materials and Consumables (RMC) range that have no or reduced forecast usage. This stock therefore has the potential to be surplus to requirements. PTs are to demonstrate that figures have been calculated in accordance with the policy issued by DFMA under cover of DLOHQ / FMSG / DLFM.114.05 dated 30 Nov 05. If required a copy of this guidance can be obtained from SCM-SCO Plans. The PT will need to demonstrate that, where appropriate, decisions have been taken on whether the inventory falls within the following:
- (1) Earmarked for purchase holiday.
 - (2) Earmarked for disposal.
 - (3) Accounting exemption criteria detailed at para 9.
- d. **Financial Statement.** This field must include the tables below, which are to be populated from the most recent Planning Round (PR) information input to provide an overview of the PTs financial position, procurement plans, disposal plans and user consumption. Data can be extracted directly from Pricing Budgeting Forecast (PP&F), noting that all figures are to be quoted as 'Net Book Value in £M'. The production date of the figures must be stated to aid reconciliation of financial data against accounting systems. It is recommended that PTs include risks and assumptions related to the forecast to aid accounting reconciliation (See Para 13). The current and previous year's financial positions are to be shown in Gross book terms also. The PT Inventory Audit Pack is to be used to substantiate these financial

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statements. The issues and justifications articulated in the Inventory Plan and audit pack are required to support NAO reviews.

Figure 1: Financial Statement Table

Capital Spares	FY 1	FY 2	FY 3	FY 4	FY 5	FY 6	FY 7	FY 8	FY 9	FY 10
Opening Balance										
Purchases										
Disposal										
Write-off (including scrap)										
Movements in Depreciation										
Revaluation										
Impairment										
Closing Balance										
Raw Materials and Consumables	FY 1	FY 2	FY 3	FY 4	FY 5	FY 6	FY 7	FY 8	FY 9	FY 10
Opening Balance										
Stock Purchases										
Stock Consumed / Transferred										
Stock Disposal										
Stock Write-off (including scrap)										
Movements in Provisions										
Revaluation										
Closing Balance										

	Opening Balance £m GBV (Current FY)	Opening Balance £m NBV (Current FY)	Current Balance when plan created £m GBV	Current Balance when plan created £m NBV	Current Balance Accounting Period (AP)
Total Inventory Value					AP:_____
Capital Spares					
Raw Materials & Consumables					
Guided Weapons, Missiles & Bombs (GWMB)					
TOTAL					
Anticipated storage volume required within the JSC Services footprint.	m ³ m ²	m ³ m ²	m ³ m ²	m ³ m ²	
Cost of anticipated storage required within the JSC Services footprint	(£M)	(£M)	(£M)	(£M)	
Cost of anticipated storage associated services purchased from JSC Services (for receipt, maintain, issue and distribution).	(£M)	(£M)	(£M)	(£M)	
Anticipated storage volume required within the JSC Services footprint.	m ³ m ²	m ³ m ²	m ³ m ²	m ³ m ²	
Disposal Plan (£m GBV of Disposals in FY)	Current FY Target (£m)	FY Value (£m) Achieved to date	Next FY Target (£m)		
	£0.00	£0.00	£0.00		

23. **Total Inventory Value (£M).** Reflects the Opening Balance (on 1 Apr) on Inventory Holdings. Both Net Book Value (NBV) and Gross Book Value (GBV) are shown and are broken down by category (Capital Spares, RMC and where applicable, Guided Weapons, Missiles & Bombs (GWMB) as supporting information). Any change to the target is that which has been agreed with FLC (and /or the OC leader).

24. **Forecast of JSC Services Inventory Activity and Cost.** Under CDM's direction JSC Services and D Fin are introducing a charging system by which PTs will be charged for the services provided by JSC Services including receipts, storage, maintenance, issues and distribution. This element of forecasting reinforces the requirement to have effective plans and funding and drives the correct behaviour to optimise the future range, scale and

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cost of the Defence inventory. SCM-SCO will assist in the generation of the initial figures. A short narrative is also to be included highlighting trends, causes and effects.

25. **Disposal Plan (£M GBV of Disposals).** This reflects the expected level of disposals for the current financial year, the actual level achieved and the expected level of disposals for the next financial year (as shown within the Planning Round and other financial submissions). This disposal target % should be agreed with the FLC (and / or the OC Leader). PTs are to submit target data on an annual basis.

OPTIMISATION

Analysis and Modelling

26. This field forms assessment criteria 6 which is essential. It must detail what segments of the inventory have been analysed/modelled and give a clear indication of the quality and the depth of that Inventory Analysis utilised to support and justify the level of inventory. This field must also incorporate details of when the inventory was subject to Inventory Analysis and which organisation conducted the analysis. PTs are to indicate how they have planned for surge to ensure availability including operational stocks, sustainability planning, Priming Equipment Packs (PEPs) and the FLC requirements. A guide to Inventory Analysis is available on the SCM-SCO Web. In providing the necessary details, the plan should address the following:

- a. **Ranging and Scaling Activity.** How was or will this activity be sourced? In-house, through SCM-SCO Analysis or through a commercial contractor? Where impartiality or increased confidence levels are required 'comparative analysis' can be carried out using a combination of resources. Has this occurred?
- b. **What Optimisation Tools and Methodologies have been or will be applied to the Subject Inventory?** This might range from simple engineering judgement, single item modelling through to Multi-Indenture Multi-Echelon (MIME) modelling analysis. Best practice involves the use of a tool which has been Validated & Verified (V&V) by SCM-SCO Analysis to ensure accuracy of output and suitability for inventory optimisation. Where V&V has not taken place the Inventory plan should demonstrate that the PT has actively encouraged V&V of the tool and have advised SCM SCO and that a form of comparative analysis has been used in the interim period.
- c. **When was the Analysis Undertaken or last Reviewed and what was its Purpose?** The PT should detail the date and designated key point on the CADMID cycle when analysis occurred or is planned to occur next?
- d. **What approach is evident to the Management of Repairables / Reverse Supply Chain Pipeline Time? (RSCPT).** The PT should detail how repairables are being managed, reviewed and optimised in relation to Initial Provisioning (IP) and Re-provisioning (RP) and what measures a PT has in place to improve the performance of its repairables within the inventory. By applying realistic data to repair management calculations PTs will increase system availability, reduce operational risk, and improve coherence with the JSC. Additionally, logistics analysis may result in a reduction in the equipment tied up in the repair loop, or result in disposal action. Particular attention is drawn to the need to be realistic when using RSCPT parameters, currently detailed in JSP 886 Volume 3 Part 8: Reverse Supply Chain and in particular, this states that Materiel for return will be moved at a routine

INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

Standard Priority Code (SPC). The value of the materiel should not be used to determine movement priority. Items in short supply may be given a higher priority for movement by the PT provided they are prepared to accept the additional cost that may arise from this decision.

e. **Has a review of IP Ranging and Scaling been carried out for any UORs?** A problem area identified by the Op Herrick Spares Diagnostic report, this activity is to be carried out where UORs originally fielded for a specific operation then move onto a campaign footing. As soon as it is identified that the UOR will endure over the initial 2 years for the IP was designed, the PT is to carry out further ranging and scaling.

Segmentation

27. This section must detail what work has been done to segment the inventory to understand key business drivers in terms of value, volume and frequency (forms part of assessment criteria 7). Other areas of segmentation can include:

- a. **Codification of the Inventory.** This field must detail the PTs mandated requirement to meet single item ownership policy and for all items entering the JSC to be NATO codified which is a key enabler for handling and tracking inventory through the JSC in support of operations. Visibility of inventory across Defence, including contractor and MOD owned stock, is therefore essential. Further guidance is detailed in JSP 886 Volume 2 Part 3: Single Item Ownership. It is within this area that PTs are required to give full justifications for holding un-codified inventory, its value, how the value is assessed and reported and what steps if any are being taken to codify this element of the inventory.
- b. **Management Controls.** Management controls, bans, restrictions and referrals, if not properly managed and processed within SPC transaction times and reviewed periodically for relevance, can have a detrimental effect on the Supply Chain's ability to deliver within set targets. The PT must detail the business justification and the review process for inventory items being subject to management or restriction controls (i.e. those items where explicit PT approval is required prior to the satisfaction of each inventory demand).
- c. **Obsolescence.** The plan must articulate a PT's in-service item obsolescence management strategy. This is to ensure inventory availability throughout the life of the equipment. It must identify planned mid-life upgrades, Urgent Operational Requirements (UORs) modification programmes and address procurement strategies, updates to publications and disposal plans. A brief narrative or the inclusion, or reference to, an existing plan will suffice. Further guidance on Obsolescence is contained within the SSE KSA 2.
- d. **Special Inventory Holdings.** Requirements to hold Operational Stocks, Force Generation, Sustainment Inventory (War Reserves, Priming Equipment Packs and Deployable Spares Packs). A brief summary describing the reason for these inventory holdings, and their value, is required. Specific content is not to raise the security classification of the Inventory Plan above RESTRICTED.
- e. **Earmarked Inventory.** Inventory that has been earmarked against a specific programme (e.g. repair, a specific task, a modification programme incorporating planned in service obsolescence).

INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

- f. **Reserved Inventory.** Inventory subject to Memoranda of Understanding (MOU) (e.g. where other countries are involved and also some CLS / IOS / CfA / CfC arrangements, etc).
- g. **'Life of Type' Procurement.** Only 'Life of Type' quantities expected to be consumed within the Out of Service Date. Consumable items where there is doubt over anticipated usage may be kept if they are irreplaceable and can remain as an acceptable Stock (Raw Material and Consumable) financial Provision. Capital Spare retentions must be justified in the narrative. The storage volume of the associated inventory is also to be included.
- h. **Suffix Stock.** Air Operating Centre PTs are to articulate when the last Suffix Stock review has taken place, the number of items, the value of inventory involved and the percentage breakdown for retained, task for repair and inventory identified for disposal.

Disposal Plan

28. This field forms part of the evidence supporting assessment criteria 8. As part of Through Life Management Planning a PT must have a Disposal Plan covering planned obsolescence, equipment and materiel out of service management. This field must also articulate in-service disposal requirements covering such elements as optimisation of stock holdings. For new projects the PT should be in the process of developing a strategy to monitor and deal with disposal issues covering both in-service obsolescence and final out of service management.

- a. A PT can either include a current disposal plan as an Annex to the Inventory Plan or embed a brief narrative within this field. Once exemptions have been applied the Stock Financial Provision figure articulated at Paragraph 7c can form a soft target within the Disposal Plan (Items frequently move in and out of the exemption criteria). The PT is also to detail the period of time the Disposal Plan and Stock Financial Provision figure covers and how the figures were calculated. The targets for the current Financial Year (FY) and the next, as £M Gross Book Value, are to be articulated in the financial planning required for assessment criteria 5.
- b. The plan must comply with MOD policy regulations and current legislation e.g. for Health and Safety, Hazardous Waste, etc. The Disposal Services Authority (DSA) will provide guidance regarding advice on developing strategy plans, legislative aspects and on asset valuations. JSP 886 Volume 9 Part 1: The Disposal of Materiel – Introduction to Disposal provides further policy and procedures. Additionally the GP for Disposal Planning is contained within the SSE KSA 2.

Data Availability to Support Inventory Analysis

29. This field forms part of the evidence supporting assessment criteria 9. It must detail the PTs data management strategy irrespective of the support solution selected and must include its availability, source, method of transfer across Information Systems and the level of confidence in the integrity of raw data to support Inventory Analysis, supply, engineering and financial accounts.

30. It is imperative that key item data (engineering, supply, financial and operational), provisioning parameters, pricing and stock categories etc are kept up to date by PT or contractor staff. Failure to comply would mean that Logistic analysis utilising modelling

INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

and simulation of the inventory could not be readily carried out and that future optimisation of the inventory would be compromised. The lack of correct key data elements will also affect the balance sheet, which would not then accurately reflect a true picture. Also availability to the FLC could potentially be compromised due to poor performance. Advice on the key data fields to hold and maintain, particularly for engineering, supply and support to operations can be obtained from SCM-SCO Analysis.

31. Details should be provided on what review process is in place to ensure that Item Data Records are maintained. The PT must detail how engineering information will be captured, whether through the MOD Logistics IS for contractor's Log IS. If contractor's systems are used, the PT must detail what provision is in place to enable this data to be available for future analytical work to be undertaken.

Volumetrics

32. The future Base Inventory Management System (BIMS) will hold materiel volumetric data which will provide accurate storage, distribution and costing information to LCS (formerly JSCS), FLCs and PTs. The volumetric data elements required by BIMS will be detailed in Defcon 117 - Supply of Documentation for NATO Codification processes and this condition should be specified in all contracts for the initial provisioning of spares. The master source of volumetric data will be ISIS. The required size and weight volumetrics are detailed in the Controlled Value Repository (CVR) on the Defence Intranet, and the format of the data requirements that industry is to provide are detailed in ASD S2000M.

Risks and Assumptions

33. This field must detail the planning assumptions used in the creation and maintenance of the Inventory plan together with highlighting areas of risk and how these will be mitigated (forms part of assessment criteria 10). The inventory planner should provide a brief narrative covering Risks and issues affecting the inventory and any proposed solutions to resolve these issues in the form of a discrete table within the inventory plan. The Inventory Planner must also incorporate detail of the PTs risk and assumptions review processes and when they were last reviewed.

INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

ANNEX A: INVENTORY PLANNING ASSESSMENT CRITERIA

Introduced at Governing Policy and Assurance

Ser	Assessment Criteria												
1	FLC and other customer requirements, including current/predicted consumption, are shown to be confirmed, clearly understood and monitored against the plan.												
2	Clear evidence of through life planning and that the Inventory Plan forms part of a Project Team's (PTs) Through Life Management Plan (TLMP) and Planning Round (PR) process. Documented evidence exists of regular PT Inventory Plan reviews and that actions arising are implemented, including processes to identify disposal opportunities and manage obsolescence.												
3	Performance management metrics, including Inventory Storage Volumetrics, are detailed within the plan with performance targets agreed and reviewed with FLCs.												
4	Roles and Responsibilities for Inv Mgmt are clearly laid out within the plan.												
5	Inventory accounting arrangements (which must include all Contractor Logistics Support (CLS) type solutions) are compliant with MOD inventory accounting policy and meet NAO requirements.												
6	Inventory Analysis has been conducted at the appropriate level of sophistication in support of designated key stages of the CADMID life cycle, namely Initial Provisioning (IP), Major Modifications and Mid-Life Updates and major changes in platform / equipment complement. However a recent inventory review using a V&V Inventory Analysis technique is considered best practice and Inventory Planners should describe their engagement with SCO Analysis to appropriately V and V any tools in use. Alternatively Comparative Analysis' is considered a valid technique under this assessment criterion. Where an optimised solution has been provided by logistics analysis and not acted upon the justification for this is to be articulated within the plan.												
7	Plan needs to articulate the approach to inventory segmentation undertaken with targets where appropriate to improve performance.												
8	The PT has developed and maintained a disposal plan with clear objectives and targets.												
9	Provision has been made to ensure capture, collation and maintenance of the appropriate inventory data (supply, logistics analysis and financial); otherwise Logistics Analysis and Financial Accounts will be compromised.												
10	Inventory Planning assumptions and associated risks are documented and an action plan is in place with clear timescales to rectify or mitigate the associated risk.												
<p>Levels of Inventory Plan</p> <p>1. Inventory Plan assessments will be reported up to the DE&S Chief Operating Officer (COO) as part of DE&S governance and performance management. While all 10 criteria are important, numbers 1, 5 and 6 which are highlighted above are essential and must be met if an Inventory Plan is to be assessed as GREEN.</p> <p>2. The levels of maturity attainment are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">a.</td> <td style="width: 15%;">GREEN</td> <td>9 or 10 criteria met, including all 3 of those considered essential.</td> </tr> <tr> <td>b.</td> <td>YELLOW</td> <td>6, 7 or 8 criteria met, including 2 of those considered essential.</td> </tr> <tr> <td>c.</td> <td>AMBER</td> <td>3, 4 or 5 of the criteria met, including 1 of those considered essential.</td> </tr> <tr> <td>d.</td> <td>RED</td> <td>2 or less criteria met, or No plan submitted.</td> </tr> </table>		a.	GREEN	9 or 10 criteria met, including all 3 of those considered essential.	b.	YELLOW	6, 7 or 8 criteria met, including 2 of those considered essential.	c.	AMBER	3, 4 or 5 of the criteria met, including 1 of those considered essential.	d.	RED	2 or less criteria met, or No plan submitted.
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d.	RED	2 or less criteria met, or No plan submitted.											

ANNEX B: SPECIALIST ADVICE AND GUIDANCE ON INVENTORY PLANNING

Introduced at Role of PT

General Guidance

1. SCM-SCO provides authoritative guidance and advice to all key stakeholders. It provides a 'one stop shop' service for all aspects of Inventory Planning. SCM-SCO will support stakeholders with NAO audits and assist them in dealing with Public Accounts Committee (PAC) and House of Commons Defence Committee (HCDC) requirements in this important, operationally and financially significant high profile area of DE&S business activity. SCM-SCO provides the following services to customers:
 - a. Assistance in understanding, planning, managing and accounting for inventory holdings whilst ensuring and maintaining RAB compliance.
 - b. Direction on the financial and materiel accounting and Support Chain Inventory Planning issues related to all forms of CLS.
 - c. In-service inventory optimisation support to PTs and objective evaluation of existing Inventory Plans, recommending improvements where necessary to make best use of scarce resources.
 - d. Inventory Planning / optimisation and financial / material accounting to enable PTs to meet their key business objectives.
 - e. Resource Accounting and Budgeting compliant inventory management information to enable sound decision making by PTs.
 - f. Development and provision of 'hands on' training to PTs in the use of bespoke Inventory Optimisation Tools and associated support tools and processes.
 - g. A range of Inventory Analysis and Simulation techniques to suit individual customer problems and circumstances. At their most complex, these could include taking a wide range of inventory data (engineering, supply chain, financial and operational) and putting it through a suite of sophisticated modelling and simulation tools, analysing the output and presenting an optimised inventory to meet a required level of availability within budgetary constraints. This can be achieved, for initial provisioning and major re-provisioning, including sustainability planning in support of specific military operations. The techniques can also be tailored to include modelling 'what if' scenarios to assist specific decision-making. Where SCM-SCO Analysis is unable to provide this service direct in the event of competing priorities competent contractors can be identified to provide the service.
2. Additional organisational information including points of contact are at SCM-SCO Web Site.