

# JSP 886 THE DEFENCE LOGISTICS SUPPORT CHAIN MANUAL

## VOLUME 8 THE STORAGE OF MATERIEL

### PART 2 STOCK SEGREGATION



MINISTRY OF DEFENCE

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# INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET

## Table of Contents

<b>CHAPTER 1 - INTRODUCTION TO STOCK SEGREGATION</b> .....	<b>3</b>
Purpose .....	3
Ownership and Point of Contact.....	3
Glossary.....	3
Linked Publications.....	4
Superseded Publications.....	4
<b>CHAPTER 2 - STOCK SEGREGATION POLICY</b> .....	<b>5</b>
Background .....	5
Aim.....	5
Considering Factors .....	5
Policy and Application .....	6
Fuels, Lubricants and Industrial Gases .....	7
Munitions .....	7
Velocity Classification (Vel Class) Segregation.....	7
Exclusions from Segregation.....	8
Threats to Stock .....	8
Annex A - Velocity Class Illustration.....	9
Annex B - Fire Risk Management Benchmarking .....	10
General Description .....	10
Assessment of Risk and the Business Continuity Plan.....	11

## Table of Figures

Figure 1 – Velocity Classes .....	9
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# **INTERNET VERSION – MASTER IS ON THE DEFENCE INTRANET**

## **CHAPTER 1 - INTRODUCTION TO STOCK SEGREGATION**

### **PURPOSE**

1. The purpose of this instruction is to define the Defence Stock Segregation policy that will govern the segregation of all materiel within all defence storage facilities, including buildings and open storage areas, at depot facilities, static and deployed stock-holding units. This equally applies to all MOD stocks held by defence contractors under Contractor Logistics Support (CLS) arrangements and consequently, must be considered by Integrated Project Teams (IPT) when entering into any such arrangements. This instruction is not intended for HM Ships, RFAs or Army units at first line.
2. In simple terms, this Pamphlet removes the financial ceilings imposed upon storage providers in the 1980s and in place introduces the duty for IPTs and storage providers to agree and exercise appropriate business continuity and risk management plans to protect stock. In addition, IPTs retain responsibility for requesting dual point holdings with necessary justification, for example, for items which are deemed to be of strategic importance or are in short supply or mission critical.

### **OWNERSHIP AND POINT OF CONTACT**

3. 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.
4. This instruction is sponsored by DES JSC SCM (Pol Dev) who should be approached in case of technical enquiries about the content:

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### **GLOSSARY**

6. A glossary of Support Chain terms is available in JSP 886 Volume 1 Part 1A.

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### **LINKED PUBLICATIONS**

7. The following publications are linked to this instruction:
  - a. JSP 317 - Joint Service Safety Regulations for the Storage and Handling of Fuels and Lubricants.
  - b. JSP 319 - Joint Service Safety Regulations for the Storage and Handling of Liquefied Petroleum Gas (LPG) and Industrial Gases (IG).
  - c. JSP 426 - MOD Fire Safety Manual.
  - d. JSP 482 - MOD Explosives Regulations.
  - e. JSP 503 - Business Continuity Management.

### **SUPERSEDED PUBLICATIONS**

8. The following publications are superseded by this instruction:
  - a. Interim Supply Chain Procedure (ISCP) No. 51.
  - b. SCMI No 9/4. Stock Segregation for WSA/ DG Log (Fleet) Owned Stock.

## **CHAPTER 2 - STOCK SEGREGATION POLICY**

### **BACKGROUND**

1. Following two significant storage site fires in the 1980s, a policy was developed that segregated stock on a financial basis. This policy was aimed at protecting vital assets and reducing the risk of stock losses by ensuring that stocks were held in a number of locations prior to issue.
2. The previous policy also introduced several types of segregation, most notably:
  - a. **Depot Segregation.** A specific range of stock segregated between storage depots/ centres. This affords the highest degree of safeguarding stocks from all perceived threats.
  - b. **Intra-Depot Segregation.** The depot stockholdings of a specific range segregated further between depot site, or dispersed buildings within a depot. This form of segregation is an effective means against all but the most widespread of major incidents.
  - c. **Building Segregation.** Fire compartments within the same building segregate the stockholdings of a specific range.
  - d. **Open Air Storage.** There are limited means of achieving segregation in open air storage but distance, shelter, and/ or barriers provide some protection against losses which may occur as a consequence to fire, contamination or exposure to weather conditions or natural disaster.
3. The previous policy categorised stock as being in either Category A or B, predicated on strategic importance and value. In addition, an annually assessed value was set on the maximum value of stock that could be held in a single building.
4. With the introduction of modern supply chain initiatives which includes the reduction of the storage footprint and reducing inventories, a value based principle of segregation has proven unsustainable and therefore a fresh approach is required.

### **AIM**

5. The aim of this policy is to establish a sustainable means of Stock Segregation that is pertinent to modern processes, strategic initiatives and revised Joint Supply Chain (JSC) methodology across all defence storage facilities.

### **CONSIDERING FACTORS**

6. In pursuance of the operational benefits and commercial efficiencies encompassed in the Future Defence Supply Chain Initiative (FDSCi), the JSC has:
  - a. Reduced the storage footprint through closure of 3 major storage sites thereby reducing opportunity for routine segregation.
  - b. Re-brigaded other sites in support of Whole Fleet Management and other procurement and support initiatives.

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- c. Due to the rising cost of the Defence Inventory, linked to inflation and technology costs, provided storage to a higher value inventory within a smaller storage footprint.
- d. Reduced the overall cost of the storage footprint, through the reduction of the physical footprint and optimisation of the storage capacity.
- e. Committed to continued improvement within the defence inventory, in conjunction with Integrated Project Teams (IPT), through improved delivery of coherent JSC performance and process.

7. Consequently, it can be seen that whilst there is an absolute need to protect the defence inventory, this must be considered alongside the operational need to ensure flow of stock and optimised performance. This will ensure the delivery of capability to the front line.

### POLICY AND APPLICATION

8. The stock segregation policy contained in this instruction is to be applied by all storage providers and places on them a duty to undertake appropriate business continuity, risk management and business planning to mitigate against risk or loss to their stock holding and facilities utilising appropriate advice. In support of this, equipment stock is to be classified as either:

- a. **Category A.** Items of strategic importance and items that merit special storage arrangement.
- b. **Category B.** Items that merit routine storage.

9. IPTs are responsible for advising storage providers of all items for which Category A storage, Items of Strategic Importance, is justified. Items that are not deemed to be of strategic importance will default to routine storage, Category B, unless IPTs direct otherwise.

10. The default stock-split for items identified as Category A is 70/30, however where less than 10 items exist within the Defence inventory a split of 50/50 may be requested by the stockowner.

11. Items designated as strategically important should be identified on the appropriate item management system, using a specific Item Data field for the purpose. This data should also be held on warehouse management systems, operated by storage and distribution centres, to manage the Stock Segregation process. IPTs will be required to review the process periodically to re-assess items designated for Category A storage and to inform storage providers of any subsequent alterations of status.

12. Storage providers are defined as any custodian of MOD materiel whether at depot or unit level, including deployed units<sup>1</sup> and CLS contractors, and are responsible for ensuring:

- a. Production of local Orders and procedures for implementation and maintenance of the Stock Segregation planning, execution and a safe storage environment.

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<sup>1</sup> This does not include Army units at first line.

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- b. Implementation and exercise of appropriate business continuity and risk management, predicated on appropriate professional advice from providers such as the MOD Business Continuity and Risk Management focal points and the Defence Fire Risk Management Organisation (DFRMO) utilising the Resource Allocation Risk Management (ReARM) methodology to ensure the safety of stock coherent with JSC operations.
- c. Monitoring stored items to ensure customer requirements are met appropriately.

### **FUELS, LUBRICANTS AND INDUSTRIAL GASES**

13. Detailed guidance on the Stock Segregation for Fuels and Lubricants is contained in JSP 317. Detailed guidance on the Stock Segregation for Liquid Petroleum and Industrial Gases is contained in JSP 319.

### **MUNITIONS**

14. Detailed guidance on the Stock Segregation for Munitions is contained in JSP 482.

### **VELOCITY CLASSIFICATION (VEL CLASS) SEGREGATION**

15. The JSC operates a system of stock classification segregation based on velocity and volumetric footprints. These Vel Class are designated A to E as described below and are not to be confused with the IPT determined Cat A and B segregation described at Paragraph 8 above.

16. The Vel Class strategy is the means by which maximum velocity of movement is achieved within defence storage allied to achieving the full utility of the reduced MOD materiel warehouse footprint. Commodities are stored in accordance with known movement history and in line with DFRMO recommendations. Every live NATO Stock Numbers (NSN) is assigned a Vel Class and they are as follows:

- a. 'A' Class stock has moved once within 3 months. This stock is fast moving and would normally be managed within a bespoke 'fast moving' warehouse. This concept is critical to providing agility into the JSC to meet operational surges.
- b. 'B' Class stock moves once between 3 months and a year. Category 'B' products can be held independently of the fast moving products' warehouse by nature of their volume and demand pattern.
- c. 'C' Class stock moved once between 1 and 3 years but require maintenance and IPTs are still procuring stock.
- d. 'D' Class items have not moved within 3 years and were not required in recent Operations but still require maintenance. These items are characterised as 'Deep & Dark' and their storage maximises use of warehouses with limited services/ facilities and where there is minimal requirement for maintenance. Such warehouses are unlikely to have a permanent workforce.
- e. 'E' Class items are for obsolete equipments and where practical utilise 'Deep & Dark' storage facilities. Stockowners are responsible for ensuring that they have an effective Disposals Programme in place with DSA to reduce these holdings.

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17. Velocity Class items are illustrated at [Annex A](#).

### EXCLUSIONS FROM SEGREGATION

18. The following categories of items are excluded from Stock Segregation policy:

- a. **Obsolete Items.** Stocks of items which are obsolete or have been declared for disposal may be excluded from stock segregation.
- b. **Hazardous Items.** Hazardous items which require special storage facilities, (eg, Chemical, Radioactive), may be excluded from stock segregation unless specifically requested otherwise by Inventory Managers.
- c. **Items Declared for Disposal.** Stocks of items which have been earmarked for disposal may be excluded from stock segregation.

### THREATS TO STOCK

19. This policy is intended to protect vital assets and to reduce the risk of stock losses. Risk Management and Business Continuity Plans, JSP 503, are to take into consideration the numerous potential threats to stocks. Whilst not an exhaustive list, these threats may include the following:

- a. **Fire.** DFRMO advice is to be sought to determine appropriate levels of Fire Protection utilising the ReARM methodology. To inform this process fire risk management benchmarking guidance is at [Annex B](#).
- b. **Criminal and Terrorist Activity.** A threat exists from disaffected employees, criminals and terrorists ranging from theft and fraud to losses caused by Improvised Explosive Devices (IEDs), including incendiaries. The possibility of criminal or terrorist activity preventing the MOD from completing its functions is countered by security measures at all stock holding points
- c. **Climatic Conditions.** The extent of damage as a result of extreme meteorological conditions such as flooding, heat and cold could be substantial. Therefore, the location of storage sites is an important factor in assessing the risk to stock.

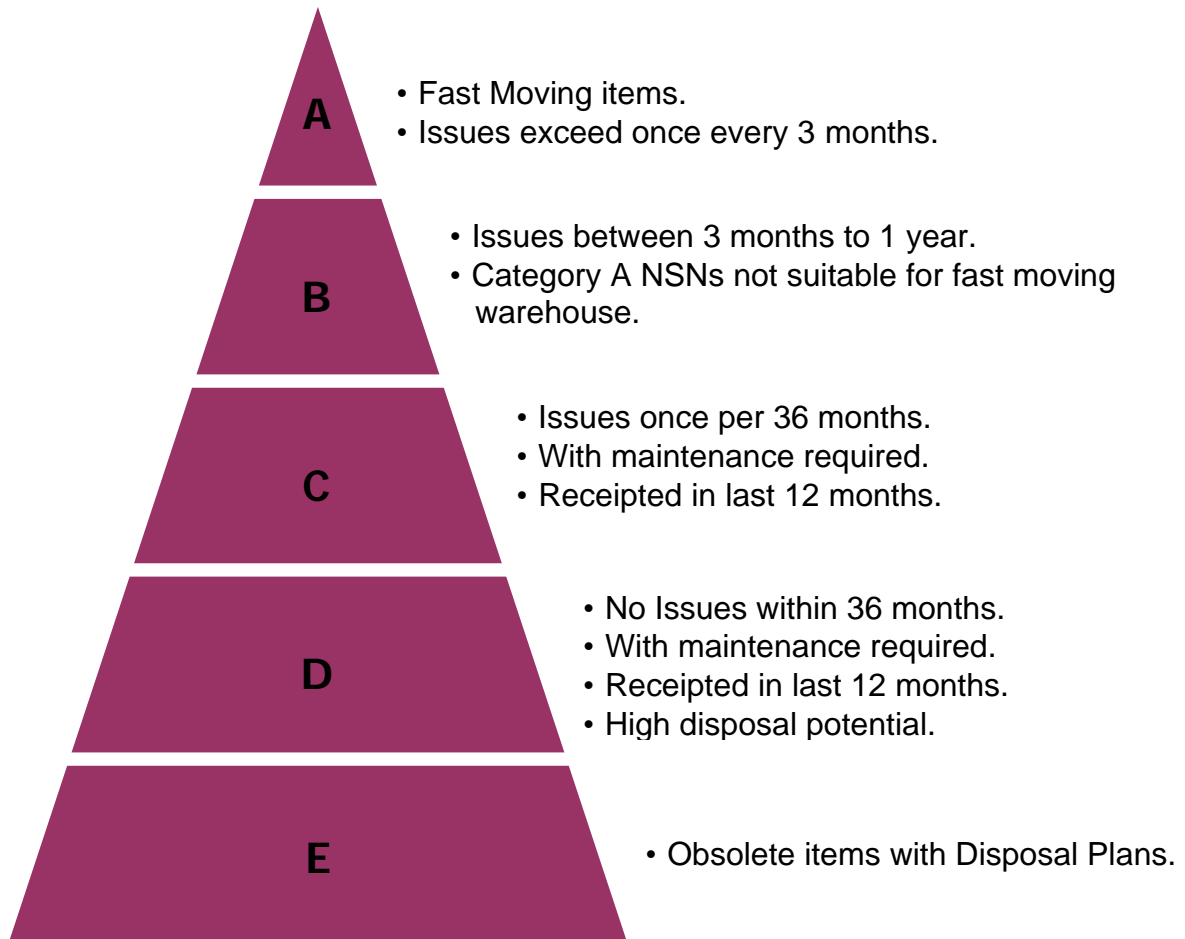
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## ANNEX A - VELOCITY CLASS ILLUSTRATION

(Introduced at [Paragraph 17](#))

1. The movement of items with associated Velocity Class is illustrated below in terms of a pyramid or phalanx. The focus of activity and attention is at the apex, with activity and movement decreasing through the depth of the structure until eventual disposal. Items that are long lead or are lifetime buy may attract a slower moving Velocity Class, this is not however intended as an indication of disposal potential.

**Figure 1 – Velocity Classes**



**ANNEX B - FIRE RISK MANAGEMENT BENCHMARKING**

(Introduced at [Paragraph 19](#))

**GENERAL DESCRIPTION**

1. **Fire Risk Within Store Houses.** The National Audit Office published a report titled, 'Ministry of Defence: Management of Fire Risks' in 1996<sup>2</sup>. This report predates many of the advances made within the sphere of Business Continuity and Risk Management articulated in JSP 503 and as evidenced in academia<sup>3</sup>, however significantly the National Audit Office report agreed the need for established maximum financial limits on stores within compartments. Whilst this policy no longer agrees with the misplaced sense of security engendered through financial rather than operational risk management, it is considered that a single maximum compartment total of £300m<sup>4</sup> is appropriate for benchmarking purposes providing that this is supported with an appropriate business continuity and fire risk management plan.

2. Under Building Regulations, a Fire Protected Compartment or Building is a 'building or part of a building, comprising one or more rooms, spaces or storeys, constructed to prevent the spread of fire to or from another part of the same building, or an adjoining building'. However, for the purpose of this instruction it is necessary to differentiate between compartment and buildings with racking and non-racking storage systems. Therefore, following criteria applies:

a. **Fire Protected Compartment and Building with Racking Storage Systems.**

For the purpose of this instruction a Fire Protected Compartment or Building is a compartment or building which incorporates the following Fire Prevention Measures:

- (1) Automatic mechanical roof ventilators which can be actuated by the automatic fire detection system, fusible link and manual override controls.
- (2) Fire protected structural steel work.
- (3) In-Rack Automatic 'Fast Response' Sprinklers in high-rise racking.

b. **Additional Measures.** In addition to the above Fire Protection Measures, at least one of the following measures to provide early warning of a fire or reduce the spread of smoke/ fire must also be incorporated noting that is preferable to incorporate all 3 measures where possible:

- (1) Automatic Smoke detection and alarm systems (additional National Audit Office criteria).
- (2) Storage in steel bins, sheet steel tops and bottoms to racks.
- (3) Tiered storage where mezzanine floors are steel.

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<sup>2</sup> London, HMSOO, HC 129 Session 1995-6 published 24 January 1996.

<sup>3</sup> Pattinson, I. H. (1999) Stores Sustainability (Its Measurement and Maximisation). Cranfield University.

<sup>4</sup> This demonstrates a 10% increase on the maximum storage value of £270m established in 2006.

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c. **Fire Protected Compartment and Building with Non-racking Storage Systems.** For the purpose of this instruction, in order for a compartment or building with a non-racking storage system to be considered Fire Protected, at least four of the following measures must be incorporated:

- (1) Load bearing elements of the structure are protected with Fire Resistance to prevent building collapse.
- (2) Sprinklers / automatic fire suppression fitted in accordance with Crown Fire Standards.
- (3) High level low temperature melting plastic panels provided in accordance with Crown Fire Standards or automatic roof ventilators which can be actuated by the automatic fire detection system; fusible link and manual override controls.
- (4) Automatic smoke detection and alarm systems (additional National Audit Office criteria).

### **ASSESSMENT OF RISK AND THE BUSINESS CONTINUITY PLAN**

3. Business Continuity plans should be cognisant of the higher security provided by military establishments, the alert military ethos and nature of the work force and the co-location of the Defence Fire Risk Management Organisation (DFRMO) support.

4. Each compartment or building, where the need applies, is to be individually assessed by the Local Fire Advisor to establish appropriate protection to assessed risk. Further guidance, if required, can be obtained from the Headquarters, DFRMO, MOD Fire Safety Policy, HQ DE&S, Andover 94371 5427.