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Ministry  
of Defence

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

**VOLUME 2**  
**INVENTORY MANAGEMENT**

**PART 2**  
**PROJECT TEAM INVENTORY PLANNING**

<b>VERSION RECORD</b>		
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## **CHAPTER 1: INTRODUCTION**

### **INTRODUCTION TO INVENTORY PLANNING**

1. Inventory Plans are key to ensuring and demonstrating that PT inventory is properly justified, managed and controlled, through life, to ensure both VfM and platform/equipment readiness and sustainability. The Plans are integral to CDM's comprehensive strategy for dealing with the Inventory across DE&S.
2. The plan is to be treated as a 'living' document, adding value to PT business by:
  - a. Setting the context for inventory.
  - b. Requiring, as a minimum, evidence that a number of core inventory management activities have been undertaken.
  - c. Supporting the identification of key gaps or actions required.
  - d. Supporting the ABC Financial planning processes for inventory.
3. The plan also allows for inventory performance to be monitored utilising the links to financial inventory management information. This is covered in more depth at Chapter 3 Section 3.
4. Inventory Planning applies to MOD platform, equipment and commodity PTs involved in inventory management, including both traditional support and Contractor Logistic Support (CLS), and similar, solutions.<sup>1</sup> It applies to all MOD owned inventory whether inventory is held on or off system, however inventory planning requirements will vary according to whether or not the inventory is on the MOD balance sheet.
5. 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.

### **POLICY**

6. 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 policies signposted within 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) and must be submitted and assessed to provide support to the PT Planning Round (PR)/ABC submission.

### **GOVERNING POLICY AND ASSURANCE**

7. This policy is mandated and defines the governing policy (GP) for Inventory Planning. SSE KSA 3 signposts the critical policies to be considered and adhered to during the development and implementation of the support solution.
8. The PT leader is responsible for the quality of the Inventory Plan. The maturity of all

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<sup>1</sup> CLS is a generic term covering various forms of Contracting for Availability (CfA) and Contracting for Capability (CfC) support. See the support Options Matrix for further details

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PT Inventory Plans is subject to annual review using the assessment criteria guidelines detailed at Annex B. IMOC SCE and SCP will assess individual PT plans for evidence of compliance against 10 assessment criteria, 5 of which are essential to meet the highest maturity level. SCE, who will also guide and assist PTs to develop their Inventory Plans, will also review assessment criteria annually.

9. Feedback from IMOC 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.

10. The overall status of Inventory Plans is reviewed regularly by DG Res, the DE&S Chiefs of Materiel (CoM) and Operating Centres (OC) leaders as an integral part of the DE&S ABC process and performance management regime.

11. Many functions within a PT have an impact on Inventory and will need to contribute to the plan. It is recommended that the PT Inventory Plan should also form part of the Induction training of all personnel entering the PT, and widely redistributed following each annual review, or after a significant amendment.

#### **OWNERSHIP AND POINTS OF CONTACT**

12. The policy, processes and procedures described in the Defence Logistics Support Chain Manual (JSP 886) are owned by Assistant Chief of the Defence Staff (Logistic Operations) (ACDS (Log Ops)). Head Support Chain Process (SCP-Hd) is responsible for the management of Inventory policy on behalf of D Inv Mgt.

- a. This instruction is sponsored by DES IMOC SCP-SupPol-SL who should be approached in case of technical enquiries about the content:

[DES IMOC SCP-Supply-SL](#)

Tel: Mil 9679 81380, Civ 030679 81380

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- c. Enquiries on the creation of the Inventory Plan should be addressed to :

DES IMOC SCE IM OC POCs

- d. Enquiries on Analysis and Modelling of Inventory should be addressed to:

[DES IMOC SCP-Analysis-SL](#)

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- e. Enquiries on the financial elements of the plan should be addressed to:

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- f. Enquiries on the Supply Support Plans should be addressed to:

[DES IMOC SCP-Supply Support](#)

Tel: Mil 9679 80398, Civ 030679 80398

#### **LINKED PUBLICATIONS**

13. 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 3: Support Solution Envelope \(SSE\).](#)
- d. [JSP 886 Volume 2 Part 1 Chapter 13: Inventory Segmentation.](#)
- e. [JSP 886 Volume 7 Part 8.10: Supply Support.](#)
- f. DEFCON 117: Supply of Documentation for NATO Codification Purposes.
- g. [JSP 886 Volume 7 Part 2: ILS Management.](#)

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## **CHAPTER 2: PROCESS**

### **DEFINITION**

1. Inventory Planning is a mandatory requirement that enables through life optimisation of inventory. It is an essential component of a Through Life Management Plan (TLMP) and the PT Supply Support Strategy. The aim is to minimise both military operational risk and the cost of inventory over the life of a platform, equipment or commodity range. The policy, which is endorsed by DE&S DG Res as a best practice, directly supports the ABC process 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 delivering best Value For Money (VFM) whilst simultaneously meeting the military requirement.
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 expenditure. Such situations leave specific PTs and DE&S as a whole, open to criticism from external authorities.

### **SCOPE**

4. Where the inventory is held on the PT balance sheet, or where a service is funded by the PT an Inventory Plan is required, whether it is covered by traditional, CLS, or similar arrangements. The various support options available to PTs are detailed in JSP 886, Vol 7, Pt 2, Chap 2 ILS Management Process.
5. It is the responsibility of the PT to ensure that any contracts such as IOS/CLS/CFA have the appropriate inventory management obligations placed on the contractor where the contractor manages stock on behalf of DE&S. Where a PT has a project/equipment/platform/service that is in the earlier stages of the CADMID cycle, they may produce a developmental Inventory Plan if they wish, covering those sections applicable at that point in time, but should seek agreement to this from their IMOC SCE Support IM POC.
6. The PT Financial Controller (FC) is responsible for determining whether or not inventory is held on the MOD balance sheet. Where the on or off balance sheet decision is a marginal one or is potentially novel or contentious, the PT FC is to refer the decision to DE&S Fin FA FRET.
7. A fit for purpose through-life Inventory Plan is a key element of the Supply Support Plan and must form part of the Investment Approval Board (IAB) Main Gate (MG) submission to comply with policies as sign posted by Governing Policies within the Support Solutions Envelope (SSE). The Inventory Plan is a living document, it is to be reviewed once year as a minimum and updated as required to reflect significant changes and at key stages in the project.
8. PTs that manage various platforms or equipments must produce an Inventory Plan for the whole inventory covered by the PT, adhering to the principles and basic layout the Inventory Plan at Chap 3 Procedures. PTs should tailor their plan to suit their particular

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business needs whilst also providing the necessary information as documented at Chap 3 Procedures to demonstrate robust planning for inventory optimisation.

9. Recent best practice has highlighted that where an OC takes an overall interest in the progress of individual PT Inv Plans and coordinates their production and submission, the Plans are often of better quality.

## **KEY PRINCIPLES**

10. An effective Inventory Plan will demonstrate the following 6 key principles:
- a. Planned inventory levels and storage volume will be based upon meeting Customer requirements and targets as agreed. It is the responsibility of the PT to engage with the Customer to determine an accurate forecast at all stages of the product life cycle.
  - b. Governance of the Inventory will be achieved through performance measurement and management regimes.
  - c. The Inventory will be optimised by a through-life process of analysis and modelling.
  - d. The management of Inventory will comply with Materiel Accounting and Financial Accounting policy.
  - e. Roles and responsibilities for Inventory management are clearly understood for current and future business models.
  - f. The maturity and quality of the data managed and maintained is clearly understood.

## **BENEFITS**

11. IM planning is of benefit because it:
- a. Optimises the Initial Provisioning List (IPL) prior to the in-service date through appropriate Inventory Analysis to ensure VFM in meeting the military requirement. Downstream the risk of large scale inventory disposals is mitigated.
  - b. 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, IMOC, Logistics Services (LS) and Industry.
  - c. Contributes and supports the financial ABC process enabling the PT to produce robust impact statements on the effect of potential reductions in inventory funding upon platform/equipment readiness and sustainability.
  - d. Forms an integral part of the evidence provided by PTs to the National Audit Office (NAO) in inventory accounting. It also assists Defence Internal Audit (DIA) audit by substantiating business and financial requirements for inventory.
  - e. Encourages greater coherence and integration between the PT, FLC, Industry, IMOC, LS and other key stakeholders through joint working, data gathering and

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sharing of knowledge on the required support solution.

- f. 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.
- g. Contributes and supports inventory performance monitoring and management.
- h. Provides context and a better understanding of inventory issues, enabling action planning and improvements in inventory performance.

## **ROLE OF THE PT**

12. The PT leader is responsible for submission and the quality of the inventory plan. The PT must nominate an Inventory Plan coordinator to lead the development and upkeep of the plan on behalf of the PT Leader and functional heads of specialisation. Effective inventory planning involves the integration of various logistic, commercial and financial inputs from subject matter experts within the PT and the relevant FLC. The coordinator 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 SCE on all inventory planning matters.

13. Specialist advice and support is available from DES IMOC SCE OC IM POCs and DES IMOC TFM-Fin Bud 2. Full details of the services are at [Annex A](#).

## **APPROVALS PROCESS**

14. As stated in Chapter 1 the maturity of all PT Inventory Plans is subject to annual review using the assessment criteria guidelines detailed at [Annex B](#). IMOC SCP and SCE will assess individual PT plans for evidence of compliance against 10 assessment criteria, 5 of which are essential to meet the highest maturity level. The assessment determines whether the minimum level of inventory planning and optimisation activities have been undertaken and whether adequate inventory controls and review mechanisms are in place.

15. Feedback from SCE 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.

16. The overall status of Inventory Plans is reviewed regularly by DG Res, the DE&S Chiefs of Materiel (CoM) and Operating Centres (OC) leaders as an integral part of the DE&S ABC process and performance management regime. IMOC will periodically highlight strategic issues and significant trends for senior management attention.

## **TIMING**

17. To align the Inventory Plan production with the financial ABC, and to support associated financial planning and the Command Acquisition Support Plan (CASP formerly SC) processes, PTs are required to submit an Inventory Plan annually at 28 Feb latest that looks forward from the first year of the next ABC period, and back to the previous year. It is recognised for instance that the figures for Yr 1 onwards may not yet have had DG Res



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approval as part of CT setting, but as only a link is required to the financial table workbook, this link will be updated as and when there are any changes made.

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## **CHAPTER 3: PROCEDURES**

### **PROCEDURES**

1. These procedures guide the PT Inventory coordinator through the process of creating an Inventory Plan. The Inventory Plan should seek to provide only the detail required below, with any additional information the PT feel needs to be included added as an annex. It must provide definitive statements against each of the criteria supported by evidence where required. Use of links is preferable and prior to the assessment, the PT is to liaise with their SCE Support IM POC to ensure that all assessors have access to the PT storage area of the plan and supporting documents. The following section headings and content are to be included. If one or more are not applicable the heading(s) is/are to be annotated accordingly to explain the reason for exclusion; sections must not be left blank.

### **SECTION HEADINGS IN THE INVENTORY PLAN**

#### **Section 1 - PT Overview**

2. This field must detail the following information:

- a. PT Title in full.
- b. Operating Centre.
- c. CoM Area.
- d. Confirmation that the Inventory Plan forms part of the TLMP suite of documents and inclusion of a link to it. This will ensure that where there is a significant event affecting the platform or equipment, it is then reflected in an update to the Inventory Plan. If a PT does not have an overarching TLMP then it will need to provide evidence that the Inventory Plan forms part of the suite of plans and documents that would normally make up a TLMP suite, ie Obsolescence Management Plan, Disposal Plan, HFI Plan, Safety Plan, Risk Management Plan, Communications Plan, Information Management Plan, Business Plan, Industry Engagement Plan and UOR to Core Plan.
- e. For platform PTs, inclusion of a link(s) to applicable Supply Support Plans is required. Commodity PTs may not have access to this information and where this is the case are to state so. This will provide evidence that the Supply Support element of ILS is considered through life in accordance with JSP 886 Volume 7 Part 8.10 and that the key principles of Supply Support (Initial Provisioning, NATO Codification, Re-Provisioning and Repair & Overhaul) influence support solutions to ensure optimum inventory levels, efficient through-life supply chains and effective inventory management.

3. **Responsible Officer.** Confirmation of which post within the Project Team has the responsibility for the production of the Inventory Plan. Relevant Terms of Reference for that post must be included as a link and should clearly show the role of the Inventory Plan Coordinator.

4. **Statement of Financial Provision.** The PT must detail if it has any inventory not held on the MOD Statement of Financial Provision (SOFP). This arrangement is commonly known as off balance sheet and means the equipment is non MOD owned. The

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decision to manage inventory off balance sheet is the responsibility of the PT Financial Controller, with referral to DES Fin FA FRET where the decision is marginal or where it is deemed to be potentially novel or contentious. If inventory is held in this manner, the Plan is to include evidence that the PT Financial Controller has authorised this arrangement, and the reasons for it. Off balance sheet should not be confused with the term off system, which is covered at Section 8.

**Section 2 - Stakeholder Engagement**

5. This section must detail the following information:
  - a. **Stakeholders.** A diagram showing key stakeholders. This diagram is to include Equipment Capability Sponsors, PTs with whom a customer/supplier relationship exists, Industry, FLCs and other specific key stakeholders.
  - b. **FLC Engagement.** The PT is to engage with the relevant FLCs/customers to discuss, review and monitor inventory at the Availability Working Group or equivalent. Additionally, an agreed current Command Acquisition Support Plan (CASP) (previously Smart Contract (SC)) is in place, or currently being formalised, with a record at Section 10 (Action Plan) of the Inv Plan that the next CASP will be agreed within the period of the Inventory Plan itself. Inventory performance review meetings should be carried out at least quarterly, against the suite of agreed KPIs reflected in the CASP and include the requirement to review and confirm the customer demand forecast.

**Figure 1: FLC Engagement Details**

FLC	Date of agreement	Duration of agreement	Date renewal review due	Engagement method (AWG or similar). Link to Agenda or Minutes	Frequency of engagement to review customer demand forecast

- c. **Customer Demand Forecasts.** The PT is to articulate how it uses updated demand forecasts from customers to improve the accuracy of forecasting provisioning (or disposal if necessary). Examples of this might be ensuring amendment of the CASP, acting upon increased or decreased demand forecast by amending provisioning tools or by amending forecast tools to reflect the changed customer requirement.

**Section 3 - Platform / Capability Plan and Inventory Related Risks to Delivery**

6. This section should articulate the Platform / Equipment / Commodity Group managed by the PT including any risks associated with delivery against the agreed FLC targets.
7. For Platform specific PTs the following detail is required:
  - a. **Platforms.** A table, see Figure 2, detailing platform / equipment numbers, any plans for the platform over the next 10 year period in the form of uplifts or modifications and the planned OSD of the platform / equipment. Year 1 is the first year of the forthcoming ABC period. To provide an indication of trend, the figures for the previous year are also required.

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**Figure 2: Platform /Number over Time**

Platform	Y-1	Yr 1 of plan	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
Platform Name	500	500	750	750	750	750	1500	1500	1500	1500	OSD

8. The PT is to articulate other major demand driver statistics, eg flying hours track miles soldier numbers etc.

**Figure 3: Demand Drivers**

Demand Driver	Y-1	Yr 1 of plan	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10

9. For commodity PTs the following detail is required:

a. A table, see Figure 4, showing the platforms supported, platform In and Out of Service Dates (ISD/OSD).

**Figure 4: Platform / Equipment Supported and OSD**

Platform	ISD (for future platform/equipment)	OSD
Platform Name	20xx	20xx

b. **Line items.** A table detailing the number of SMBIs, DMCs and IMCs (where appropriate) and line items managed by the PT.

10. **Risks.** Any significant inventory risks associated with the delivery of the capability against the agreed FLC targets should be articulated within this section in the format shown in Figure 5.

**Figure 5: Significant Inventory Risks**

Risk	Impact	Mitigation	Review Date	Risk Owner

## Section 4 - Inventory Optimisation and Performance

11. This section must detail how the PT ensures Inventory Optimisation and performance and covers the following areas:

a. **Modelling and Analysis.** Details of how the entire inventory has been modelled and analysed, and future plans for such, to generate the range and scale of inventory required. Guidance on modelling requirements across the CADMID cycle is to be found at Annex C. Note that modelling will produce different results at different points in the product life cycle.

**Figure 6: Modelling activity**

Equipment/ Platform	Date modelled	Tools and methodology used and depth of modelling	Modelling carried out by	Where contractor has modelled, what independent assurance has occurred	SCP Analysis Task No	Outcome of modelling and action taken by PT	Planned future modelling activity and task number

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- b. **Segmentation.** Details of the on and off system inventory segmentation being undertaken to understand the key business drivers in terms of value, volume and activity. Guidance on segmentation can be found at JSP 886, Volume 2, Part 1, Chapter 13  
<http://defenceintranet.diif.r.mil.uk/libraries/library1/DINSJSPS/20110714.1/20120719-JSP886-V2P1-PolProclnvMan-v2.7-U.pdf>.
- c. **Inventory Review.** Details of how inventory, irrespective of its material condition, is reviewed and the periodicity of the reviews to ensure optimised inventory levels are maintained. Using the guidance at Annex C, include the date of the next planned review.
- d. **CLS.** For CLS and similar contracts, the PT is to advise how the contractor is required to optimise inventory, including what inventory analysis and segmentation is required and undertaken and how surplus inventory is identified for disposal. If existing contracts do not specifically require the contractor to optimise inventory and/or optimisation activity is not currently undertaken details of how this is to be addressed are to be provided and included as an action in Section 10 of the Plan.
- e. **CLS Disposal.** Details of contractor disposal plans for MOD owned inventory are also to be included.
- f. **Financial performance.** Performance Review Meetings (PRM) are held monthly at OC level to monitor the PT's financial performance against targets. To ensure full visibility of the most up to date position, the PT is to provide a link to the PRM MOSS page where they are, or will be, populating the monthly PRM returns for Year 1. Due to the submission date of the plan, it is accepted that these totals may or may not yet have been approved by DG Res. Any actions identified during the PRM process are to be captured in the Section 10 Action Plan.

## **Section 5 - Inventory Location**

12. This section should articulate the inventory storage locations and future planning forecasts as follows:
- a. **Location.** Inventory held by LS, FLC, Defence Munitions or Industry by Gross Book Value. (Purchase and other decisions are made based on the total Defence inventory therefore it is important that there is a good understanding of the stock held eg by FLCs and off system and that if required action is identified and taken to adjust the distribution of inventory to enable optimisation).
- b. **Future storage planning.** In anticipation of the outsourcing of LS it is critical that PTs understand their future storage requirements to support capacity planning and in order that funding can be secured as part of the ABC process. For inventory held at LS a table, see Figure 7 should be included within the Inventory Plan. The current costs of storage and associated services can be obtained from the invoices that are currently being generated to enable PTs to plan for this future funding requirement. These invoices are available from the LS website: [Cost Communication](#). The volumetric data is available at the following link: [Volumetrics](#).

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**Figure 7: Inventory held by LS**

	YEAR 1 (first year of ABC)	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Anticipated storage volume required within the LS footprint.	m3	m3	m3	m3	m3
Cost of anticipated storage required within the LS footprint.	£	£	£	£	£
Cost of anticipated storage associated services purchased from LS (for receipt, maintain, issue and distribution).	£	£	£	£	£

## Section 6 - Commercial Strategy

13. This section is to cover:

- a. **PT commercial position.** Briefly describe the current and future PT commercial position. Provide a link to the contract register or similar including contract start and expiry dates, type of contract/support option (eg CLS, traditional), contractor, and whether or not inventory KPIs are included. Include a statement within the plan to describe the change, if there is intent to contract for inventory differently in future.
- b. **Contractor Performance.** The PT is to provide evidence of how it monitors and manages contractor performance against the KPIs included in contracts as detailed above. All contracts for the provision of inventory are to include performance indicators. These can range from availability for CfA contracts down to lead times or repair turn round times for traditional contracts. Where the PT has contracts that do not include KPIs, they are to confirm when this will be rectified and how they are managing performance in the meantime. Where there are expected or current gaps in contract cover, the PT is to detail the risk this has on the business and what is being done to mitigate that.

14. Where inventory is managed under CLS arrangements, the PT is to confirm that performance measures are in place within the contract to ensure inventory is optimised for availability and for Value for Money (VFM). Where measures do not exist, the PT is to articulate in its Section 10 Action Plan the activity being undertaken to address this shortfall and should also briefly detail how purchases made on behalf of MOD under CLS arrangements are controlled and managed.

## Section 7 - Inventory Financial Plan

15. This section should inform the ABC process and support the management and delivery of Inventory Management targets and forecasts. Detailed financial projections supported by assumptions and key actions are therefore required at a gross cost basis. minimum 2 year financial plan is required but PTs are encouraged to document up to a 10 year financial plan if a longer timeframe helps support a robust inventory plan.

16. The Financial Plan should align with the Platform / Capability Plan in terms of mid life upgrades and additional procurements covering GWMB, CS and RMC. The baseline for this plan (current year purchases, disposals and closing inventory balances etc) should reflect latest forecast followed by subsequent years.

- a. The assumptions should clearly set out any UOR activity assumed within the Financial Plan.

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- b. Any options raised as part of the ABC process should be costed from an inventory perspective and held as an Annex to this section of the Inventory Plan. The Inventory Plan should be updated accordingly if options are subsequently taken.
- c. The PT is to state in the supporting assumptions how the financial tables have been built up eg based on bottom up line item purchase, repair/disposals plans and identify any key actions required to deliver the IP, cross-referenced to Section 10 Inventory Action Plans or other action plans.
- d. The Inventory Plan Section 7 should incorporate the following summary table compiled from the IMOC TFM Control Total spreadsheet model, with the full spreadsheet file (including year 1 detail and populated assumption/action tabs by BLB) also being submitted. This is to be done by hyperlink. IMOC will pre-populate the current year position with latest PB&F forecasts when issuing the model.

**Figure 8: Inventory Financial Plan ABC Process – Summary**

Instructions: Please input OC & PT below eg: LE / Protected Mobility		Current Yr Forecast	Next Yr	Next Yr 1	Next Yr 2	Next Yr 3	Next Yr 4	Next Yr 5	Next Yr 6	Next Yr 7	Next Yr 8	Next Yr 9
<b>RMC TEMPLATE (€m)</b>												
<b>MOVEMENT</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>	<b>FY19/20</b>	<b>FY20/21</b>	<b>FY21/22</b>	<b>FY22/23</b>	<b>FY23/24</b>	<b>FY24/25</b>	<b>Notes</b>
Opening inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC PURCHASING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC DISPOSALS GBV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Memo: NBV Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC GROSS CONSUMPTION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC RETURNS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC MJDI WRITE ONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC WRITE ONS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC WRITE OFFS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC REVALUATIONS PRICE CHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC REVALUATIONS INDEXATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC RECLASSIFICATION TO FAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
RMC OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Closing inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>CS TEMPLATE (€m)</b>												
<b>MOVEMENT</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>	<b>FY19/20</b>	<b>FY20/21</b>	<b>FY21/22</b>	<b>FY22/23</b>	<b>FY23/24</b>	<b>FY24/25</b>	<b>Notes</b>
Opening inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS PURCHASING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS DISPOSALS GBV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Memo: NBV Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS AUC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS MJDI WRITE ONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS WRITE ONS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS WRITE OFFS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS REVALUATIONS PRICE CHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS REVALUATIONS INDEXATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS RECLASSIFICATION TO FAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
CS OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Closing inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>GWMB TEMPLATE (€m)</b>												
<b>MOVEMENT</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>	<b>FY19/20</b>	<b>FY20/21</b>	<b>FY21/22</b>	<b>FY22/23</b>	<b>FY23/24</b>	<b>FY24/25</b>	<b>Notes</b>
Opening inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB PURCHASING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB DISPOSALS GBV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Memo: NBV Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB AUC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB MJDI WRITE ONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB WRITE ONS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB WRITE OFFS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB REVALUATIONS PRICE CHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB REVALUATIONS INDEXATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB RECLASSIFICATION TO FAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
GWMB OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Closing inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>TOTAL (€m)</b>												
<b>MOVEMENT</b>	<b>FY14/15</b>	<b>FY15/16</b>	<b>FY16/17</b>	<b>FY17/18</b>	<b>FY18/19</b>	<b>FY19/20</b>	<b>FY20/21</b>	<b>FY21/22</b>	<b>FY22/23</b>	<b>FY23/24</b>	<b>FY24/25</b>	<b>Notes</b>
TOTAL Opening inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL PURCHASING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL DISPOSALS GBV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Memo: TOTAL NBV Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL GROSS CONSUMPTION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL RETURNS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL AUC	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL MJDI WRITE ONS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL WRITE ONS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL WRITE OFFS (OTHER)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL REVALUATIONS PRICE CHANGE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL REVALUATIONS INDEXATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL RECLASSIFICATION TO FAR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Closing inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

**17. Impairment Reviews.** It is a fundamental accounting principle that the holding value of assets (including inventory) should accurately reflect their useful value to DE&S. Usually, items are valued at their current replacement cost (less depreciation for GWMB/CS) but there will be instances where the value to DE&S should be less than this due to the identification of Impairment Events. PT level Impairment Reviews are essential to DE&S in demonstrating that inventory values are subject to regular and structured

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assessment. PTs should provide details on impairment reviews undertaken and those planned for the next financial year. Further guidance on this is available in the Joint Finance and Inventory Management Instruction on Impairment (Reference DES/DGRes/02/04/04/02 dated 26 Aug 13).

**Section 8 - Auditing and accounting**

18. This section must detail the following:

- a. **Materiel Accounting.** Detail how MOD owned equipment is accounted for, including CLS arrangements, to ensure MOD balance sheet is accurate (What accounting systems are used? What arrangements are in place to ensure Off System Inventory and Assets in Industry are correctly updated onto the balance sheet?).
- b. **NAO Compliance.** The PT is to provide details of the most recent NAO audit of the PT and its subject matter, and detail any outstanding inventory issues identified. The PT must also provide information on mitigating action being taken. Where there are outstanding NAO issues the actions to resolve these are to be included within Section 10 'Action Plan'.
- c. **DIA Audits.** The PT is to provide details of the most recent DIA audit of the PT and its subject matter, and detail any outstanding inventory issues identified. The PT must also provide information on mitigating action being taken. Where there are outstanding DIA issues the actions to resolve these are to be included within Section 10 'Action Plan'.
- d. **Segregation.** All Assets in Industry/GFE and Off System Inventory must be positively segregated between MOD owned and Commercial owned inventory (Public Store Accounts, AAC/PT audits). Confirmation that Defcon 694 is specified in inventory contracts will suffice to provide this assurance. Further guidance on segregation can be found at JSP 886, Vol 2, Pt 1, Chap 11.

**Section 9 - Data Management**

19. It is imperative that key item data (engineering, life, supply, financial and operational information and provisioning parameters, pricing and inventory categories etc) are kept up to date by PT or contractor staff. Failure to comply would mean that logistic analysis utilising modelling 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. The plan must detail the arrangements for reviewing and updating this information.

**Figure 9: LogIS Information**

Log IS	Functionality (eg, Fin, Eng, Supply)	MOD or contractor Log IS?	Who updates and maintains the data?	Does the PT have access to the data?	Method of access (ie direct access/reports etc)
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20. All data used to populate the essential Sections 2, 4, 7, 8 and 9 of this plan is to be classed as business critical. Details of the data cleansing and maintenance initiatives that



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are currently in hand are to be included and a link is required to the PT's Data Maturity Action Plan where this exists.

### **Section 10 - Inventory Action Plan**

21. All new, ongoing and outstanding work identified by the PT throughout the Inventory Plan must be added to the Action Plan table (complete all fields within the action plan table – see Figure 10). The PT can also use the Action Plan to include any other Inventory related actions they deem necessary. Progress against the PT Action Plan will be an important element of the assessment at the next annual review.

**Figure 10: Inventory Action Plan**

<b>Ser No</b>	<b>Action</b>	<b>Owner</b>	<b>Progress</b>	<b>Date Action Raised</b>	<b>Original Target Date</b>	<b>Current Target Date</b>	<b>Review Date</b>
1							

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## **ANNEX A: SPECIALIST ADVICE AND GUIDANCE ON INVENTORY PLANNING**

Introduced at Page 8 - [Role of PT](#)

### **General Guidance**

1. IMOC SCE, SCP and IMOC-TFM provide authoritative guidance and advice to all key stakeholders on all aspects of Inventory Planning. They 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. The following services are provided to customers:

- a. Support to PTs in interpretation of policy, process and procedure in order to develop an Inventory Plan. (IMOC SCE Support IMs)
- b. Assistance in understanding, planning, managing and accounting for inventory holdings whilst ensuring and maintaining Resourcing Accounting and Budgeting (RAB) compliance. (IMOC TFM)
- c. Direction on the financial and materiel accounting and Support Chain Inventory Planning issues related to all forms of CLS. (IMOC TFM and IMOC SCP Mat Acctng)
- d. 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. (IMOC SCP Analysis)
- e. Inventory Planning / optimisation and financial / material accounting to enable PTs to meet their key business objectives. (IMOC SCP Analysis, IMOC TFM and IMOC SCP Mat Acctg)
- f. RAB compliant inventory management information to enable sound decision making by PTs. (IMOC TFM)
- g. Development and provision of 'hands on' training to PTs in the use of bespoke Inventory Optimisation Tools and associated support tools and processes. (IMOC TFM)
- h. 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 SCP Analysis is unable to provide this service direct in the event of competing priorities competent contractors can be identified to provide the service. (IMOC SCP Analysis)

2. Additional organisational information including points of contact is at the IMOC Web Site.

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**ANNEX B: INVENTORY PLANNING ASSESSMENT CRITERIA**

Introduced at Page 8 – Approvals Process

**Figure 11: Assessment Criteria**

Ser	Assessment Criteria
1	<ul style="list-style-type: none"> <li>• Clear evidence that the Inventory Plan forms part of a Project Team's (PTs) Through Life Management Plan (TLMP).</li> <li>• Any off balance sheet inventory if applicable, is identified and approved.</li> <li>• Roles and Responsibilities for Inv Plan coordinator are provided.</li> <li>• Where platform Supply Support Plans (SSPs) exist, links have been provided.</li> </ul>
2	<ul style="list-style-type: none"> <li>• Clear articulation of all key stakeholders.</li> <li>• Evidence that FLC have endorsed the Plan or that inventory is regularly reviewed at AWGs or similar in support of SC/CASPs.</li> <li>• Confirmation that CASPs are in place or in course of preparation.</li> </ul>
3	<ul style="list-style-type: none"> <li>• Clearly identifies equipment supported by the PT and that a through life approach has been taken.</li> <li>• Inventory Planning risks are documented and an action plan is in place with clear timescales to rectify or mitigate the associated risk.</li> </ul>
4	<ul style="list-style-type: none"> <li>• Clear evidence that Inventory Optimisation is being undertaken, including for CLS contracts.</li> <li>• Clear evidence that inventory reviews are being undertaken.</li> <li>• Details of modelling and analysis that has been undertaken or is planned.</li> <li>• Plan articulates the approach to inventory segmentation.</li> <li>• Linkage to PT's performance against the inventory financial targets is provided.</li> </ul>
5	<ul style="list-style-type: none"> <li>• Detailed locations of inventory holdings, both current and planned, by Gross Book Value for LS/FLC/Industry/Defence Munitions are provided.</li> <li>• Details of LS storage requirements including volumetric details for current and future inventory holdings are clearly articulated</li> </ul>
6	<ul style="list-style-type: none"> <li>• Current and future contractual arrangements are detailed, including contract expiry dates.</li> <li>• Evidence that supplier performance is regularly reviewed and measured against agreed contractual Key Performance Indicators or details of how this shortfall is to be addressed.</li> <li>• Plans for dealing with any contractual gaps are identified.</li> <li>• All inventory related contracts contain performance measures.</li> </ul>
7	<ul style="list-style-type: none"> <li>• Assumptions for material values and supporting analysis where appropriate.</li> <li>• Values aligned to platform numbers etc.</li> <li>• Disposals plan provided split by year and RMC, CS &amp; GWMB.</li> <li>• Explanation for material peaks and troughs.</li> <li>• Current year forecast (14/15) ties to latest formal forecast with any material differences explained.</li> <li>• The data is mathematically and logically correct.</li> </ul> <p>Details of future impairment reviews.</p>
8	<ul style="list-style-type: none"> <li>• Inventory accounting arrangements (which must include all Contractor Logistics Support (CLS) type solutions) are compliant with MOD inventory accounting policy and meet NAO requirements.</li> <li>• Any issues relating to inventory identified by the NAO or DIA have been included in the Action Plan with clear priority, owner, progress and target / review date included.</li> <li>• Segregation arrangements are detailed</li> </ul>
9	<ul style="list-style-type: none"> <li>• Provision has been made to ensure capture, collation and maintenance of inventory data.</li> <li>• Details of The PT approach to ensuring Data Quality is included and where appropriate improvement actions are identified and included in the action plan.</li> </ul>
10	<ul style="list-style-type: none"> <li>• An Inventory Action Plan has been produced with actions clearly detailed, owners identified, progress reported and review dates included.</li> </ul>
<p><b>Levels of Inventory Plan</b></p> <p>1. Inventory Plan assessments will be reported at various levels up to the DE&amp;S Chief of Materiel (CoM) and DG Res as part of DE&amp;S governance and performance management. While all 10 criteria are important, numbers 2, 4, 7, 8 and 9 which are highlighted above are essential and must be met if an Inventory Plan is to be assessed as GREEN.</p>	

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2. The levels of maturity attainment are as follows:

GREEN: All 10 criteria met.

YELLOW: 7, 8 or 9 criteria met, including 4 of those considered essential.

AMBER: 4, 5 or 6 of the criteria met, including 3 of those considered essential.

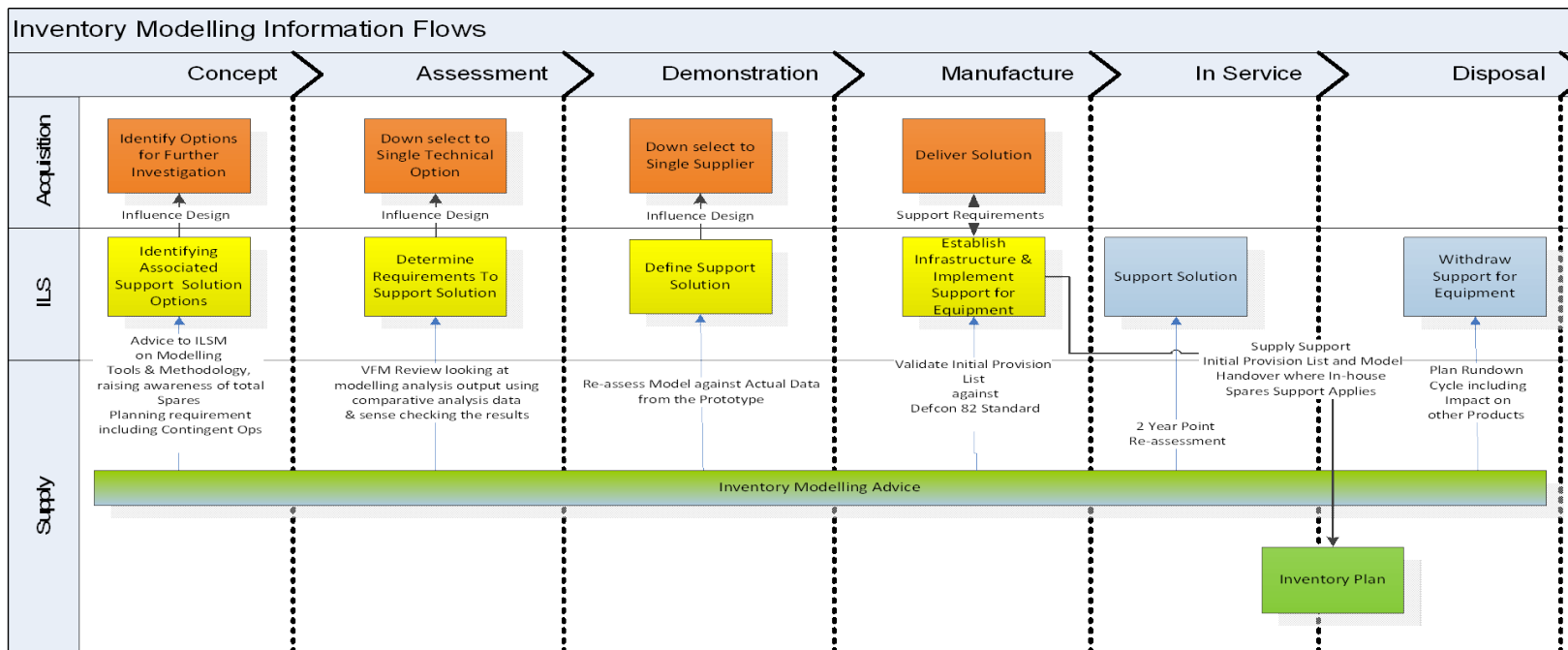
RED: 3 or fewer criteria met or no plan submitted.

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**ANNEX C: INVENTORY MODELLING ADVICE ACROSS THE CADMID CYCLE**

Introduced at Page 12

**Figure 12: Inventory Modelling Information Flows**



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## **THROUGH LIFE MODELLING REQUIREMENTS**

### **General Requirements**

1. To ensure that the operational availability of the platform/equipment is not affected by the unavailability of spares the procuring PTs are to ensure that scientific spares modelling (using an approved V&V spares tool) has been conducted at the correct level. (Level of modelling to be agreed by purchasing PT and IMOC SCP Analysis SL).
2. DEFCON 82 must be incorporated into all Initial Provisioning contracts to cover the data requirement for initial and ongoing modelling data.
3. Where CLS contracts are in place and the Contractor is managing the stock outside of an MOD designated Base Inventory System (BIS) there is a mandated requirement on the Procuring PT to ensure that a Tier 1 feed is established and maintained into DE@S Enterprise Data Warehouse (EDW). Further guidance can be obtained from SCP Analysis.

### **Initial Provisioning (IP) Spares (New Product Introduction)**

4. Initial Provisioning (IP) is the process of identifying, and procuring the spares necessary to provide adequate support for an initial in-service period (until the Base Inventory System is able to support normal procurement activity). The main output of IP is the purchase and delivery of the initial spares, as agreed on the candidate item list during the manufacture phase of the CADMID cycle.
5. The Project Team (PT) is to ensure that there are sufficient spares to support the platform/equipment at the operational availability level required by their respective FLCs before a Logistic Support Date is declared.
6. To ensure that the spares modelling output is able to directly inform the IP buy the procuring PTs are to ensure that they engage with the IMOC modelling team no later than 8 weeks before the longest procurement lead time indicated in the suppliers candidate Item list.

Example NSN 1234-99-1234567 – PLT 12 months –SCP Analysis to be engaged no later than 14 months before declaration of LSD/contract sign off.

### **Re-provisioning (RP) (in-service phase) Contract Break Point**

7. Re-Provisioning (RP) is deemed as the process of reassessing the support items and spares necessary to provide adequate spares support for the in-service period of the platform or equipment. Over the life of the Equipment/platform any changes to the level of availability and or operational profiles will initiate a need to remodel to ensure that the spares supporting the platform/equipment are optimised.
8. To ensure that this time scale is achieved IMOC modelling team must be tasked 8 weeks before the longest procurements lead time.

Example NSN 1234-99-1234567 – PLT 12 months – IMOC SCP Analysis Team to be engaged no later than 14 months before the declaration of LSD/contract sign off.

**This document, JSP 886:  
The Defence Logistics Support Chain Manual, has been archived.  
For Logistics policy, please refer to the Defence Logistics Framework (DLF)  
via [www.defencegateway.mod.uk/](http://www.defencegateway.mod.uk/)**

### **Contingent Operation Modelling**

9. Contingent Ops Modelling is the process to identify the spares required to sustain the equipment in the most likely, most demanding contingent operation. This identifies the items that are different in range and/or scale to normal peacetime and Standing Military Task usage. In general the majority of the affected spares are associated with elements of the equipment with significantly different duty cycles in peace and war. For example the quantity (more shots fired) and severity (greater released energy) of usage of weapon systems can increase spares usage significantly.

10. Failure to ensure that the spares that support contingent operations have not been scientifically modelled has the potential for severe embarrassment if the equipment does not perform in its war role when called upon to do so.

11. When Initial Provision (IP) and Re-provisioning (RP) are conducted within the platform/equipment life cycle it is essential that scientific spares modelling (using an approved V&V spares tool) has been conducted at the correct level to ensure MOD's ability to support Contingent ops at the present required level.

### **ORDP – Optimised Run Down Planning**

12. When platforms or equipments come towards the end of the life it is essential that Supporting Project Team runs down the spares associated to that platform in a controlled and pragmatic way. This will ensure that operational availability is not compromised whilst ensuring that repair pools / contracts are addressed.

13. Where items outside of the PTs direct control are affected it is imperative that the Platform project team inform the managing project team of any changes to future procurement.

14. The Supporting Project Team (PT) will therefore be required to ensure that scientific fleet /equipment run down modelling is initiated 5 years before the declared OSD to enable spares contracts to be addressed.

### **Validation and Verification of Inventory Modelling tools**

15. Tools used by PTs or contractors for inventory modelling need to be validated and verified by IMOC SCP Analysis and it is mandated that they are engaged for this purpose. Information on the V&V status of modelling tools is located within the logistics section of the Acquisition Operating Framework (AOF) at this link: [Verification and Validation \(V&V\) of Modelling tools » Inventory Planning » Logistics » Acquisition Operating Framework \(AOF\)](#).