

6.3 Stock management principles

6.3.1 Stock management with the IFRC

Each OLPSCM charges a monthly fee to the BRC for holding and managing pre-positioned stocks. Additionally, stock movements initiated by the BRC are charged through pre-agreed **logistics services requests** (LSR), which provide an indication of the cost of moving the stock, allow the logistics lead (LOGE or LogCo) to raise a PO against the estimated costs and eventually pay the IFRC's invoice. It should be noted that real costs can be far from the quoted costs, not least because VAT is not included in Agresso POs. A variance of more than 10 per cent between a PO and an invoice will require additional approvals in Agresso.

Annual storage costs are budgeted in the BRC's logistics team budget, and logistics issue an annual PO for those services to each OLPSCM, against which monthly invoices sent to SSC are reconciled. This process is managed through the logistics team and SSC, with support from the international Finance team. All costs related to the storage of pre-positioned stocks are charged to the logistics budget.

Note: Invoices for storage fees and services agreed through LSRs are sent from Geneva, usually with a delay of a month or two. For more details on this, see Section 6.3.2.

In exchange for the costs charged to the BRC, IFRC provide storage space and manage the storing, rotating, shipping, receiving and quality assurance of BRC stocks. They also send monthly and year-end stock reports. In addition, BRC logistics visit two OLPSCMs each year and conduct a stock and warehouse audit. Reports are available from the logistics team. In 2019, Panama and Harare were audited. In 2020, visits to Kuala Lumpur and Dubai were cancelled and postponed sine die. The audit consists of a spot check on stocks and a standard warehouse audit, focusing on the storage conditions and systems in place in the OLPSCM. It includes a review of the procurement processes followed by the OLPSCM team for replenishments they have handled on behalf of the BRC in the previous year. A template exists for the OLPSM warehouses audit, adapted from guidance that can be found in Sections 2.6.2, 2.6.12 and 2.9.3.

Note: Some of the OLPSCM warehouses (including Kuala Lumpur and Dubai) offer quality assurance services and have facilities to perform quality tests on specific items delivered to their warehouse. This needs to be arranged and comes at a cost – for more details, contact the logistics officer (global emergencies) in the UKO logistics team.

6.3.2 BRC management of stocks

BRC manage the pre-positioned stocks with the operational support of the IFRC. Within the logistics team, the LOGE is tasked with managing the stocks that are pre-positioned at the OLPSCMs.

The management of pre-positioned stocks by logistics is described in the **RLU standard operating procedure**, while the financial management is done in collaboration with logistics' finance business partner. The financial aspects of managing those stocks are captured in the **balance sheet guidance document**.

In case of any questions, contact the LOGE in the international logistics team.

6.3.3 Requesting for stocks from the OLPSCMs

There are various ways of accessing the BRC's pre-positioned stocks. Agreements and standard operating procedures are in place to cover both issuing mechanisms.

6.3.3.1 Pledging stocks

When a disaster occurs, the IFRC usually issues a mobilisation table (a 'mob table'). The mob table is designed to list all in-kind requirements to fulfil the IFRC's emergency plan of action (EPoA) and emergency appeal (EA) and is issued to Partner National Societies who can choose to pledge items against the listed needs.

In this case, the pledge must be agreed with Emergencies and with the regional team (usually the disaster management coordinator) during an emergency task force (ETF) meeting. Ultimately, the decision to pledge stocks against a mob table lies with the operational lead (this would be the head of region or the global response manager, depending on the context of the emergency). The logistics officer must be informed ahead of the ETF so they can provide the relevant logistics coordinator with sufficient stock information to share in the ETF. This information will include, but may not be limited to:

- List of items in stock and quantities
- Indicative cost of items and shipping costs to deliver them to the operation
- Indicative delivery lead time to country of response for all items
- Indicative replenishment lead time for all items

It is an ETF-made decision to pledge any of the available items to the IFRC-led response. When stocks are pledged, they are essentially donated to the IFRC. All costs associated with the stock and its movement will be charged to the budget codes, as advised by the operational lead nominated in the ETF. It is worth noting that pledges can be made against BRC pre-positioned stocks in the OLPSCMs but other items can also be pledged, in which case the UK-based logistics team will source the pledged items through a procurement process. The decision to pledge items beyond those in stock is made based on cost, lead time and the specific needs of the operation (where they are not fulfilled by standard items).

Following the decision to pledge, the logistics officer and/or the logistics coordinator manage the release of the pledged stocks from the relevant OLPSCM into the operation, initially through an RFA (see the [RFA guidance note](#)). It is important that this is done with the input of the logistics officer for the following reasons:

- The logistics officer holds the relationship with the OLPSCM.
- The logistics officer maintains records of pre-positioned stocks together with logistics' business partner and is best placed to know the cost of stocks and how to allocate them in the stock balance sheet.
- The logistics officer will be tasked with the replenishment of the stock in the OLPSCM. To avoid any loss of information or time, it is preferable that they are the lead on any stock movements in or out of the OLPSCM.

6.3.3.2 Selling stocks

Any Movement partner can request stocks from the OLPSCMs. External organisations can also access Red Cross stocks through the IFRC, who will contact the most appropriate stock owner to arrange the terms of the donation/sale.

In this case, they would reach out to the OLPSCM teams, who would determine which stock is most appropriate (for information about different stock sources in the OLPSCMs, see Section 6.2.1). They may then contact the best-placed stock owner to ask to buy some of their stocks.

When the request comes to the BRC, it will be sent to the logistics officer, who will seek approval from the emergencies team (usually the global response manager, as owner of the pre-positioned stocks). If approval is granted, the logistics officer will get back to the OLPSCM with the details of the cost of the items, and the OLPSCM will issue a purchase order for the items.

After confirmation that the stocks have left the OLPSCM is received (a signed waybill), the logistics officer commences the replenishment process, using a **REP form** (see Section 6.3.4).

Note: For more information on the stock balance sheet, see the **balance sheet guidance note**.

Note: It is also possible for the BRC to access other PNS's stocks (through pledges or purchases), or indeed Federation stocks through the mechanism that applies to all other NS: a request must be placed to the IFRC via the logistics officer (global emergencies), detailing items, quantities and country of delivery. In this case, stocks will be sold to the BRC.

6.3.4 Replenishing stocks in the OLPSCMs

After stock items are released from an OLPSCM warehouse, they need to be replaced by new stock – this is called replenishment. If the agreed stock target is lower than what was previously in stock, the items that were released will not be replaced.

Ideally the stock should be replaced like-for-like (in terms of quality and quantity, with specifications matching the standard product catalogue), but there may be a decision to postpone or adjust the replenishment for one or more of the below reasons:

- Minimum order quantity: some suppliers only accept orders above an agreed quantity.
- Procurement optimisation: where other stock movements are planned or being arranged, the logistics officer will compile all quantities before placing the replenishment order.
- Specification reviews: specialised items may require a review of specifications before the BRC decides to replenish them into the stocks.

To replenish stocks, the logistics officer will raise a REP form and have it signed off by logistics, emergencies and finance. For more details about the REP process, refer to the OLPSCM standard operating procedure (contact the BRC international logistics team).

The process to follow is slightly different when a new item needs to be added to the pre-positioned stocks. This must be done through a request for action (RFA) which must be

approved by logistics (the head of logistics or senior logistics manager, depending on the amount), budget holder and finance business partner.

The logistics officer will manage the order and arrange freight to the relevant OLPSCM, using the shipping instructions shared by the OLPSCM. The logistics officer will communicate order details with the OLPSCM, so they are informed ahead of the delivery.

The logistics officer provides updates on ongoing replenishments in the logistics status report on a weekly basis.

For more detailed step-by-step guidance, refer to the OLPSCM standard operating procedures.