

2.2 Definitions and concepts

The 11 major rules of running a warehouse

1. **Rotate** stock so old goods are used first: FIFO (first in, first out). If goods have an expiry date, use FEFO (first expired, first out).
2. **Stack** goods safely.
3. Plan the **layout** of goods for easy access and finding them again.
4. **Record** all movements or losses on the correct forms.
5. **File** all papers immediately.
6. **Plan** ahead: what goods/staff/transport will be required on the next day/week/month?
7. Keep goods **secure**.
8. Keep warehouse **clean**, with daily, weekly and monthly cleaning.
9. **Dispose** of spoiled goods correctly and quickly.
10. **Communicate** objectives, plans, progress and issues effectively.
11. Conduct physical **inventory** on a regular basis.

Definition:

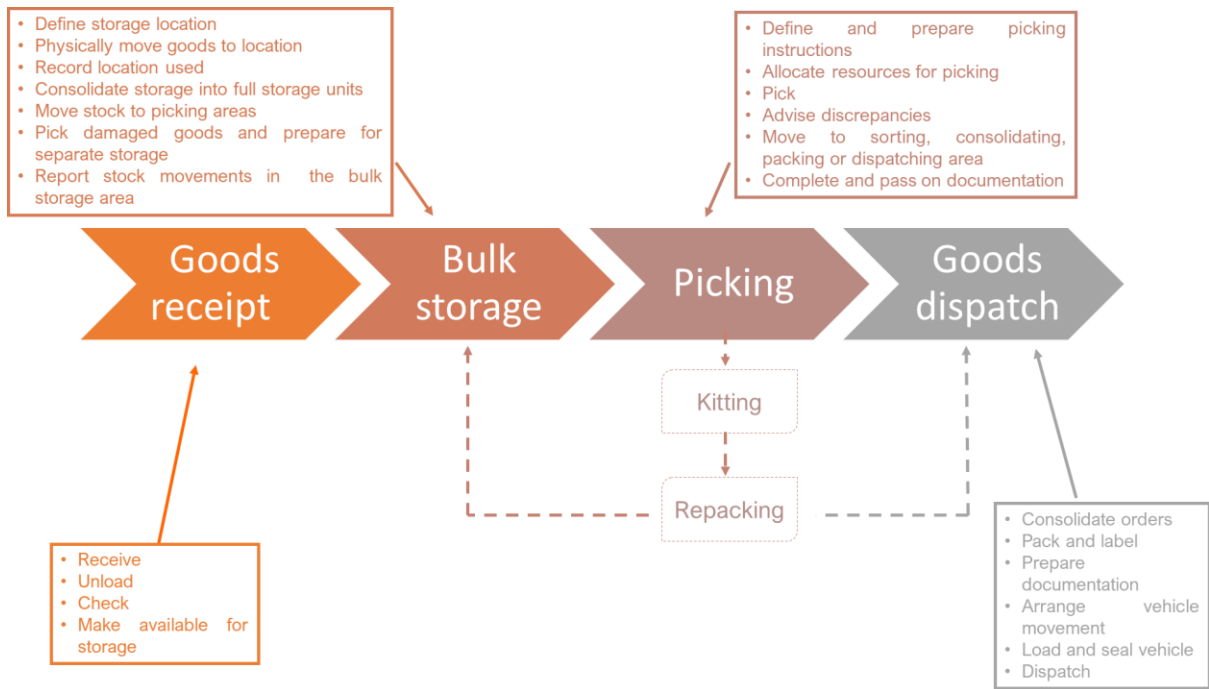
A warehouse is defined as a planned space for the storage and handling of goods and materials. Goods and materials stored in a warehouse are considered as stock, which is also called 'inventory'. Warehouses are an integral part of the supply chain, their main purpose being to serve as physical transit points between supply (delivery from suppliers) and demand (end-users or beneficiaries).

Where needed, warehouses allow for the breakdown of bulk deliveries across different requestors or into phased deliveries, and for the combination of loose items into kits to meet beneficiaries' needs.

A well-managed and well-positioned warehouse allows for speedy responses to both planned and unplanned needs and ensures that both inventory and staff are ready to respond to planned and unplanned needs.

2.2.1 Functions of a warehouse

A warehouse processes diagram is available to download from the annexes to this chapter.



2.2.2 different types of inventory

It is important to be aware of the difference between stock (inventory), office supplies, office equipment and assets:

	Stock	Office supplies	Equipment	Assets
Definition	Consumable items that are tracked and stored until use or distribution	Temporary or disposable consumables, food or cleaning products required on a day-to-day basis, for use in the office or residence	< £1,000 Not powered by electricity No running costs Not defined as asset by donor	> £1'000 or > 3 years useful life or Powered by electricity or Incurs running costs or Defined as asset by donor
Examples	Programme supplies for direct distribution	Stationary	Furniture	Owned property
	Office supplies for distribution to beneficiaries, partners	Office cleaning materials	Housing equipment	Vehicles
	Vehicle spare parts, fuel	Food for office consumption	Household items	Comms equipment
Reporting requirements	Stock report	None	Property register	IT hardware
Storage location	Warehouse	In the office	In use or in store room*	Large household appliances
				Asset register
				In use or in store room*

*The storeroom is typically a small room in the office where a small stock of office supplies are kept.

2.2.3 Purposes of holding stock

The main purpose of stock is to de-couple supply and demand in an operation that requires the provision of pre-determined goods and materials.

In an ideal world	In the humanitarian world
Exact needs are known	Needs fluctuate unpredictably
Suppliers are reliable	Suppliers are liable to multiple risks (environmental, political and financial)
Supply is stable	Supply is often interrupted
infrastructure is stable	Infrastructure is exposed to multiple risks (environmental, political and financial)
Little to no need for inventory	Inventory acts as a buffer against structural risks

2.2.4 Stock ownership

Generally, stock is owned by its original requestor (the person who pays for the goods) and physical management of items and materials is delegated to Logistics.

This means that logistics cannot choose to increase or decrease stocks unilaterally and that updates on inventory must be shared between the Logistics team and the owners of the stock they manage in the delegation.

In that sense, Logistics are responsible for the inventory they hold for others, but requestors and programme managers are accountable for the type and quantity of items they require Logistics to hold in stock for their use.

2.2.5 Stocks management – roles and responsibilities

WAREHOUSING & STOCK MANAGEMENT	Responsible	Warehouse staff	
	Accountable	Requestor/budget holder	
	Consulted	Programme team	Health & Safety
	Informed	Logistics team	Finance team

RACI matrices

used throughout this manual, they break a process into steps, specifying who is **R**esponsible, **A**ccountable, **C**onsulted and **I**nformed at each step of the process

Finance must be involved in the stock management process as it usually comes with large budgetary requirements. The valuation of inventory is critical for the organisation to manage the risk of ownership of stock in general, and in particular to support the definition of insurance requirements.

2.2.6 Financial management of stocks

For financial management of stock in the UK, refer to the **Bulwick warehouse SOP**, **ERU kit SOP**, **UKO stock management SOP**, **RLU stock management SOP** and the **Balance sheet guidance note**. More information on the RLU and ERU stocks management can also be found in chapters 7 and 8 of the Manual.

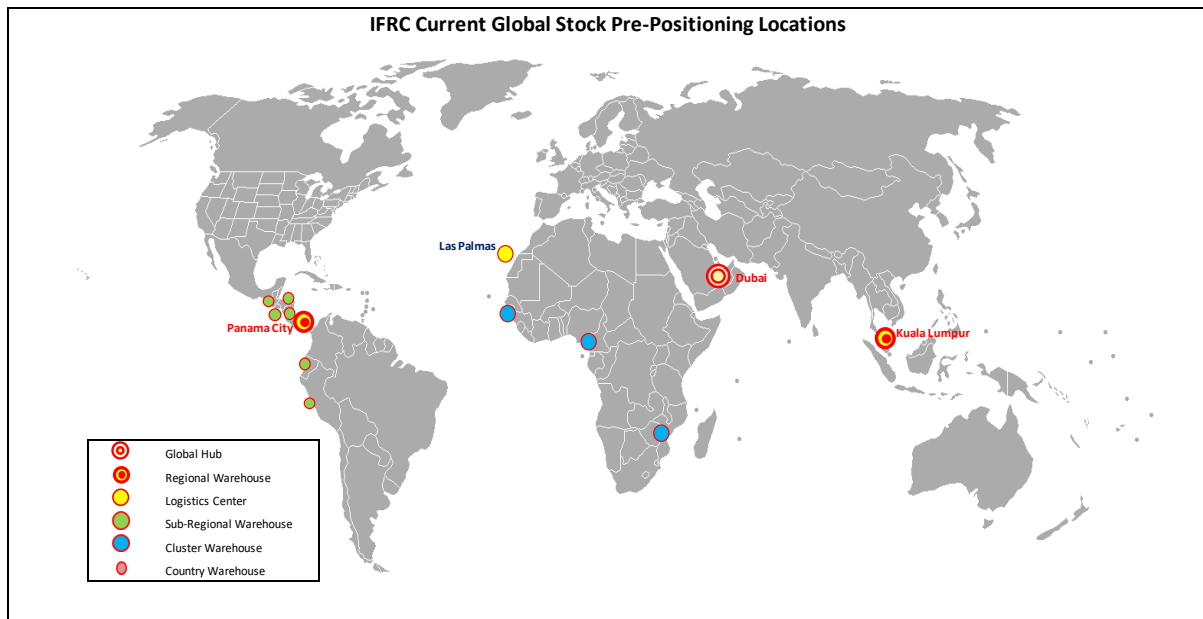
The general concepts to bear in mind are:

- Inventory held by international logistics for preparedness purposes is valued in collaboration with the Logistics Finance business partner, based on procurement information shared by the Logistics team.
- The value of inventory held by Logistics sits on the BRC balance sheet from the moment stock is received to the moment it is despatched for use.
- When stock is despatched for use, the value of the despatched items is charged to its requestor and taken off the BRC balance sheet.
- When stock needs to be disposed of, Logistics must use a **write-off form** to record the disposal. The value of the disposed items is usually charged to the Logistics budget and taken off the BRC balance sheet. See Section 2.9.5.2 for more details on stock write-offs.
- It is recommended that the members of the Logistics team who manage stock regularly meet with both their requestors and the Finance team to review current stock type, levels and locations, discuss proposed changes (if any), ensure budget management and reconcile stock. In the BRC, the Logistics team meet with owners of the stock they manage (ERU kits, RLU representatives) and with their Finance business partner on a regular basis.

2.2.7 Stock positioning

Within the Red Cross Movement, stocks are held at different levels and the processes to follow to access stock vary between levels of storage:

STOCK POSITIONING		
Country level	Regional level	Global level
Stock that is available in country	Stock held in regional hubs	Stock held in IFRC-managed global hubs
Locally available stock can belong to the country's NS or to a partner NS and would include the ERU kits that a PNS chooses to hold for IFRC-led responses.	In RLUs (Kuala Lumpur in Asia, Panama City in Americas), stocked by the IFRC and other PNSs and managed by the IFRC.	
NS that do not hold ERUs may also have stocks available in country, either for ongoing programmes or for preparedness purposes.	In sub-regional warehouses or in decentralised regional stores ("cluster warehouses"), in Harare , Douala and Dakar .	The Dubai and Las Palmas logistics centres are "global hubs", serving all regions equally.



The IFRC's global stock strategy aims are:

To cover the initial needs of the immediate aftermath of any disaster, the IFRC, with the stock pre-positioning of their members in the different RLU, has pre-positioned emergency response stockpiles in their network of regional warehouses across the globe, which could support up to 450,000 people at anytime and anywhere.

The IFRC's global stock strategy is under development at the time of writing. To be sent the latest version of the document, contact your Logistics business partner in the UK team.