



DATE: 10 JULY 2025

REPORT TO: EXECUTIVE MAYOR AND COUNCIL

1. ITEM NUMBER

2. SUBJECT

**SUPPLY CHAIN MANAGEMENT:
REPORT FOR PERIOD 1 APRIL 2025 TO 30 JUNE 2025 AND ANNUAL REPORT
FOR 2024/25**

**VERSKAFFINGSKETINGBESTUUR:
VERSLAG VIR DIE TYDPERK 1 APRIL 2025 TOT 30 JUNIE 2025 EN
JAARVERSLAG VIR 2024/25**

**ULAWULO LOBONELELO NGEMPAHLA EKWIZIKO:
INGXELO YESITHUBA ESISUSELA KWO1 KUTSHAZIIMPUZI UKUYA KOWAMA
30 KWEYESILIMELA 2025**

N0022

3. DELEGATED AUTHORITY

In terms of delegation

This report is for

☐ **Committee name :**

☒ The Executive Mayor

☒ Council

4. DISCUSSION

Clause 9 of the City's Supply Chain Management Policy (SCM Policy) related to Section 117 of the Municipal Finance Management Act (MFMA) provides that a City Councillor may not be a member of a bid committee or any other committee evaluating or approving quotations or bids (tenders), nor may a City Councillor attend such a meeting as an observer.

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However, Clause 10 of this policy mentions that Council has an oversight role to ensure that the City Manager implement the City's SCM Policy.

Clause 11 records that the Executive Mayor must provide general political guidance over the fiscal and financial affairs of the City and must monitor and oversee the exercise of responsibilities assigned to the City Manager and Chief Financial Officer in terms of the MFMA.

In accordance with Clause 12 of our SCM Policy, the City Manager must submit quarterly reports within 10 days to the Executive Mayor and, within 30 days of the end of each financial year submit a report to Council, on the implementation of this policy.

4.1. Financial Implications ☒ None ☐ Opex ☐ Capex
☐ Capex: New Projects
☐ Capex: Existing projects requiring additional funding
☐ Capex: Existing projects with no Additional funding requirements

Policy and Strategy ☐ Yes ☒ No

Legislative Vetting ☐ Yes ☒ No

Legal Implications ☐ Yes ☒ No

Staff Implications ☐ Yes ☒ No

Risk Implications ☐ Yes The risks for approving and/or not approving the recommendations are listed below:

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- ☐ No Report is for decision and has no risk implications.
- ☒ No Report is for noting only and has no risk implications.

POPIA Compliance ☒ Yes It is confirmed that this report has been checked and considered for POPIA compliance.

5 RECOMMENDATIONS

IT IS RECOMMENDED THAT THE CONTENTS OF THE REPORT ENTITLED "SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 APRIL 2025 TO 30 JUNE 2025 AND ANNUAL REPORT FOR 2024/25" BE NOTED.

AANBEVELING

DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG "VOORSIENINGSKANAALBESTUURSVERSLAG VIR DIE TYDPERK 1 APRIL 2025 TOT 30 JUNIE 2025 EN JAARVERSLAG VIR 2024/25".

ISINDULULO

KUNDULULWE UKUBA MAKUQWALASELWE IZIQULATHO ZENGXELO ESIHLOKO "INGXELO ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO YESITHUBA ESISUSELA KOWO1 KUTSHAZIIMPUZI UKUYA KOWAMA 30 KWEYESILIMELA 2025".

ANNEXURES

ANNEXURE A

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FOR FURTHER DETAILS CONTACT


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E-MAIL ADDRESS	Adiel.Bloew@capetown.gov.za		
DIRECTORATE	021 400 3190	FILE REF No	
SIGNATURE : DIRECTOR	<div><div>Adiel Bloew</div><div>Digitally signed by Adiel Bloew Date: 2025.07.18 15:41:02 +02'00'</div></div>		

CHIEF FINANCIAL OFFICER

NAME Kevin Jacoby COMMENT:

DATE

SIGNATURE



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Kevin Jacoby
Date: 2025.07.21
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The ED's signature represents support for report content and confirms POPIA compliance.

MAYORAL COMMITTEE MEMBER

NAME Cllr Siseko Mbandezi COMMENT:

DATE

SIGNATURE

Cllr Siseko
Mbandezi
(DA)

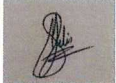
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Cllr Siseko
Mbandezi (DA)
Date: 2025.07.24
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LEGAL COMPLIANCE

- ☐ REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.
- ☐ NON-COMPLIANT

NAME COMMENT:
DATE For information.

SIGNATURE



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CITY MANAGER

NAME Lungelo Mbandazayo COMMENT:

DATE

SIGNATURE

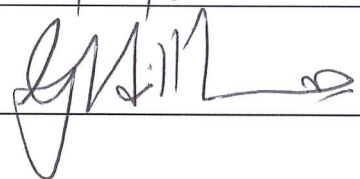
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EXCUTIVE MAYOR

NAME Geordin Hill-Lewis COMMENT:

DATE

SIGNATURE

28/07/2025




ANNEXURE 1

1. STRATEGIC INTENT

- ☐ Opportunity City
- ☐ Safe City
- ☐ Caring City
- ☐ Inclusive City
- ☒ Well-run City

2. PURPOSE

Compliance with clause 12 of the City's Supply Chain Management (SCM) Policy.

3. FOR NOTING BY COUNCIL

For information of Council.

4. EXECUTIVE SUMMARY

This report briefly analyses the on-going implementation of the City's Supply Chain Management Policy, for oversight purposes.

5. OTHER SERVICES CONSULTED

Not applicable.

6. SALIENT DETAILS OF SUPPLY CHAIN MANAGEMENT ACTIVITIES

Major SCM activities are summarized below, for information.

6.1 Demand and Acquisition Management

The Demand Management unit has been instrumental in driving the planning for tenders and contracts for the MTREF cycle. The demand plan is reconciled to the capital and operating budgets to ensure that budgets are informed by planned contracts. Regular interactions with executives and line departments take place to ensure progress is made towards the implementation of tenders City wide.

6.1.1 Implementation of the 2024/25 Demand Plan

The implementation of the 2024/25 demand plan has progressed well. The total quantum of the demand plan at the end of quarter 4 of the 2024/25 financial year is approximately 293 tenders, of which none relate to the previous financial year due to the 100% completion rate. This amounts to 4 more tenders on the demand plan at quarter 4 of the 2023/24 demand plan, which consisted of 289 tenders.

The demand plan is discussed in collaboration meetings with each Executive Director and their management team, together with representatives from SCM. These meetings are chaired by the CFO. The demand plan is a standing item on the agenda in order to ensure that there is full collaboration and commitment to successfully implement the demand plan. Within the SCM department, bi-weekly meetings are held with Director: SCM to monitor slippages and delays with tenders.

The tender completion rate was 100% as at the end of Quarter 4 of the 2024/25 financial year and is reflected in Table 01 below:

Table 01: 2024/25 Demand Plan for Tenders

The table below reflects the breakdown of the 100% of tenders completed by the different statuses.

2024/25 Approved Demand Plan	
Total number of tenders on approved plan	293
Number of tenders successfully awarded	230
Number of tenders cancelled	63
Number of tenders in progress	0
Implementation rate	100%

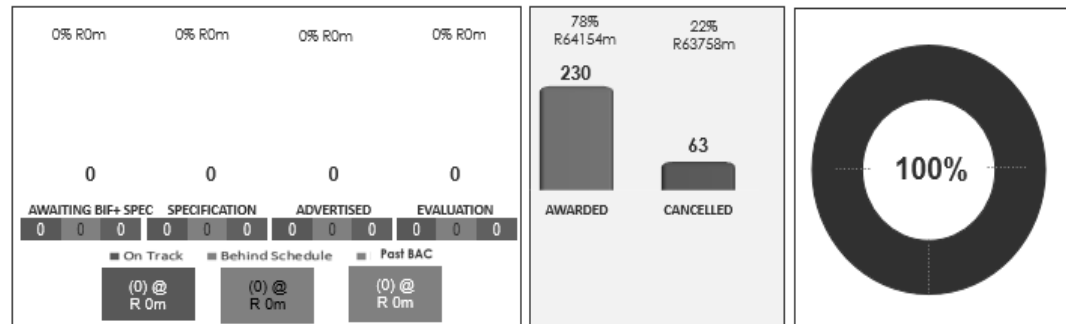
As can be seen from Table 01, 230 tenders (78.50%) of the total required tenders have been awarded and 63 tenders (21.50%) were cancelled as at 30 June 2025.

Tenders to the value R64 154million for the financial year have been awarded, and tenders to the value of R63 758million have been cancelled.

Figure 01 below further illustrates the above graphically with percentages and rand values per stage of the tenders on the demand plan.

Figure 01 – Graphical View of Demand Plan (2024/25)

Zero (0) tenders to the value of R0million are currently still in process of finalization. Cancelled tenders are discussed in more detail in paragraph 6.1.3 below.



Measures to Improve Tender Processing

The emphasis at this stage is to ensure that the demand plan is implemented timeously in order to support service delivery. The following steps were introduced to strengthen the implementation of the demand plan:

- Where section 33 of the MFMA is applicable, the BIF and draft specification must be submitted at least 24 months before the CRD
- All other tenders' BIF and draft specifications must be submitted at least 18 months before CRD
- Within 14 days of receiving the BIF and specification, the SCM Practitioner should assess it for completeness, agree on a timeline with the Project Manager, and update the tracking system
- The advertising period shall be in accordance with legislation and the SCM policy
- A minimum of 90 days must be provided between the targeted BAC meeting date and the CRD (to allow for appeal and contracting processes).

As of 1 July 2025, all new Demand Plan items entering the system will no longer have the 18 or 24 month standard BIF/Spec submission lead time.

Line Departments will determine their own BIF/Spec submission dates based on their departmental requirements.

The Demand Plan supports the capital and operating budget spending by ensuring that all projects which requires a tender is linked to the Demand Plan for the MTREF period.

6.1.2 Slippage analysis per Directorate 2024/24

The Slippage analysis indicates whether each tender is progressing through the SCM system according to plan in order to have the contract ready on time. Tenders are categorized as to whether they are on track, behind schedule or overdue (past the BAC award Date). The tender slippage analysis per directorate for the 2024/25 demand plan as at 30 June 2025 is depicted in Table 02 below.

Table 02: Tenders not yet awarded per Directorate 2024/25

	On Track	Behind Schedule	Overdue	Grand Total
COMMUNITY SERVICES & HEALTH	-	-	-	-
CORPORATE SERVICES	-	-	-	-
ECONOMIC GROWTH	-	-	-	-
ENERGY	-	-	-	-
FINANCE	-	-	-	-
FUTURE PLANNING & RESILIENCE	-	-	-	-
HUMAN SETTLEMENTS	-	-	-	-
OFFICE OF THE CITY MANAGER	-	-	-	-
SAFETY & SECURITY	-	-	-	-
SPATIAL PLANNING & ENVIRONMENT	-	-	-	-
URBAN MOBILITY	-	-	-	-
URBAN WASTE MANAGEMENT	-	-	-	-
WATER & SANITATION	-	-	-	-
Grand Total	-	-	-	-

As per Table 02 above, 0 tenders are in progress.

The tender completion rate of 100% as at 30 June 2025 far exceeds the planned target of 90% for Quarter 4 of the 2024/25 financial year. A remarkable achievement due to improvement measures set in place during the prior financial years.

Detailed Demand Plan Management information is sent fortnightly to Executive Directors (ED) and monthly to MayCo members to enable management to monitor the progress and address slippages of tender processes, to ensure timeous award of contracts in support of service delivery. It is incumbent on the relevant line ED to resolve slippages and tender challenges so that capital projects and service delivery is not adversely impacted.

Table 02A below depicts the demand plan status per Directorate for all tenders assessed as overdue as at 30 June 2025.

Table 02A: Demand Plan status – tenders overdue as at 30 June 2025

Directorate	08. Evaluation	09. Drafting PB Report	09. Drafting Report	10. Preferred Bidder (PB)	11. Report Ready	Grand Total
COMMUNITY SERVICES & HEALTH	-	-	-	-	-	-
CORPORATE SERVICES	-	-	-	-	-	-
ECONOMIC GROWTH	-	-	-	-	-	-
ENERGY	-	-	-	-	-	-
FINANCE	-	-	-	-	-	-
FUTURE PLANNING & RESILIENCE	-	-	-	-	-	-
HUMAN SETTLEMENTS	-	-	-	-	-	-
OFFICE OF THE CITY MANAGER	-	-	-	-	-	-
SAFETY & SECURITY	-	-	-	-	-	-
SPATIAL PLANNING & ENVIRONMENT	-	-	-	-	-	-
URBAN MOBILITY	-	-	-	-	-	-
URBAN WASTE MANAGEMENT	-	-	-	-	-	-
WATER & SANITATION	-	-	-	-	-	-
Grand Total	-	-	-	-	-	-

Table 02A provides a detailed overview of the 0 overdue tenders, indicating their current stages in the tender process. Processes have been implemented to prioritize and track the awards in the evaluation stage.

The approximate award values and budget source of the 0 overdue awards are depicted in Table 02B below:

Table 02B: Budget source on tenders overdue as at 30 June 2025

Implementing Directorate	CAPEX	CAPEX and OPEX	OPEX	Grand Total
COMMUNITY SERVICES & HEALTH	-	-	-	-
CORPORATE SERVICES	-	-	-	-
ECONOMIC GROWTH	-	-	-	-
ENERGY	-	-	-	-
FINANCE	-	-	-	-
FUTURE PLANNING & RESILIENCE	-	-	-	-
HUMAN SETTLEMENTS	-	-	-	-
OFFICE OF THE CITY MANAGER	-	-	-	-
SAFETY & SECURITY	-	-	-	-
SPATIAL PLANNING & ENVIRONMENT	-	-	-	-
URBAN MOBILITY	-	-	-	-
URBAN WASTE MANAGEMENT	-	-	-	-
WATER & SANITATION	-	-	-	-
Grand Total	-	-	-	-

6.1.3 Cancelled tenders analysis for the period 01 July 2024 to 30 June 2025

63 tenders (21.50% of tenders) were cancelled to date during the 2024/25 financial year.

Table 03 below provides an analysis of the number and estimated value of tenders which were cancelled per category with reasons.

Table 03: Cancellations for the period 01 July 2024 to 30 June 2025

Reasons for cancellation	Number	Estimated value
No acceptable bids received	29	R56 863 095 633
PPPFA Non-Compliance	20	R3 131 300 000
No offers received	7	R2 959 861 205
Funds are no longer available	2	R640 000 000
Market related price not achieved	1	R2 500 000
No longer a need for the services, works or goods requested	4	R161 500 000
Grand total	63	R63 758 256 838

In the 2024/25 financial year, a total of 63 tenders, valued at R63 758m, were cancelled for various reasons. The most significant reason for tender cancellations was due to no acceptable bids being received. This accounted for 29 tenders with an estimated value of R56 863m. In these cases, either the bids received did not meet the minimum compliance requirements or the technical and pricing submissions were not satisfactory.

Non-compliance with the Preferential Procurement Policy Framework Act (PPPFA) led to the cancellation of 20 tenders, with a combined estimated value of R3,131m. Non-compliance with the PPPFA may involve issues such as incorrect or missing preference points, impacting the fairness and legality of the bid process.

Eleven (11) tenders cancelled under this category relates to tenders impacted by the application of the CIDB grading used, with the remainder due non-compliance to the SCM Policy. Ongoing efforts by SCM, including training are underway to unpack the lessons learnt organization wide from these shortcomings, to mitigate the reoccurrence thereof.

Seven (7) tenders, valued at R2 959m, were cancelled due to no offers being received. This often indicates a lack of market interest or capacity to deliver on the

specified requirements. Line department has been advised to engage with the Demand Management unit within SCM to issue out market prompts during the advertising period, thereby sensitizing the market to procurement opportunities and mitigating the risk of no offers being received.

Two (2) tenders, valued at R640m, was cancelled due to unavailability of funds. This indicates a shift in financial priorities or budget reallocations, making it impossible to proceed with the award.

Additionally, 1 tender, valued at R2,5m, was cancelled because the market-related price could not be achieved. This points to the bids received being significantly higher than the estimated value or what is considered reasonable based on prevailing market conditions.

Four (4) tenders, with a total estimated value of R161,5m, were cancelled because there was no longer a need for the services, works, or goods requested. This can result from changes in operational strategies, which includes the City's drive to end load shedding over time and supplement the water and sanitation programs to cope with the increased demand in population growth that the City is experiencing.

Forty-four (42) cancelled tenders have been added back to the Demand Plan and are in various stages of the tender process. The status of the remaining 21 tenders are as stated below. Table 03A below provides an analysis of the status per category of the tenders which were cancelled, for which a replacement mechanism is sought.

Table 03A: Cancellations for the period 01 July 2024 to 30 June 2025

Row Labels	Count of Replacement DP's
Line Department to review and advise	10
No longer required	7
Deviation process will be followed	1
Value below R750k, RFQ to be used	1
Absorbed in another tender	1
No Funds	1
Grand Total	21

This overall cancellation of tenders represents a significant impact on service delivery and infrastructure development, highlighting the challenges faced in ensuring competitive and compliant procurement processes, aligning financial resources, and maintaining an accurate demand plan.

SCM has Top 200/300 workshops with project managers where they are encouraged to revise and review tenders specifications and conduct market research before re-advertising these tenders, to stimulate better responses from the supplier industry. Line departments are encouraged to engage with the SCM Demand Management department to issue out market prompts.

Issuing a market prompt refers to the act of proactively notifying and informing potential suppliers and service providers about specific goods or services required by the City. It involves publicly announcing or publishing a notification to attract qualified vendors and contractors who can fulfill the identified needs of the local government.

A market prompt alerts potential suppliers that a tender is going to be advertised so that the supplier industry can prepare for bidding. The issuance of a market prompt in a local government context ensures transparency, fairness, and competitiveness in the procurement process, allowing a wide range of potential suppliers to have an equal opportunity to offer their solutions and compete for the government contract. It enables local government to obtain the best value for public funds while promoting a level playing field for businesses interested in providing goods or services to the local community.

The SCM Department follows up with project managers after the cancellation of tenders to determine the way forward. The Tender Management unit gives these tenders priority in order to ensure they are awarded as soon as possible in order to support service delivery and reduce the risk of deviations and irregular expenditure.

6.1.4 Appeals analysis 2024/25

The appeal process, which is legislated in terms of Section 62 of the Systems Act, provides a platform for bidders who are of the view that their rights have been affected, to lodge an appeal. The appeal process is independent and tests the fairness and transparency of the bid committee process.

The City received 123 appeals during the financial year up to 30 June 2025. Of these, 14 appeals was upheld, 82 appeals were dismissed and 27 appeals are

pending an outcome from the Appeals Authority.

SCM is working continuously to improve processes and implement controls to ensure that the SCM system is sufficiently robust to minimize the number of successful appeals and subsequent delays in the process.

6.1.5 Implementation of the 2025/26 Demand Plan

The implementation of the 2025/26 demand plan is in its early stages but progressing well with a completion rate of 62%, however there are tenders for this period which need to start within the current financial year in order to be awarded in time for implementation as required by the contract required by date.

The emphasis at this stage is to ensure that tender specifications are received in order for the tender process to start and that tenders do not fall behind schedule. The SCM department prompts line departments to submit outstanding specifications. As at 30 June 2025, 2 tender specifications for the 2025/26 demand plan remained outstanding and is consequently behind schedule. The SCM unit specifically focuses on tenders for capital projects to ensure the capital objectives of the City are supported by the necessary contracts.

6.1.6 Strategic Sourcing (Transversal Contracts) Initiatives

The strategic sourcing project is ongoing whereby approximately 57 tenders across various commodities and services will be consolidated into City-wide tenders. This project intends leveraging the buying power of the City as well as standardizing products and pricing for these commodities or services.

This complex multi-year project and the footprint of each individual tender envisaged in this project, is alive to the ever-changing needs of the City and the way in which the market responds to these tenders. While the outcome of reducing the number of tenders for common commodities or services is clear, the strategy applied to each tender will have its own unique characteristics.

6.1.6.1 Procurement Transparency Report

The Procurement Transparency Report was made public on 27 November 2023 by the Executive Mayor. As per the Strategy Brief 2024/25 MTREF, the next iteration of the Transparency Report is anticipated to be released in August 2025.

6.1.7 SCM Bid Adjudication Committee (SCMBAC)

The SCM Bid Adjudication Committee (SCMBAC) continues to meet weekly and remains instrumental in achieving maximum awards within a quick turn-around time. The BAC meetings are open to the public by an application for invitation through the secretariat as part of good governance.

The BAC has convened 15 meetings, of which 2 were Special BAC meetings, via MS Teams during Quarter 4 of the 2024/25 financial year. BAC minutes and resolutions are processed within the target of 7 to 10 working days.

Strong security measures have been implemented during the quarter to safeguard BAC information and guard against unauthorized sharing of data relating to City tenders.

6.1.8 SCM Bid Committees

The City Manager appoints the Members and Chairperson of the Bid Adjudication Committee (BAC). The Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC) Chairperson appointments are for a two-year period after which the appointments are reviewed by the relevant Executive Directors. Only staff who are at a T-level 14 and above are appointed and only nominations accompanied by proof of the required SCM training are considered for appointment.

A total of 2 BAC Members were appointed and a total of 32 BSC and BEC Chairperson re-appointments were made during Quarter 4 of the 2024/25 financial year for the various Directorates.

New Bid Committee members were appointed during the financial year to ensure cross-functional representation and full compliance to the Municipal SCM Regulations (MSCMR). Continuous training is provided to ensure Bid Committee Members are informed, advised of any changes and equipped to maintain a high

standard of compliance.

6.1.9 Procurement below R750 000

In order to procure goods or services which involves a transaction value over R2 000 and up to R750 000, written price quotations must be obtained. SCM tracks the ratio between Requests for quotations (RFQ's) that have been advertised and the number of responses received in order to establish the supplier activity in our procurement processes.

For the period 1 April 2025 until 30 June 2025, a total of 2 731 RFQ's were advertised on the City's website. 21 092 responses were received equating to an average response ratio of 7.72 for each RFQ advertised. Table 04 below refers:

Table 04: RFQ Advertisements vs Responses Received for the period 1 April 2025 until 30 June 2025

Month	Goods			Services		
	RFQ's Advertised	RFQ Responses	Ratio	RFQ's Advertised	RFQ Responses	Ratio
Apr 2025	800	7 139	8.92	303	712	2.35
May 2025	824	7 995	9.70	270	769	2.85
Jun 2025	407	4 093	10.06	127	384	3.02
Total	2 031	19 227	9.47	700	1 865	2.66

Total RFQ's advertised	2 731
Total responses	21 092
Ratio	7.72

The SCM Regulations require a minimum of three (3) responses. The ratio of 7.72 is above the minimum responses and shows that suppliers are interested in doing business with the City.

Table 05: RFQ Advertisements vs Responses received for the 2024/25 Financial Year.

Period	Goods			Services		
	RFQ's Advertis ed	RFQ respons es	Ratio	RFQ's advertise d	RFQ response s	Ratio
Quarter 1	5 847	23 858	4.08	1 774	2 040	1.15
Quarter 2	1 819	14 793	8.13	708	1 600	2.26
Quarter 3	2 308	19 137	8.29	671	1 641	2.45
Quarter 4	2031	19 227	9.47	700	1865	2.66
Total	12 005	77 015	6.42	3 853	7 146	1.85

Total advertised 15 858

Total responses 84 161

Ratio 5.31

The average response ratio of 5.31 is well above the norm of 3 responses per RFQ. This is reflective of a highly competitive environment, indicating that many small and micro businesses are eager to trade with the City and access economic opportunities.

6.1.10 Reporting on Specific Goals in relation to the Preferential Procurement Regulations, 2022

Table 05 below illustrates the number of purchase orders, and their values, processed by the City for each B-BBEE status level of contributor for the period 1 April 2025 until 30 June 2025.

On 4 November 2022 (Government Gazette No. 47452, Vol. 689) was published introducing the latest Preferential Procurement Policy Framework Act (5/2000): Preferential Procurement Regulations with an implementation date of 16 January 2023. The requirements relating to B-BBEE were removed from the Regulations and replaced with specific goals requirements, meaning specific goals as contemplated in section 2(1)(d) of the Act which may include contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programs of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.

The change in legislation resulted in all tenders advertised after 16 January 2023, measuring the preference on specific goals rather than B-BBEE contribution status. The reporting reflects both spend against B-BBEE levels and HDI/ RDP goals approach, including how the procurement spend supports Small Medium Enterprises.

During Quarter 4 of the 2024/25 financial year, 77 tenders were awarded under the Preferential Procurement Regulations of 2022; of which 95% (73/77) of the awards were in terms of the HDI/RDP goals and 5% (4/77) awards made did not score in terms of the HDI/RDP goals.

The Table 06 below depicts the awards made per HDI/RDP category with the total award amount.

Table 06: HDI/ RDP Total Award Value per Category for the period 01 April 2025 to 30 June 2025

HDI/RDP Goals	Number per Category	Total Award Value per Category
Women	2	R3 313 150.00
Black	1	R19 812 229
Disabilities	0	R0
SMME	1	R21 805 759
No HDI/RDP Goal	4	R187 945 138
More than one HDI/RDP Goals	69	R9 146 033 788
Total	77	R9 378 910 064

During the 2024/25 financial year, 244 tenders were awarded under the Preferential Procurement Regulations of 2022; of which 93% (227/244) of the awards were in terms of the HDI/RDP goals and 7% (17/244) awards made did not score in terms of the HDI/RDP goals.

The Table 07 below depicts the awards made per HDI/RDP category with the total award amount.

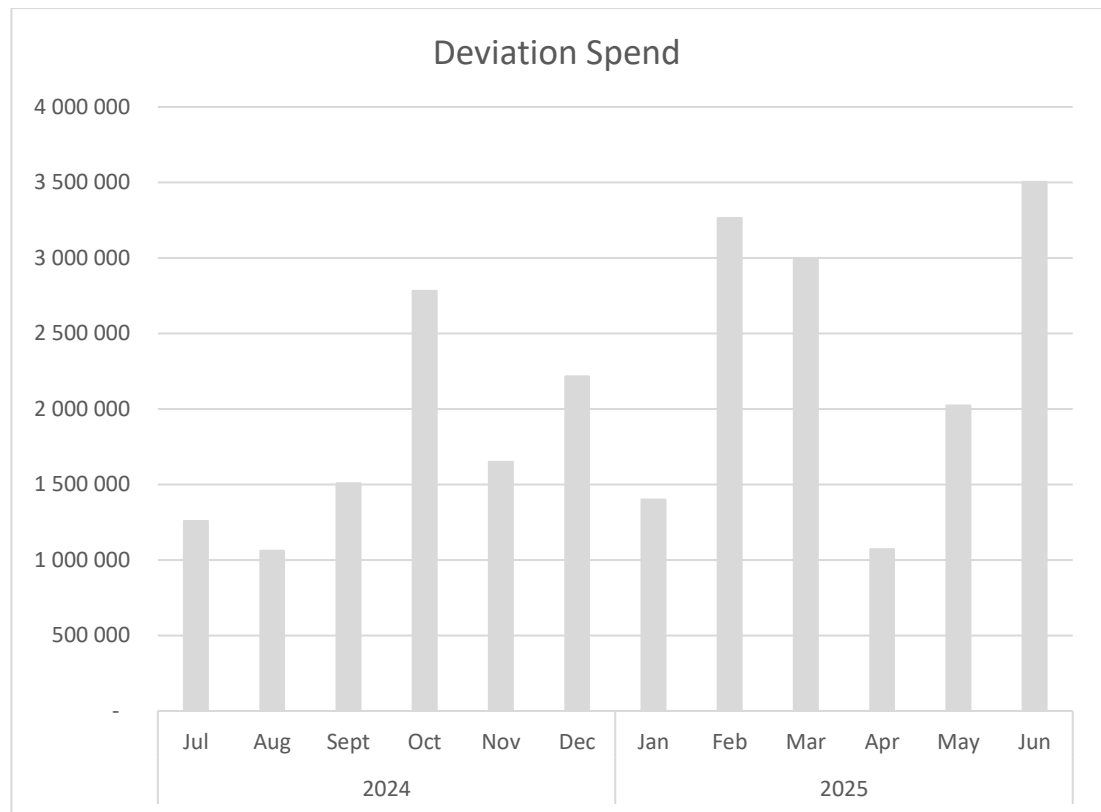
Table 07: HDI/ RDP Total Award Value per Category for the period 01 July 2024 to 30 June 2025

HDI/RDP Goals	Number per Category	Total Award Value per Category
Women	5	R48 713 150
Black	9	R360 480 368
Disabilities	0	R0
SMME	4	R36 497 010
No HDI/RDP Goal	17	R629 870 330
More than one HDI/RDP Goals	209	R26 901 835 843
Total	244	R27 977 396 701

6.1.11 Procurement Deviations

Deviations are approved in line with the Systems of Delegations. Ongoing initiatives to minimize deviations include SCM engaging line departments to put formal tenders in place and training interventions to manage emergencies (strict associated conditions). The results are demonstrated below in Graph 01.

Graph 01: Deviations over 12 month period under R750k



The deviations under R750 000 for the **12 month period** as at 30 June 2025 is R24.7m in total. The main contributor to the increase in the deviations from the prior year of R18m are due to the revision of competitive bidding thresholds, which resulted in deviations between R200 000 and R750 000, no longer being approved by the BAC. Where it is deemed impractical to follow a competitive bidding process, as a general rule the market is firstly tested before consideration is given to deviate from the prescribed processes, with emergency procurement being the exception.

This is a significant achievement for the City and is reflective of a desire to ensure good governance, stimulate competition amongst suppliers and drive open and transparent processes.

6.2 Supplier Development, Empowerment and Management

6.2.1 Supplier Empowerment (Community Based Suppliers)

At the end of Quarter 4, there are 1 501 Community Based Suppliers, representing an increase of 5 Community Based Suppliers who have been registered on the City's database since the end Quarter 3 of 2024/25. Table 07 under paragraph 6.2.2 refers.

The monthly Community Based Supplier spending for Quarter 4 of the 2024/25 financial year is summarized as per Table 08 below.

Table 08: Monthly Community Based Supplier Spending

Details	Apr 25	May 25	Jun 25	Total
Details	Apr 25	May 25	Jun 25	Total
Number of awards	8	15	6	29
Award values	R8 136	R61 861	R43 642	113 639

Table 09: Year-on-Year Community Based Supplier Spending

Details	2021/22	2022/23	2023/24	2024/25
Number of awards	231	52	87	172
Award values	R4 451 586	R1 338 983	R673 899	1 058 280

The City significantly increased its community based spending by 57% (R1 058 280) in the past financial year. This increase supported 172 procurement awards below R750 000 (RFQ's) in the financial year under review. Community Based Vendor supports speaks to one of the core values of being a caring City.

6.2.2 Supplier Management

The City's supplier database is maintained in parallel with the National Treasury Central Supplier Database. These databases provide information on accredited suppliers capable of doing business with the City and must be maintained through stringent due diligence processes to ensure compliance to SCM Regulations 44 and 45 to test conflict of interests.

The City's supplier database statistics for the period 01 April 2025 to 30 June 2025 is shown in Table 10 below.

Table 10: Supplier registration statistics 2023/24 vs 2024/25

Details	2023/24 Totals	2024/25 Totals
Accredited Suppliers on the City Database	18 719	19 602
Central Supplier Database registered (CSD)	17 157	18 022
Total E-Procurement registered suppliers	7 453	8 453
Community Based Suppliers (CBS)	1 478	1 501

As at the end of the 2024/25 financial year, the City had a total of 19 602 accredited suppliers, of which 18 022 suppliers are CSD registered. These statistics include 8 453 registered E-Procurement suppliers and 1 501 Community Based Suppliers.

The quarterly comparable new approved supplier registration statistics are included in Table 11 below.

Table 11: New approved supplier registration statistics 2023/24 vs 2024/25

Period	2023/24 Totals	2024/25 Totals
Quarter 1	285	214
Quarter 2	257	215
Quarter 3	272	194
Quarter 4	255	275
Total for Financial Year	1 070	898

A total of 898 new supplier registration applications were approved for the 2024/25 financial year. The increase in new suppliers reflects the central pillars of inclusivity and the opportunity City where there is wide interest in doing business with a well-run City. Suppliers are paid on time and hence appreciate working for the City.

6.2.3 Due Diligence processes

Continuous due diligence reviews are being performed to ensure compliance with clauses 44 and 45 of the Municipal SCM Regulations. Controls have been put in place to ensure that the City does not do business with any person in service of the state. A dual verification process ensures the completeness of both the declaration of interest process and the family reporting note in the financial statements. The Consumer Profile Bureau reporting tool is being used to perform due diligence checks on both the staff and suppliers. All City staff and Councilors declaration/s of interest/s are assessed for possible conflicts to the SCM system. Where conflicts are detected due to misrepresentation or incorrect information supplied to the City, relevant action is taken.

As per Table 12 below, a total of 23 629 staff declaration/s of interest/s were assessed by SCM during the 2024/25 financial year.

Table 12: Staff Declaration of Interest (DOI's) and Private Work applications reviewed during the 2024/25 financial year

Applications and declarations reviewed by SCM	2023/24 FY	2024/25 FY
Electronic DOI's	16 955	18 584
Manual DOI's and private work applications	5 196	5 045
Total	22 151	23 629

As stipulated in MSCM Regulation 45, the City is required to report on all awards over R 2 000 made to a person who is a spouse, child or parent of a person who is in the service of the state or has been in the service of the state in the previous 12 months. Systems and procedures are in place to track and monitor potential conflicts of interest with City officials and employees in the state. There is a dependency on the central supplier database for completeness of data relating to all state employees in order to detect potential conflicts.

Staff non-disclosure cases are referred to Executive Directors to investigate in order to ensure that the declared relation/s do not pose a conflict to the procurement processes. Where required, if conflicts are detected with City officials and vendors, these are reported to Forensic Services to investigate. Necessary action is then taken against defaulters.

6.2.4 Supplier Performance Management

Supplier performance management is monitored on the City's internal monitoring tool namely the "*Red List*" which tracks information on suppliers who are not performing satisfactorily or who have possibly committed abuse of the SCM system.

The quarterly supplier performance management statistics are contained in Table 13 below.

Table 13: Supplier Performance Management for the 2023/24 Financial Year

Defaulting and Poor Performing Suppliers	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Poor performance	3	6	2	3	14
Non-delivery	3		2		5
Negative Media Reports	1				1
False Documentation	1	3	1	5	10
Collusion		1	5		6
Abuse	7	4	6	5	22
Total	15	14	16	13	58

All the above suppliers have been registered on the "Red list" in the respective categories, where applicable. The following is in respect of Quarter 4:

- Three (3) cases relating to **poor or non-performance** has been flagged on the redlist for noting and consideration, prior to any subsequent awards being made to the respective supplier(s);
- Five (5) cases relating to **abuse** has been flagged on the red list, of which three (3) are being assessed for restriction from doing business with the City, prior to any subsequent awards being made to the respective supplier(s);
- Five (5) cases relating to **False Declaration** has been flagged on the red list for noting, prior to any subsequent awards being made to the respective supplier(s).

Matters are referred to Legal Services and / or Forensic Services for further action where required. Such suppliers may be reported to the National Treasury in instances where the supplier must be considered for national restriction on the Central Supplier Database.

6.3 Inventory and Stores Management

The primary objective of the Inventory and Stores Management (ISM) division is to supply the City's user departments with the right quantity and quality of materials at the right time. This is done to facilitate the efficient delivery of services to the inhabitants of Cape Town. ISM seeks to maintain a healthy balance between inventory levels and working capital investments.

In total, the City has 34 stores and 18 Fuel sites. There are 13 568 different materials and 24 074 bins maintained.

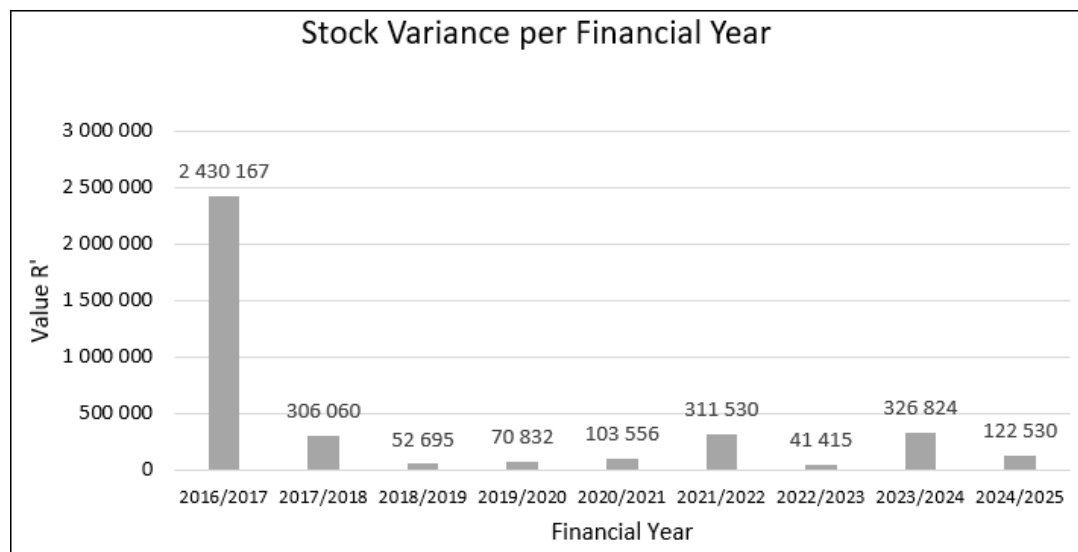
6.3.1 Annual Stock Take results

The MFMA requires that inventory be verified at least once per financial year. ISM however performed two stock takes in the financial year to ensure inventory accuracy.

The annual stock take results amounted to a net adjustment of R122 530.79. Inventory stock losses were investigated, assessed and formally reported to the Chief Financial Officer and approved for write-off. In addition, all surpluses were also investigated, assessed and approved by the Director SCM. Information Technology Stock obsolescence, shortages on Fuel and Cables and damage to an Electrical Transformer were the main contributors to the negative stock variance.

The below Graph 02, depicts the negative stock variances (stock written-off) since the 2016/17 financial year up to the 2024/25 financial year end.

Graph 02: Stock Variances



The main contributors to the net stock adjustment to the value of R122 530.79 are:

Stock losses to the value of R268 841.61

- 1) Stock Shortage of R256 925.42 (95.57%)
- 2) Stock Theft of R11 916.19 (4.43%)

Surplus stock to the value of R391 372.40

Loss:

Stock loss due to Stock Shortages totaling R256 925.42 comprised the following items:

Fuel: Total losses: R166,616.71

Losses at five fuel sites (R24,000 / 1,497 litres) were attributed to temperature fluctuations, vapour loss, and dipstick inaccuracies.

A significant variance of R142,000 / 7,552 litres) occurred at one site and is under investigation following the identification of a software error.

The total fuel loss of 9,049 litres represents only 0.94% of the 961,338 litres consumed across these sites during the financial year.

Cables: A loss of R57,644.22 was reported due to discrepancies identified at the point of “end of drum” drum issuance.

To improve accuracy, cable drum lengths were reduced to 100 metres, allowing for earlier detection of variances.

Protective Wear: Losses of R918.25 were recorded during the relocation of a user-managed store.

Printer Cartridges: A R13,955.14 loss resulted from incorrect goods processing on SAP. Appropriate consequence management was implemented against the relevant official who failed to follow the business process.

Pipes: A R6 541.10 loss resulted from incorrect goods processing on SAP. Appropriate consequence management was implemented against the relevant official who failed to follow the business process.

Traffic Poles: A R11 250.00 loss resulted from incorrect goods being issued due to the similarity of the products. Appropriate consequence management was implemented against the relevant official who failed to follow the business process

Stock loss due to Theft totaling R11,916.69 occurred when copper cable was stolen during a burglary. The material had been stored behind a locked gate and under CCTV surveillance. In response, the cables were relocated to a more secure location within the warehouse.

Surplus:

Stock surpluses totaling R391 372.40 comprised the following items:

Traffic and Light Poles: A surplus of R358 119.24 was identified through an identification and relabeling exercise with a technical specialist from the User-Department.

Appropriate consequence management was implemented against the relevant official who failed to adhere to correct storage methods for inventory.

Cables: A surplus value of R18 316.89 resulted from “over and short” tolerances

due to the manufacturing and packaging process.

Lime, Fuel and Ferric Sulphate had a combined surplus value of R14 936.27. This is attributed to the nature of the commodities in terms of product volatility, bulk tank storage and issuing.

Mitigating measures going forward

ISM has implemented stricter security controls in the Stores to minimize the possibility of stock theft. This will also include the installation of additional surveillance cameras in some of the Strategic Stores. Further to this, monitoring of daily counts are in place to ensure early detection and addressing of variances. The ISM branch also undertakes a second mid-year stock count over and above the legislated year-end verification of stock.

Overall, the stock reassessment for the financial year resulted in a stock surplus of R122,539.24, which is minimal compared to an average stock holding of R589 million. This means that 99, 98% of the City's inventory is strictly controlled and accounted for in terms of the MFMA.

Impairments:

Stock Impairments due to Obsolescence totaling R4,844,143.49 were written down due to technology upgrades and product lifecycle expiration:

R4,721,674.03: IS&T declared IT equipment obsolete due to "product end of life", discontinued vendor support, and recovery of aged assets.

EGD and IS&T maintain regular engagements with SCM to review stock movement. Where new technologies are introduced, all relevant stakeholders are informed in advance to support proactive inventory management.

R120,765.72: Electric keypad metering units using 05 technology were deemed obsolete as they are no longer compatible with the newer 09 technology meters.

Total stock impairments for the financial year amounted to R4,874,379.04, representing just 0.37% of the City's stock usage of R1.3 billion. This demonstrates that the City's stock is effectively controlled and accounted for, in compliance with

the MFMA and related inventory management standards.

6.3.2 Stock comparative results

Comparative results for the last two financial years are indicated in Table 14 below:

Table 14: Results for Quarter 4 - 2024/25

Quarter 4	Stock value at end of quarter (R)	Average stock value during quarter	Usage value during quarter	Annualised stock turns	Number of transactions during quarter
		(R)	(R)		
2023/24	559 542 355	572 269 524	351 727 031	2.43	201 166
2024/25	610 556 332	606 437 456	319 940 053	2.09	196 439
% Change	9.12%	5.97%	- 9.04%	-0.34	- 2.35%

The quarterly comparable stock value increased by 9.12% (01 Apr 2025 to 30 June 2025 compared to 01 Apr 2024 to 30 Jun 2024). Inventory increased by R51m due to rising supplier costs from inflation driven by higher fuel prices, and increased electricity tariffs. Supply chain disruptions, such the ongoing port congestion further increased stockholding requirement to meet service delivery demands.

The stock turn ratio declined from 2.43 in Quarter 4 of the previous financial year, to 2.09 in Quarter 4 of this year. This was mainly attributable to the notable 9.04% decline in demand for inventory goods in the comparable Quarters. The financial impact was significantly minimized due to the effective controls and processes in place. To optimize working capital and prevent overstocking, ISM's management implemented rigorous material requirements planning processes, ensuring reducing the need for inflated ordering, and allowing for more precise, demand-driven requests while preventing stock outs.

The quarterly inventory usage value decreased by R31.78 million, reflecting a 9.04% reduction in overall demand when comparing the periods 01 April to 30 June 2024 and 01 April to 30 June 2025. This decline is primarily attributed to a notable decrease in the consumption of key items such as chemicals used in the water purification process, LED luminaires, refuse bags, fuel, asphalt, and various electrical components.

In Quarter 1 of the 2025/26 financial year, ISM will conduct a comprehensive review of inventory usage trends to analyze the drivers of reduced demand and assess the operational and planning implications as part of the ongoing MRP optimization process.

ISM inventory transactions declined by 2.35% compared to the fourth quarter of the previous financial year, driven by reduced demand and its subsequent effect on transaction volumes.

Comparative results for the last two financial years are indicated in Table 15 below:

Table 15: Annual results for 2023/24 and 2024/25 financial years

Financial Year	Stock value at end of Year (R)	Average stock value during Year	Usage value during Year	Annualised stock turns	Number of transactions during Year
		(R)	(R)		
2023/24	559 521 164	580 151 873	1 366 780 652	2.32	805 726
2024/25	610 556 332	589 563 206	1 334 006 333	2.23	791 250
% Change	9.14%	1.62%	-2.40%	0.09	-1.80%

An overall decrease of 2.40% in annual stock utilization was recorded compared to the previous financial year, with a corresponding 0.09 reduction in the stock turnover ratio, indicating slower movement of inventory relative to average holdings. Diesel consumption dropped by R31m (63%), due to the end of loadshedding. Other fast-moving items that showed a significant decline in consumption, attributable to stricter inventory controls include:

- Refuse bags – consumption declined by 94% (R19m) in comparable Quarters
- Toilet Paper - consumption declined by 40% (R3.9m) in comparable Quarters
- Nitrile Gloves - consumption declined by 87% (R3.5m) in comparable Quarters

The decline in demand is further evident by the number of stock transactions decrease of 1.8% year-on-year. The closing inventory balance increased by 9.14%, largely due to reduced consumption of specific material types, resulting in

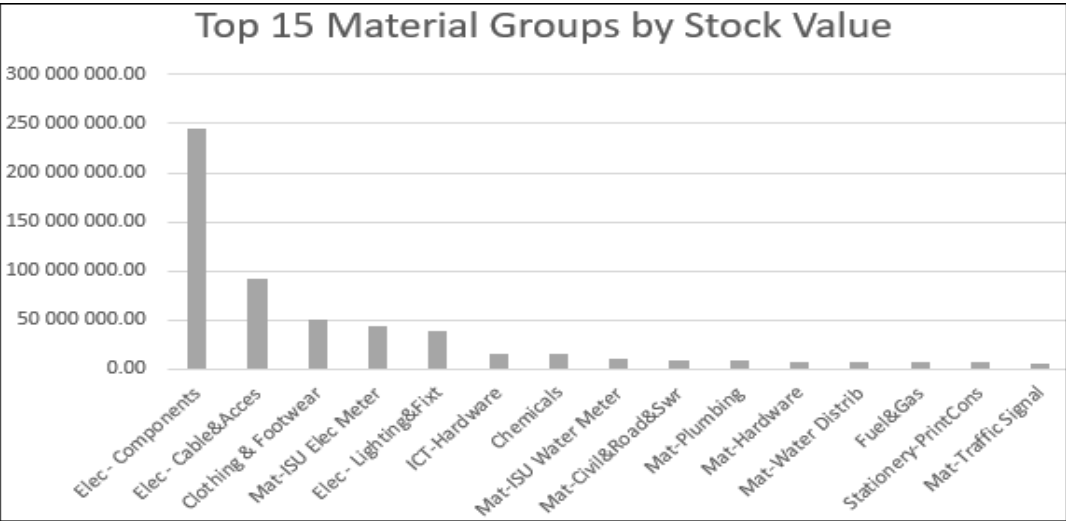
slower turnover. Additionally, SCM proactively increased stock levels of selected high-risk inventory items due to potential supply chain disruptions linked to prevailing market volatility.

In order to minimize overstocking and achieve optimal working capital management, the ISM Area Heads have improved controls and monitoring in the material demand and replenishment process. This will ensure that ISM maintains the positive trend in achieving the 3.5 stock turn objective.

6.3.3 Top 15 Material Groups - Stock Value as at 30 June 2025

Graph 03 below indicates the relative importance of the Top 15 material groups in terms of stock / rand value in the fourth quarter of 2024/25.

Graph 03: Top 15 Material Groups Stock Values as at 30 June 2025



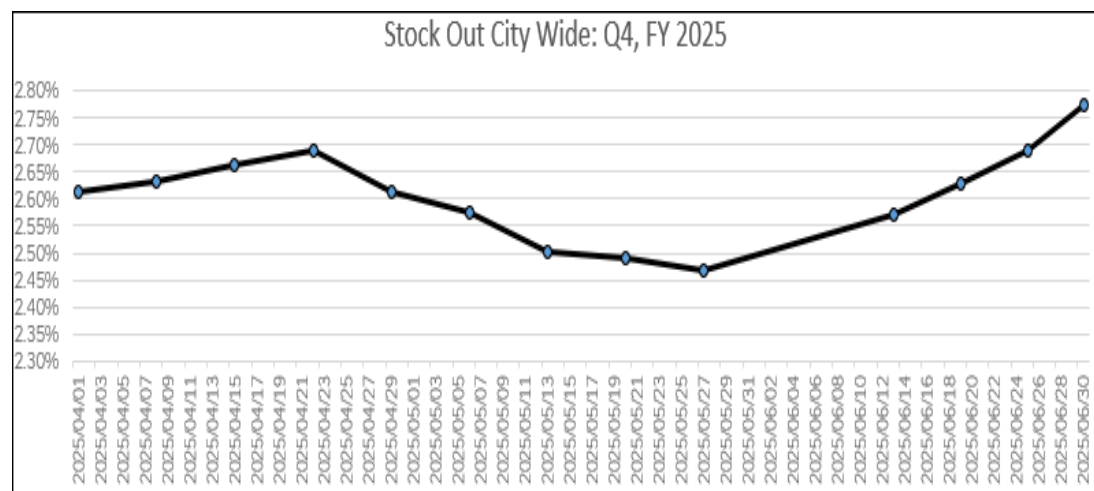
Graph 03 illustrates the top 15 material groups, which account for 91% (R559m) of the total inventory holding value of R610m. Notably, electricity-related goods make up 75% (R418m) of this inventory, with a stock turnover rate of 1.72, primarily due to strategic stock held for upcoming projects with long lead times. The remaining 25% (R140m) demonstrates strong operational efficiency with a turnover rate of 4.40, indicating efficient inventory management and alignment with consumption patterns.

6.3.4 Stock out percentages as at 30 June 2025

The stock out percentage increased from 2.61% at the beginning of Quarter 4 to 2.77% as at 30 June 2025. Import-dependent stock categories are currently affected by global supply chain disruptions, including delays from port congestion and geopolitical instability. The most vulnerable categories include electronic components, fabric, ICT hardware, and metal-based materials (hardware, fasteners, tools) due to their reliance on global suppliers. SCM is working with key suppliers to ensure steady supply through better communication and planning.

Graph 04 below indicates the stock out percentage as at the end of Quarter 4 of the 2024/25 financial year.

Graph 04: Stock out City wide % as at 30 June 2025



The stock availability achievement as at the end of Quarter 4 was 97.23%. This represents an over-achievement of 5.23% against the target of 92%. SAP Material Requirements Planning (MRP) is regularly reviewed and contracts are implemented timeously to ensure that stock is readily available as and when needed. Continued implementation of contracts and regular review of MRP will ensure the target is consistently achieved.

Regular engagements with user departments are held to review the current stock levels and to determine the acceptable minimum stock levels to be maintained by the stores.

6.4 Supply Chain Management Overall

6.4.1 Risk Management

The SCM risk registers and mitigating plans are reviewed during Quarter 1 and Quarter 3 each year. Additional controls which relates to the reputational damage due to corporate crime (corruption, fraud and misconduct) as well as reputational damage due to potential supplier collusion, fraudulent behavior and abuse of the SCM Policy were included in the risk register during the 2024/25 Quarter 1 review. SCM is satisfied that known risks are being adequately managed and monitored. The latest update to the Fraud Transversal Risk register was approved in September 2024 whilst the Finance: Supply-Chain Management risk register was approved on the 28th March 2024.

6.4.2 Disposal Management

The SCM Demand & Disposal unit is responsible for the disposal of redundant movable assets and scrap. Disposal of scrap metals, oil, paper and transformers is achieved through competitive contracts with dealers in these categories of scrap.

The revenue generated for each of these categories is reflected in Table 16 below. Movable assets are disposed through an auction process conducted by a professional auctioneer who has been appointed through a competitive SCM process.

Table 16: Comparable disposal revenue (2023/24 and 2024/25 financial years)

Category	2023/24 Revenue R	2024/25 Revenue R
Disposal of scrap metals	12 143 652.86	12 372 586.82
Disposal of waste paper	300 415.37	289 820.55
Disposal of oils	611 066.15	1 667 023.59
Disposal of Scrap Transformers	5 505 763.00	2 745 337.00
Auction	87 588 665.40	131 518 604.54
Total	106 149 562.78	148 593 372.50

As can be seen in Table 13, a total of R148 593 372.50 disposal revenue was generated for the financial year, compared to R106 149 562.78 disposal revenue generated during the previous financial year. Adhoc vehicle auctions were held throughout the year generating more income.

6.4.3 SCM Capacitation and Development

The SCM business improvement strategy, which focus is to provide an effective and efficient SCM service to the City, *inter alia*, provides for the staffing of the SCM unit with suitably qualified and experienced employees.

For the period 01 July 2024 to 30 June 2025, the SCM department made 61 permanent appointments. These details are as follows:

- 1 x Manager
- 1 x Head
- 6 x Senior SCM Practitioners
- 3 x Assistant Professional Officers
- 1 x Disposal Controller
- 1 x Asset Disposal Attendant
- 5 x Storekeepers
- 3 x Specialist Clerk
- 8 x Senior Stores Assistants
- 11 x Senior Clerks
- 4 x Stores Assistants
- 3 x Clerks
- 4 x Professional Officers
- 1 x Procurement Specialist
- 2 x Administrative Officer 1
- 1 x Administrative Officer 3
- 1 x Specialist Clerk
- 1 x Courier
- 3 x Assistant Professional Officers
- 1 x Project Administrator

During the period ending 30 June 2025, the SCM department also appointed 2 additional EPWP workers which brings the total created opportunities for the current financial year (Q1 – Q4) to 46 EPWP appointments.

The SCM staff establishment consists of **389 approved positions** (which includes **10 graduate APO's** and **11 student positions**). At the end of June 2025, there were 25 vacant positions of which 4 have already been filled.

It should be noted that offers were made to officials for the following positions. The employment period will commence in July/August 2024.

- 1 x Head: Supplier Management & Administration
- 1 x Head: Demand Planning
- 1 x Senior SCM Practitioner
- 1 x Senior Clerk

The loss of SCM skills to other parts of the organization still remains a challenge. People move particularly out of the Tenders space due to the high risk and high pressure in this space. Management is looking to address this through a change and retention plan. To fill scarce skills, open recruitment, referral and head hunting is being conducted.

To support the growth of the capital budget which would consequently result in an increase volume of future tenders, additional Senior Practitioner positions have been created to provide relieve on the current staff compliment.

6.4.4 SCM Audit Action Plan and AGSA

The Procurement Excellence and Governance Unit track the audit action plan regularly. The annual AGSA external audit for the 2023/2024 financial year been finalized. The SCM department has developed an audit action plan which is aimed at addressing audit findings and mitigating risks in the compliance processes.

All audit actions emanating from 2022/23 audit action plan were implemented. The audit action plan emanating from the 2023/24 audit has been developed, of which 94% of the actions required has already been implemented, with the remainder of the actions to be completed by the end of quarter 1 of the 2025/26 financial year.

The action remaining entails enhancements to the DOI template, in which the developer is being consulted to effect these updates.

Pro-active measures are ongoing in preparation for the following AGSA audit cycle.

6.4.5 Management Interventions

An Orientation Program was developed for on-boarding new SCM staff within Tenders

and Procurement Section to assist with quick induction and learning of City procedures and processes. Workshops with the Top 200/300 project managers and monthly working groups with line departments commencing in quarter 3 of 2024/25, are held in order to sensitize the line directorates on key matters.

A drive towards implementing an SCM Management culture of accountability, good governance and efficiency is being instilled as part of the SCM roadmap, change journey and vision.

The Procurement Excellence and Governance Unit assists the SCM Director to drive departmental culture programs which has been created to address the outcome of the City Pulse and internal survey results. These programs deal with a new culture and the change process, staff motivation, productivity etc. and is closely monitored.

Each department within SCM has a committee representing their branch and the process is underway to draft a culture plan for 2024/25 and is in progress.

SCM is also supporting the CFO Collaboration meetings as well as partaking in the newly implemented Efficiency Barometer process, measuring 7 key areas in the SCM environment.

SCM continues to drive its seven pillars of Culture Shift, Motivated and Productive Staff, Centre of Excellence, Skills Development, Project Based SCM, E- Procurement and becoming a Strategic support function that supports Core business.

A key journey towards Digitization of Tenders has begun in 2022. The vision is to design and automate supply chain tendering, demand planning, supplier/ vendor management, ordering processes, bid committee processes. This is aimed of making the cost of doing business cheaper for suppliers, increasing efficiency and speed in tenders and improved audit trails. The SCM has since then formed part of the CAR, CORE plus strategy aligning our ambitions for improved efficiency to the SAP software upgrade of the City.

6.4.6 Supply Chain Management Policy review

It is anticipated that the next policy review will commence in quarter 1 of 2025/26.

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