



DATE: 01 OCTOBER 2022

REPORT TO: EXECUTIVE MAYOR AND COUNCIL

1. ITEM NUMBER

2. SUBJECT

SUPPLY CHAIN MANAGEMENT:

REPORT FOR THE PERIOD 1 JULY 2022 TO 30 SEPTEMBER 2022

VERSKAFFINGSKETTINGBESTUUR:

VERSLAG VIR DIE TYDPERK 1 JULIE 2022 TOT 30 SEPTEMBER 2022

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IIMPAHLA ZEZIKO:**

**INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 JULAYI 2022 UKUYA
KOWAMA-30 SEPTEMBER 2022**

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.

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.

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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:

☐ 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 MANAEMENT REPORT FOR THE PERIOD 1 JULY 2022 TO 30 SEPTEMBER 2022 BE NOTED.

AANBEVELING

DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG GETITELD VERSKAFFINGSKETTINGBESTUUR: VERSLAG VIR DIE TYDPERK 1 JULIE 2022 TOT 30 SEPTEMBER 2022.


ISINDULULO

KUNDULULWE UKUBE MAKUQWALASELWE IZIQULATHO ZENGXELO ESIHLOKO 'INGXELO' ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO' YESITHUBA ESISUSELA KWISITHUBA SOMHLA WOKU-1 JULAYI 2022 UKUYA KOWAMA-30 SEPTEMBER 2022

ANNEXURES

ANNEXURE 1

FOR FURTHER DETAILS CONTACT

NAME	BASIL CHINASAMY	CONTACT NUMBER	021 400 3190
E-MAIL ADDRESS	Basil.chinasamy@capetown.gov.za		
DIRECTORATE	021 400 3190	FILE REF NO	
SIGNATURE : DIRECTOR			



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CHIEF FINANCIAL OFFICER

NAME

COMMENT:

DATE

SIGNATURE


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by Kevin Jacoby
Date: 2022.10.05
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The ED's signature represents support for report content and confirms POPIA compliance.

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

SIGNATURE


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Liebenberg
Date: 2022.10.06 07:50:43
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CITY MANAGER


NAME

Lungelo Mbandazayo

COMMENT:

DATE

SIGNATURE


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Lungelo Mbandazayo
Date: 2022.10.06
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EXECUTIVE MAYOR

NAME

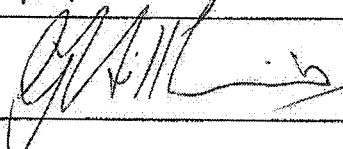
Geordin Hill Lewis

COMMENT:

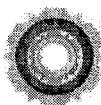
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REPORT FOR PERIOD 1 APRIL 2022 TO 30 JUNE 2022 AND ANNUAL REPORT FOR 2021/22

Page 1 of 5

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DIRECTORATE	021 400 3190	FILE REF NO	
SIGNATURE : DIRECTOR			



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CHIEF FINANCIAL OFFICER

NAME

COMMENT:

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CITY MANAGER


NAME

Lungelo Mbandazayo

COMMENT:

DATE

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Date: 2022.10.06
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EXECUTIVE MAYOR

NAME

Geordin Hill Lewis

COMMENT:

DATE

11/10/2022

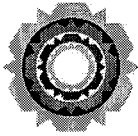
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CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

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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 summarised 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 planning for tenders City wide.

6.1.1 Implementation of the 2022/23 Demand Plan

The implementation of the 2022/23 demand plan is progressing well. The total quantum of the demand plan for the 2022/23 financial year is approximately 355 tenders, which include the 15 tenders that were in progress at the end of the previous financial year. This amounts to 35 more tenders than the 2021/22 demand plan, which consisted of 320 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, weekly meetings are held to monitor slippages and delays with tenders.

The implementation rate was 65% as at the end of Quarter 1 of the 2022/23 financial year and is reflected in Table 01 below:

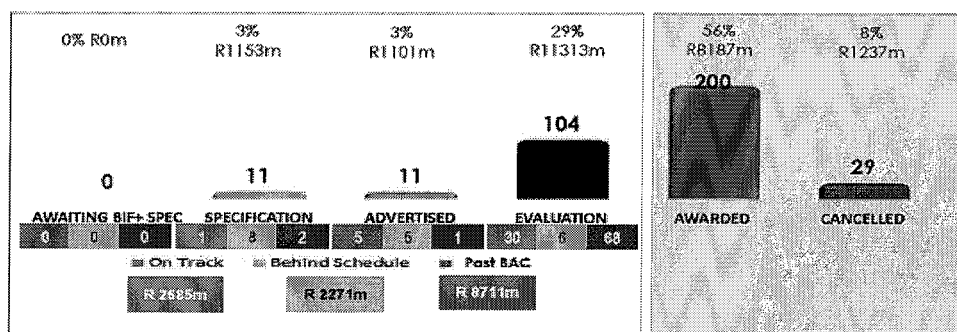
Table 01: 2022/23 Demand Plan for Tenders

2022/23 Approved Demand Plan	
Total number of tenders on approved plan	355
Number of tenders successfully awarded	200
Number of tenders cancelled	29
Number of tenders in progress	126
Implementation rate	65%

As per Table 01 above, 200 tenders (56%) of the total required tenders have been awarded and 29 tenders (8%) were cancelled as at 30 September 2022.

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 (2022/23)



126 Tenders (35% of total number of tenders on the approved demand plan) to the value of R13 567million are currently in the competitive tender process [Specification (11 tenders), Advertised (11 tenders) and Evaluation (104 tenders)].

Tenders to the value R8 187million (56% of total numbers of tenders on the approved demand plan) for the financial year have already been awarded, and tenders to the value of R1 237 million (8% of total number of tenders on the approved demand plan) have been cancelled. Cancellations are discussed in more detail in paragraph 6.1.3 below.

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 in June 2022, to strengthen the implementation of the 2022/23 demand plan:

- All specifications for repeatable tenders and the associated BIF must be submitted to a SCM Tenders: SPO, 18 months in advance of the CRD (24 months, if section 33 of the MFMA is applicable)
- The SCM Tenders: SPO, shall review that draft specification and BIF, to ensure 100% completeness and update the status in the Tender Tracking System (TTS) within 10 days.
- The Project Manager and SCM Tenders: SPO are to agree on a timeline within 14 days of receipt of the 100% complete draft specification.
- The first BSC meeting shall take place within 3 months of receipt of the 100% complete draft specification.
- The timeline must provide at least 90 days after the BAC award and prior to CRD, in order for the appeal period, contract signing and other administrative processes to be concluded.

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. 99.67% Percentage of the approved budget for 2022/23 is linked to tenders on the Demand Plan. Information pertaining to the projects which have not been linked to the demand plan is provided to the Executive Management for the relevant line department to resolve.

6.1.2 Slippage analysis per Directorate 2022/23

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 period 01 July 2022 to 30 September 2022 is depicted in Table 02 below.

Table 02: Tenders not awarded per Directorate 2022/23

Implementing Directorate	Number of tenders in progress			
	On Track	Behind Schedule	Overdue	Grand Total
Community Services & Health	3	0	13	16
Corporate Services	7	7	12	26
Economic Growth	2	1		3
Energy	3	3	11	17
Finance	2	0	1	3
Future Planning & Resilience	0	0	1	1
Human Settlements	8	3	4	15
Office of the City Manager	0	0	0	0
Safety & Security	1	0	8	9
Spatial Planning & Environment	1	1	1	3
Urban Mobility	4	0	6	10
Urban Waste Management	4	1	3	8
Water & Sanitation	1	3	11	15
Grand Total	36	19	71	126

As per Table 02 above, 126 tenders are in progress of which 71 tenders are past their BAC award date and 19 tenders are behind schedule. These tenders are closely monitored to drive the conclusion thereof expeditiously.

Detailed demand plan management information is sent to Executive Directors and Mayco members each week to enable management to monitor the progress and address slippages with tenders, to ensure timeous award of contracts in support of service delivery. It is incumbent on the relevant line department to resolve slippages so that capital projects and operating requirements are not adversely impacted.

6.1.3 Cancelled tenders analysis for the period 01 July 2022 to 30 September 2022

29 tenders (8% of tenders) were cancelled during Quarter 1 of the 2022/23 financial year. The Preferential Procurement Regulations provide for limited reasons under which a tender may be cancelled. Table 03 below provides an analysis of the number and estimated value of tenders which were cancelled per cancellation category (reasons).

Table 03: Cancellations for the period 01 July 2022 to 30 September 2022

Reasons for cancellation	Number	Estimated value R
No acceptable bids received	25	1 209 090 000
PPPFA non-compliance	3	17 500 000
No longer a need for the services, works or goods	1	10 000 000
Grand total	29	1 236 590 000

25 of the 29 tender cancellations, representing 86%, are due to no acceptable bids received which is beyond the control of the City and driven by market factors. The Demand Management unit follows up with project managers after the cancellation of tenders to determine the way forward for all cancelled tenders.

Replacement tenders are added to the demand plan immediately after the new bid initiation form (BIF) and specifications have been received from the line department. The Tender Management unit gives these tenders priority. 25 of the cancelled tenders are in the process of being added to the demand plan, 1 cancelled tender will follow a deviation process, 2 of the cancelled tenders are in the reporting stage and 1 cancelled tenders is no longer required.

Remedial action and the lessons learnt from such findings are shared with the Top 300 project managers during the SCM workshops and Bid Committee Chairperson's training sessions.

6.1.4 Appeals analysis 2022/23

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 61 appeals during Quarter 1 of the 2022/23 financial year. Of these, 6 appeals were upheld, 20 appeals dismissed and 35 appeals are pending an outcome from the Appeals Authority.

SCM is satisfied that the SCM system is sufficiently robust thereby minimising the number of successful appeals and subsequent delays in the process.

6.1.5 Implementation of the 2023/24 Demand Plan

The implementation of the 2023/24 demand plan is in its very early stages, however there are many 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 CRbD.

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 unit is also specifically focussing 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 72 tenders across various commodities and services will be consolidated into approximately 16 City-wide tenders. This project intends leveraging the buying power of the City as well as standardising 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.

The administrative process for transversal use of contracts within the City has been revised in order to expedite access to transversal contracts in support of efficient service delivery. This initiative is already showing positive results by allowing quick access to City-wide tenders for purposes of service delivery.

The City's SCM: Demand Management function will maintain an indicator in the Tender Tracking System (TTS), which will contain the following (aligned to the above categories of tenders):

Category	Process to obtain transversal use
A. Not Transversal	Transversal use application form only to be considered in emergency situations
B. Transversal: Specific	Transversal use application form is required once. Thereafter there is no need for further application.
C. Not Assessed for Transversal	No requests for transversal use has been submitted or approved
D. Transversal: Citywide Use	No Transversal use application form is required
E. Strategic Transversal	No Transversal use application form is required

Pricing Database Project

A project has been initiated to assess prices the city is paying for commodities. This is being undertaken by an external service provider with the outcome expected to be made available by December 2022. This report intends to provide an assessment of whether the City is paying market related prices, and when made public, will serve to stimulate competition by informing the supplier community that the City will not tolerate paying prices, which are not market related.

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 meeting is open to the public as part of good governance. The BAC has convened 13 meetings via skype during Quarter 1 of the 2022/23 financial year.

6.1.8 SCM Bid Committees

The BSC and BEC Chairperson appointments are for a two-year period after which the appointment is reviewed by 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 57 Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC) Chairperson re-appointments were made during Quarter 1 of the 2022/23 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).

6.1.9 Procurement below R200 000

In order to procure goods or services which involves a transaction value over R2 000 and up to R200 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 01 July 2022 until 30 September 2022, a total of 6350 RFQ's were advertised on the City's website. 33 068 responses were received equating to a response ratio of 5.21 for each RFQ advertised. Table 04 below refers

Table 04: RFQ Advertisements vs Responses Received for the period 01 July 2022 – 30 September 2022

Month	Goods			Services		
	RFQ's advertised	RFQ responses	Ratio	RFQ's advertised	RFQ responses	Ratio
Jul 22	1 163	8 067	6.94	669	1 909	2.85
Aug 22	1 494	9 573	6.41	788	3 949	5.01
Sept 22	1376	6 087	4.42	860	3483	4.05
Total	4 033	23 727	5.88	2 317	9 341	4.03

Total RFQ's advertised	6 350
Total responses	33 068
Ratio	5.21

The SCM Regulations require a minimum of three responses. The ratio of 5.21 is good and shows that suppliers are interested in doing business with the City.

6.1.10 B-BBEE Purchase Orders

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 01 July 2022 to 30 September 2022.

Table 05: B-BBEE Purchase Orders for the period 01 July 2022 to 30 September 2022

B-BBEE level	PO Count	% PO Count	No. of vendors	% of Vendors	Order value	% Order value
					R	
1	22 207	54%	587	38%	2 523 379 406	43%
2	4 737	12%	136	9%	648 399 145	11%
3	443	1%	16	1%	71 956 840	1%
4	1 574	4%	99	6%	134 352 026	2%
5	79	0%	4	0%	39 333 817	1%
6	19	0%	3	0%	16 861 521	0%
7	12	0%	3	0%	29 314 800	1%
8	17	0%	5	0%	62 800 985	1%
Subtotal level 1-8	29 088	71%	853	55%	3 526 398 540	61%
0	11 961	29%	709	45%	2 297 943 737	39%
Total	41 049	100%	1562	100%	5 824 342 277	100%

Approximately 853 B-BBEE suppliers who have conducted business with the City for Quarter 1 of the 2022/2023 financial year, which equates to 55 % of the overall number of suppliers the City conducted business with, are on B-BBEE levels 1 to 8, 739 or 87% of these suppliers are on B-BBEE levels 1 to 3, which are entities with more than 50% black ownership.

A total of 29 088 purchase orders, with a total value of R 3 526 398 540 were issued to the B-BBEE suppliers which equates to 71 % of the total of purchase orders processed and 61 % of the total spending for this period.

The procurement relating to *B-BBEE level 0* amounting to R 2 297 943 737 includes payments to other Government Departments, Leases, Bursaries and City Improvement Districts.

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 framework agreement tenders in place.

Three (3) tenders for pump related maintenance and repairs have been awarded. Since the implementation of the pump repairs and maintenance tenders. Consequently, the number of deviations has decreased.

Four tenders relating to repair and maintenance of fleet vehicles and equipment have been undertaken, three (3) tenders are active and the remaining one (1) has been awarded, but is undergoing the MFMA section 33 process.

All deviations are reported to the Executive Mayor (as per Council delegations) and Council on a monthly basis in terms of SCM Regulation 36. Table 06 below highlights the status update on key tenders to address fleet and pump related deviations

Table 06: Fleet services and Pump related tender status update as at 30 September 2022

Directorate	Description	Status
Fleet related tenders		
Solid Waste Management (Tender 339S/ 2020/21)	Servicing, diagnostic testing, fault finding and repairs of Heavy Plant.	Tender awarded and active contract
Water and Sanitation (Tender 344S/ 2020/21)	Servicing and repairs of Marine equipment, Small Plant, Bicycles and Golf Carts.	Tender awarded and active contract
Electricity Generation and Distribution (Tender 269S/ 2020/21)	Servicing, General repairs and Structural repairs of Hydraulic Equipment and Compactor Bodies.	MFMA Section 33
Electricity Generation and Distribution (Tender 318S/ 2020/21)	Servicing and repairs of Vehicles and standard Trucks.	Tender awarded and active contract
Pump related tenders		
Water & Waste - Water & Sanitation (Tender 231G/2020/21)	Supply, Installation, Servicing, Repairing, and Reconditioning of Valves and Associated Pipework.	Tender awarded and active contract
Water & Waste - Water & Sanitation (Tender 261S/2020/21)	Provision of backup maintenance services on aeration blower systems at various City sites.	Tender awarded and active contract
Water & Waste - Water & Sanitation (Tender 196Q/2020/21)	Supply, Installation, Servicing, Repairing, and Reconditioning of Penstocks.	Tender awarded and active contract

The 3 fleet related tenders and 3 pump maintenance related tenders have been awarded and is currently active. Planned implementation of the remaining fleet tender is during Quarter 2 of 2022/2023 financial year.

6.2 Supplier Development, Empowerment and Management

6.2.1 Supplier Empowerment (Community Based Suppliers)

Economic and Supplier Development (ESD) facilitates information sessions with Community Based Suppliers during which assistance is provided to new and emerging suppliers on how to conduct business with the City, how to register, how to submit RFQ's, requirements for submitting City tenders and how to complete the City's tender documents.

A total of 11 awards to the value of R 319 799.22 were made to Community Based Suppliers during Quarter 1 of the 2022/2023 financial year. At the end of Quarter 1, a total of 1 308 Community Based Suppliers, representing an increase of 83 Community Based Suppliers since the end of the previous financial year, have been registered on the City's database. Table 08 under paragraph 6.2.2 refers.

The year-on-year Community Based Supplier spending since the 2017/18 financial year to the 2022/2023 financial year are summarized as per Table 07 below:

Table 07: Year-on-Year Community Based Supplier Spending

Details	2017/18 Total	2018/19 Total	2019/20 Totals	2020/21 Total	2021/22 Total	2022/23 YTD – Quarter 1
Number of awards	46	59	37	193	264	11
Award values	R543 542	R1 049 753	R879 977	R3 181 798	R4 325 968	R319 799.22

Table 07 is indicative of a steady improvement in the support to Community Based Suppliers.

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 July 2022 to 30 September 2022 is shown in Table 08 below.

Table 08: Supplier Database Statistics as at 30 September 2022

Details	Total number of suppliers registered
Accredited Suppliers on the City Database	17 530
Central Supplier Database registered (CSD)	15 389
Total E-Procurement registered suppliers	5 525
Community Based Suppliers (CBS)	1 308

As at the end of Quarter 1 of the 2022/23 financial year, the City had a total of 17 530 accredited suppliers, of which 15 389 suppliers are CSD registered. These statistics include 5 525 registered E-Procurement suppliers and 1 308 Community Based Suppliers.

The monthly comparable new approved supplier registration statistics for the period 01 July 2022 to 30 September 2022 are included in Table 09 below.

Table 09: New approved supplier registration statistics for the period 1 July 2022 to 30 September 2022

SCM supplier support service	July 2022	August 2022	September 2022	Total
CSD new registrations	73	167	93	333
New suppliers created	74	169	95	338

A total of 338 new supplier registration applications were approved for Quarter 1.

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 the 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 10 below, a total of 10 333 staff declaration/s of interest/s were assessed by SCM during Quarter 1 of the 2022/23 financial year.

Table 10: Staff Declaration of Interest (DOI's) and Private Work applications reviewed during Quarter 1 of the 2022/23 financial year

Applications and declarations reviewed by SCM	Number
Electronic DOI's	9 160
Manual DOI's and private work applications	1 173
Total	10 333

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 11 below:

Table 11: Supplier Performance Management for the 2022/23 Financial Year

Defaulting and Poor Performing Suppliers	Details
Poor performance	1 supplier
Non-delivery of goods/services	1 supplier
False documentation	2 suppliers
Collusion	3 suppliers
Abuse of SCM system	1 supplier
Sent to Forensic Services	2 suppliers
Sent to Legal Services (Possible restrictions)	3 suppliers
Total	13

All the above suppliers have been registered on the "Red list" in the respective categories, where applicable. The following is in respect of Quarter 1:

- 1 (one) case relating to poor or non-performance has been flagged on the red list for noting and consideration, prior to any subsequent awards being made to the respective supplier(s);
- 1 (one) case relating to non-delivery of goods/services has been flagged on the red list;
- 2 (two) cases relating to possible false documentation has been flagged on the red list. The one case has been referred to forensic services and the other case is currently in the process of referral;
- 3 (three) cases relating to possible collusion has been flagged on the red list;
- 1 (one) case relating to possible abuse of the SCM system has been flagged on the red list;
- 2 (two) cases have been referred to forensic services;
- 3 (three) cases has been sent to legal services for possible restriction.

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) branch is to supply the City's user departments with the right quality and quantity 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 different stores and 14 Fuel sites. There are 13 562 different materials and 23 327 bins maintained.

6.3.1 Stock comparative results

Comparative results for the last two financial years are indicated in Table 12 below.

Table 12: Results for Quarter 1 - 2021/22 and 2022/23

Quarter 1	Stock value at end of quarter (R)	Average stock value during quarter	Usage value during quarter	Annualise d stock turns	Number of transactions during quarter
		(R)	(R)		
2021/22	517 162 968	509 661 513	240 352 967	1.85	161 605
2022/23	488 682 284	491 968 027	306 660 244	2.44	187 634
% Change	-6%	-3%	28%	0.59	16%

The quarterly comparable stock value has decreased by R28.5 million (6%) (01 July 2021 to 30 September 2021 compared to 01 July 2022 to 30 September 2022).

The quarterly usage value increased by R 66.3 million (28%) (01 July 2022 to 30 September 2022 compared to 1 July 2021 to 30 September 2021). The reason was mainly attributable by the increase in fuel diesel due to load shedding, water meters and mini subs required.

The number of inventory transactions increased by 16% when compared with the first quarter of the previous fiscal year.

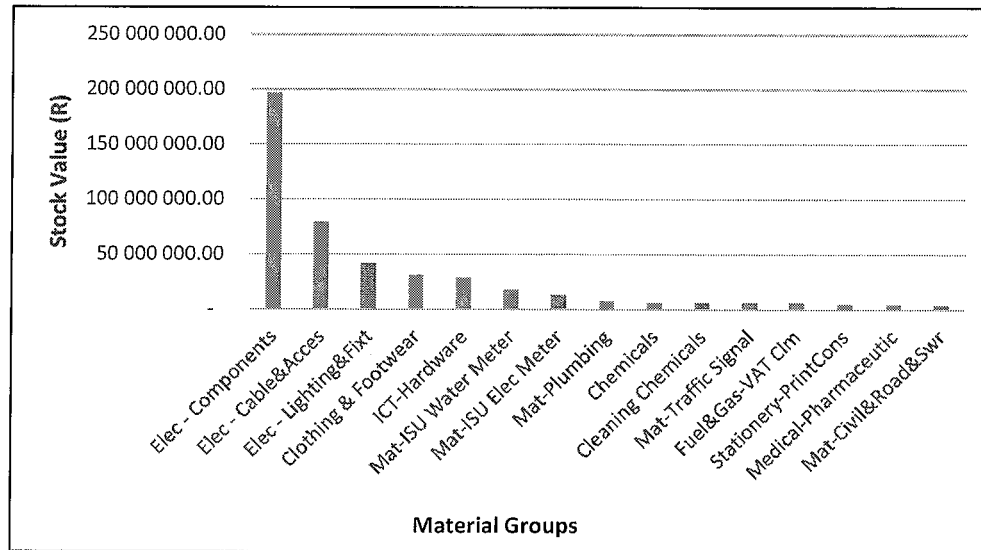
In comparison to the first quarter of the previous fiscal year, the stock turnover rate improved by 0.59. A higher turnover ratio is a measure of how well inventory is managed, and it is predicted that the growth will continue until the ratio reaches the target of 3.5.

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 is moving in the proper direction in order to achieve a 3.5 stock turn objective.

6.3.2 Top 15 Material Groups - Stock Value as at 30 September 2022

Graph 01 below indicates the relative importance of the Top 15 material groups in terms of stock / rand value at the end of Quarter 1 of 2022/23.

Graph 01: Top 15 Material Groups Stock Values as at 30 September 2022



The top 15 Material groups make up 93% of total inventory holding, at a value of R448.9m. It is noted that 80% (R453m) of these material groups (Energy, Water, Medical and ICT) have a turnover rate of less than 3, which is attributable to stock kept as strategic stock and for upcoming projects. The remaining 20% (R89.4m) had greater turnover rates ranging from 2.5 to 10.37, necessitating the high stock levels.

The information as per Graph 01 shows that the majority of high stock value is for Energy Services, followed by Clothing and Footwear, ICT Hardware and Water meters. Many of the Energy items are high value items and have long lead times such as mini-substations, transformers and switchgear, which requires advance purchases for capital projects due to their critical need in the City of Cape Town.

6.3.3 Personal Protective Equipment (PPE) Stock Values

Reporting on the COVID-19 PPE ceased on the 19 of July 2022 as informed by the MFMA Circular 119 - Withdrawal of MFMA Circular 105 and MFMA Circular 109: *Procurement in Response to National State of Disaster Regarding Covid-19 Pandemic*.

The City was carrying stock to the total value of R15.14 million as at 28 July 2022 (last reporting date after MFMA Circular 119 came into effect). The SCM unit continues to exert tight control over requests for PPE commodities and in collaboration with the Occupational Health and Safety department ensures that the appropriate PPE is given to all departments.

6.4 Supply Chain Management Overall

6.4.1 Risk Management

The SCM risk registers and mitigating plans are reviewed on an ongoing basis. SCM is satisfied that known risks are being adequately managed and monitored. The City Manager approved the latest version of the Corporate Risk Register on 31 August 2022. The Finance: Supply Chain Management risk register was reviewed together with Risk, Ethics and Governance on 23 Sept 2022 and will be approved in Quarter 2 of the 2022/ 2023 financial year.

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 13 below. Movable assets are disposed through an auction process conducted by a professional auctioneer who has been appointed through a competitive SCM process.

Table 13: Disposal revenue for the period 01 July 2022 to 30 September 2022

Category	Revenue R
Disposal of scrap metals	2 707 136, 53
Disposal of waste paper	13 678,22
Disposal of oils	261 415,97
Total	2 982 230,72

As per Table 13 above, a total of R2 982 230,72 disposal revenue was generated in Quarter 1 of the 2022/2023 financial year. The next auction of movable assets is scheduled to take place on 16 November 2022.

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 1 July 2022 to 30 September 2022, the SCM department made 29 permanent appointments.

The SCM staff establishment consists of 332 approved positions. There are currently 14 positions vacant of which 10 appointments are in the process of being finalised. To fill scarce skills, various recruitment and selection processes including Head hunting is being conducted. SCM is also in the process of implementing an SCM graduate internship programme in order to attract, develop and retain professionals. In addition to support the growth of the capital budget, increase in volume of tenders and relieve the volumes of work on current staff, an additional Head Tenders, Senior Practitioners and Professional Officer positions will be created and filled in the near future.

In total, 25 EPWP opportunities were created for period July 2022 to September 2022.

6.4.4 SCM Audit Action Plan and AGSA

The implementation of corrective measures as contained in the 2020/2021 Audit Action Plan was fully implemented by 30 June 2022. The annual AGSA external audit for the 2021/2022 financial year commenced during July 2022 and is currently in progress.

6.4.5 Management Interventions

An Orientation Program was developed for onboarding new SCM staff within Tenders Section to assist with quick induction and learning of City procedures and processes. Workshops with the Top 300 project managers were held in June/July in order to sensitise the line directorates on key matters. Close to 500 people attended these learning sessions. The key corrective actions required as identified during the most recent external audit assessment are also discussed at these platforms.

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 annual SCM Strategic Session took place on 15 September 2022, launching the next phase in the culture change journey – SCM: A Centre of Excellence. Driving a positive, motivated and efficient and ethical culture are the themes that will be focussed on in the change program.

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.

6.4.6 Supply Chain Management Policy review

Considerable work has been done to review and update the SCM Policy. However, the SCM Policy review has been halted following the Constitutional Court judgement regarding the invalidity of the 2017 Regulation, which was handed down on 16 February 2022. Subsequent to this, National Treasury published the draft Preferential Procurement Regulations, 2022 for public comment. Once clarity has been received from National Treasury on the matter, the SCM policy review process will resume. The SCM process is however continuing to function in accordance with 2019 Policy to ensure continuity of service.

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