



DATE: 12 JULY 2021

REPORT TO: EXECUTIVE MAYOR
N0022

1. ITEM NUMBER

2. SUBJECT

**SUPPLY CHAIN MANAGEMENT:
REPORT FOR PERIOD 1 APRIL 2021 TO 30 JUNE 2021 AND ANNUAL REPORT
FOR 2020/21**

**VERSKAFFINGSKETINGBESTUUR:
VERSLAG VIR DIE TYDPERK 1 APRIL 2021 TOT 30 JUNIE 2021 EN
JAARVERSLAG VIR 2020/21**

**ULAWULO LOBONELELO NGEMPAHLA EKWIZIKO:
INGXELO YESITHUBA ESISUSELA KWO1 KUTSHAZIIMPUZI UKUYA
KOWAMA30 KWEYESILIMELA 2021**

3. DELEGATED AUTHORITY

In terms of delegation

This report is

- ☐ 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.

In accordance with Clause 12 of our SCM Policy, the City Manager must submit quarterly reports 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.

Legal Compliance ☐

4.2. Risk Implications ☐ Yes ☒ No

IT IS RECOMMENDED THAT THE CONTENTS OF THE REPORT ENTITLED "SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 APRIL 2021 TO 30 JUNE 2021 AND ANNUAL REPORT FOR 2020/21" BE NOTED.

DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG “VOORSIENINGSKANAALBESTUURSVERSLAG VIR DIE TYDPERK 1 APRIL 2021 TOT 30 JUNIE 2021 EN JAARVERSLAG VIR 2020/21”.

**KUNDULULWE UKUBA MAKUQWALASELWE IZIQULATHO ZENGXELO
ESIHLKO "INGXELO ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO**

**YESITHUBA ESISUSELA KOWO1 KUTSHAZIIMPUZI UKUYA KOWAMA30
KWEYESILIMELA 2021".**


ANNEXURES:

ANNEXURE 1


FOR FURTHER DETAILS CONTACT

NAME	BASIL CHINASAMY	CONTACT NUMBER	021 400 3190
E-MAIL ADDRESS	basil.chinasamy@capetown.gov.za		
DIRECTORATE	FINANCE SCM	FILE REF No	
SIGNATURE : DIRECTOR	Basil Chinasamy <small>Digitally signed by Basil Chinasamy Date: 2021.07.12 09:14:58 +0200</small>		

CHIEF FINANCIAL OFFICER

NAME	KEVIN JACOBY	COMMENT:
DATE		
SIGNATURE	 <small>Digitally signed by Kevin Jacoby Date: 2021.07.13 14:46:56 +02'00'</small>	

CITY MANAGER

NAME	LUNGELO MBANDAZAYO	COMMENT:
DATE		
SIGNATURE	 <small>Digitally signed by Lungelo Mbandazayo Date: 2021.07.15 13:28:45 +02'00'</small>	

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	Jason Sam Liebenberg	COMMENT:
DATE	<small>Digitally signed by Jason Sam Liebenberg Date: 2021.07.14 18:50:17 +02'00'</small>	For information

SIGNATURE

EXECUTIVE MAYOR

NAME

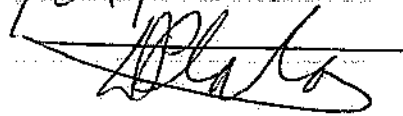
ALD. DAN PLATO

COMMENT:

DATE

16/07/2021

SIGNATURE

A handwritten signature in black ink, appearing to read 'Dan Plato', is written over a horizontal line. The signature is stylized and cursive.



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Making progress possible. Together.

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 2020/21 Demand Plan

The demand plan for this financial year started with 249 tenders required, which is much lower than previous years and is attributable to more realistic planning and budget cuts given the COVID-19 pandemic.

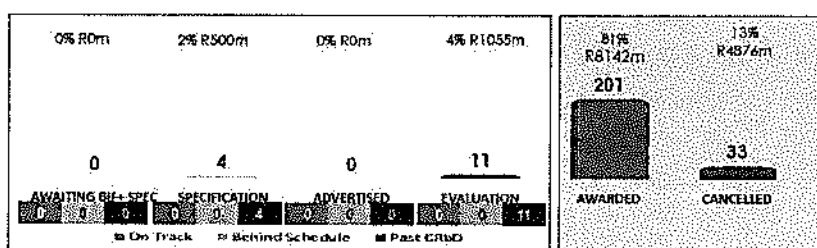
The demand plan is discussed in meetings with each Executive Director and their management team, together with representatives from SCM. These meetings are chaired by the CFO. The demand plan is a standing item on the agenda in order to ensure that there is full collaboration and commitment to successfully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

Table 01: 2020/21 Demand Plan for Tenders

2020/21 Approved Demand Plan	
Total number of tenders on approved plan	249
Number of tenders successfully awarded	201
Number of tenders cancelled	33
Number of tenders in progress	15
Implementation rate	94%

As per Table 01 above and Figure 01 below, 94% of tenders were finalised of which 201 tenders (81%) were successfully awarded and 33 tenders (13%) were cancelled. Cancellations are discussed in more detail in section 6.1.5 of this report.

Figure 01 – Graphical View of Demand Plan (2020/21)



A significant improvement is noted compared to prior years. There are zero specifications outstanding and only four tenders in specification stage. At 30 June, 11 tenders were in evaluation stage, as indicated in Figure 01 above. In the past the carry over used to be close to a hundred tenders.

The Demand Plan supports the capital budget spending by ensuring that all projects which requires a tender is linked to the Demand Plan for the MTREF period. Of the R8, 6 billion approved capital budget for the 2020/21 financial year, R7 billion (81%) was linked to tenders on the Demand Plan.

6.1.2 Tender completion rate (2020/21 Demand Plan)

The tender completion rate achieved was 94% as at the end of the financial year against a target of 95%. Tenders were not finalised mainly due to the following:

- Delay in approval from National Water Affairs;
- Pending litigation;
- Land issues; and
- Reprioritisation of tenders due to capacity constraints within line departments.

The above challenges were escalated and discussed at the meetings mentioned in paragraph 6.1.1 *infra*.

Tenders on the demand plan are tracked through the various stages in the SCM process to ensure timely completion. This include tracking tenders from the initial step of receiving the bid initiation form and draft tender specifications from line departments, the bid specifications stage, advertising the tender, tender evaluation stage once the tender advertisement period closed and on to the tender award stage.

The quarterly progressive tender completion performance over the financial year is depicted in Table 02 below.

Table 02 - 2020/21 Demand Plan

Stage in SCM Process	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Awaiting Bid Initiation Form (BIF) and draft tender specifications	3	-	-	-
Compiling tender specifications	66	17	7	4
Advertised	31	8	5	-
Tender evaluation stage	98	88	68	11
Awarded	61	122	151	201
Cancelled	12	23	25	33
TOTAL	271	258	256	249
Completion Rate	27%	56%	69%	94%
Targeted Completion Rate	25%	55%	70%	95%

The completion rate of 94% as per Table 02 above indicates the tenders processed through the supply chain system for the year.

As can be seen from the table above, good progress has been made to reduce the outstanding BIF and tender specifications and compiling tender specifications. There has been a reduction of outstanding tender adverts with all tenders advertised in Q4. Considerable effort has been made to evaluate tenders during the year with 11 evaluations conducted in Q4. A total of 201 tenders were successfully awarded.

In total 33 tenders were cancelled for the year. Tender cancellations are monitored closely and interventions to limit the impact that this may have on service delivery and budget spending, are discussed in more detail under paragraph 6.1.5 below.

6.1.3 Tender statistics

The year-on-year tender statistics relating to completion rate, award rate and number of tenders cancelled, are as follows:

Table 03: Year-on-Year Trend Analysis

Activity	2018/19 % or Number	2019/20 % or Number	2020/21 % or Number	% Increase / (Decrease) or Increase or (Decrease) in number	Status
Completion Rate (%)	77%	91%	94%	3%	Improvement
Award Rate (%)	58%	77%	81%	4%	Improvement
Cancelled (Number)	86	50	33	(17)	Improvement

As shown in Table 03 above, the tender completion rate for 2020/21 financial year increased by 3% from the previous financial year. The successful award rate for 2020/21 financial year increased by 4% from the previous financial year. The number of tenders cancelled reduced by 17 due to in-year interventions such as training and implementing checklists.

Efficiencies realized within the tender processes and as depicted above are, *inter alia*, as result of the establishment of a dedicated Scheduling Unit, a dedicated Contract Price Adjustment (CPA) unit, training, as well as increased due diligence assurance on all tenders above R10 million. Other interventions included SCM Director's Top 300 Project Manager workshops, issuing directives around demand and tender planning and implementation of the demand plan, CFO Monthly Collaboration Meetings and City Manager's SCM Forum Meetings.

6.1.4 Slippage analysis per Directorate 2020/21

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 contract required by date (CRbD)].

The tender slippage analysis per directorate for the 2020/21 financial period is depicted in Table 04 below.

Table 04: Slippage Analysis per Directorate 2020/21

Implementing Directorate	On Track	Behind Schedule	Past CRbD	Grand Total
Community Services & Health	-	-	-	-
Corporate Services	-	1	-	1
Economic Opportunities & Asset Management	-	-	3	3
Energy & Climate Change	-	-	4	4
Finance	-	-	-	-
Human Settlements	-	-	1	1
Office of the City Manager	-	-	-	-
Safety & Security	-	-	-	-
Spatial Planning & Environment	-	-	-	-
Transport	-	-	1	1
Urban Management	-	-	-	-
Water & Waste	-	-	5	5
Grand Total	-	1	14	15

As per Table 04 above, there are 14 tenders (6% of tenders) which are past their contract required by date and 1 tender behind schedule. These tenders have been carried over into the new financial year and will be monitored separately to drive the conclusion thereof expeditiously.

6.1.5 Cancelled tenders' analysis 2020/21

As mentioned in par. 6.1.1 above, 33 tenders (13% of tenders) were cancelled during the 2020/21 financial year. Table 05 below refers.

Table 05: Cancellations for the 2020/21 Financial Year

Reasons for cancellation	Number	Estimated award value
No acceptable bids received	16	R356 197 200
PPPFA non-compliance	10	R4 070 000 000
No offers received	2	R13 400 000
Funds are no longer available	1	R40 000 000
Market related price not achieved	1	R360 000 000
No longer a need for the services, works or goods requested	3	R36 744 538
Grand total	33	R4 876 341 738

The 33 tender cancellations, as set out in Table 05 above, are further analyzed in order to establish reasons for cancellation for 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.

Approximately 50% of cancellations are due to no acceptable bids received which could be outside of 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 those tenders. New items are added to the demand plan immediately and 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.

6.1.6 Appeals analysis 2020/21

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 154 appeals in the 2020/21 financial year. The increase in the number of appeals received is a good indication that the internal appeal mechanism which are available to aggrieved bidders, works well and are fair and transparent. Of these, 24 appeals were upheld, 106 appeals dismissed and 24 appeals are pending outcome from the Appeals Authority.

The SCM Unit is analysing the root cause/s of appeals being upheld. SCM is satisfied that the SCM system is sufficiently robust thereby minimising the number of successful appeals and subsequent delays in the process.

6.1.7 Implementation of the 2021/22 Demand Plan

The efforts to drive multi-year demand planning are paying off. The implementation of the 2021/22 demand plan is progressing well and has already surpassed the targeted completion rate of 25% for the first quarter of the 2021/22 financial year.

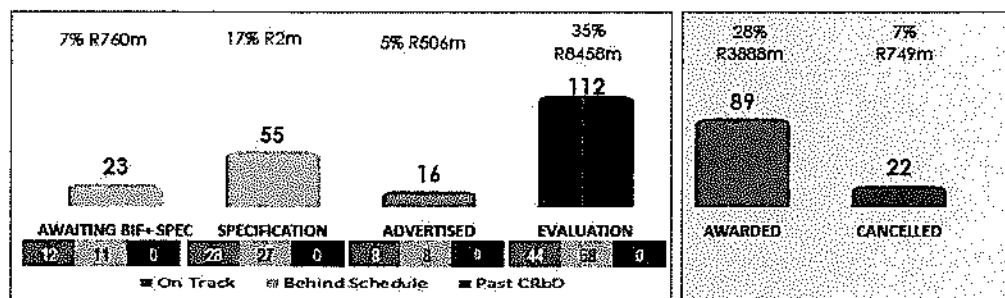
Table 06: Demand Plan 2021/22

2021/22 Approved Demand Plan	
Total number of tenders on approved plan	317
Number of tenders successfully awarded	89
Number of tenders cancelled	22
Number of tenders in progress	206
Current Completion Rate	35%

As per Table 06 above, 89 tenders (28% of tenders) of the total required tenders have been awarded and 22 tenders (7% of tenders) were cancelled. The total of 317 tenders required in the 2021/22 financial year is achievable within the capacity of the SCM system. A dependency is on line departments providing clear tender specifications on time and being available for bid committee meetings.

Figure 02 below illustrates the above graphically with rand values.

Figure 02 – Graphical View of Demand Plan (2021/22)



R3,8 billion of tenders for the new financial year have already been awarded. Over R8,4 billion of bids are in evaluation stage and are being monitored. The emphasis at this stage is to ensure that the remainder of the specifications are received and that tenders do not fall behind schedule. As per Figure 02 above, there are 114 tender (11 are awaiting BIF's, 27 outstanding specifications, 8 in advertising and 68 in evaluation) (36% of tenders) which are behind schedule and which have been reported to the relevant Executive Directors (ED's) to be rectified. Line departments have been given notice to provide outstanding specifications.

6.1.8 Strategic Sourcing (Transversal Contracts) Initiatives

The strategic sourcing project is ongoing whereby approximately 74 tenders across various commodities and services will be consolidated into approximately 14 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 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.

6.1.9 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 56 meetings via skype for the 2020/21 financial year.

6.1.10 SCM Bid Committees

A total of 152 Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC) Chairperson appointments were made during the 2020/21 financial year for the various Directorates. 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.

New Bid Committee members were appointed during the financial year to ensure cross functional representation and full compliance to the Municipal SCM Regulations (MSCMR).

6.1.11 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 4th Quarter, 01 April 2021 until 30 June 2021, a total of 6 567 RFQ's were advertised on the City's website. 32 271 responses were received equating to a response rate ratio of 4.91 for each RFQ advertised. Table 07 below refers.

Table 07: RFQ Advertisements vs Responses Received for the period 01 April 2021 – 30 June 2021

Period	Goods			Services		
	RFQ's advertised	RFQ responses	Ratio	RFQ's advertised	RFQ responses	Ratio
Apr 2021	1 404	8 230	5.86	348	1 281	3.68
May 2021	2 044	11 228	5.49	487	1 702	3.49
Jun 2021	1 584	7 516	4.74	700	2 314	3.31
Total	5 032	26 974	5.36	1 535	5 297	3.45

Total RFQ's advertised **6 567**
Total responses **32 271**
Ratio **4.91**

The SCM Regulations require a minimum of three responses. This indicates that vendors are sufficiently competing for opportunities. The ratio of 4.91 is above the acceptable norm and shows that suppliers are interested in doing business with the City.

For the financial year, a total of 19 603 RFQ's have been advertised on the City's website with 105 782 responses to these RFQ's. This equates to an average response ratio of 5.40 against a target of 3. Table 08 below refers.

Table 08: RFQ Advertisements vs Responses Received for the 2020/21 Financial Year.

Period	Goods			Services		
	RFQ's advertised	RFQ responses	Ratio	RFQ's advertised	RFQ responses	Ratio
Quarter 1	2 779	21 169	7.62	1 182	3 397	2.87
Quarter 2	2 833	17 114	5.75	1 137	3 079	2.71
Quarter 3	3 355	20 542	6.12	1 750	8 210	4.69
Quarter 4	5 032	26 974	5.37	1 535	5 297	3.45
Total	13 999	85 799	6.13	5 604	19 983	3.57

Total advertised **19 603**
Total responses **105 782**
Ratio **5.40**

The average response ratio of 5.40 is not only above the norm but also an improvement on the previous year's average response ratio of 4.12 and a good indicator of competitiveness in the procurement under R200 000 space. Table 08 above further provide the quarterly statistics and response ratios for procurement below R200 000 for the financial year.

6.1.12 B-BBEE Purchase Orders

Table 09 below illustrates the number of purchase orders, and their values, processed by the City for each B-BBEE status level of contributor for the 2020/21 financial year.

Table 09: B-BBEE Purchase Orders for the Period 1 July 2020 to 30 June 2021

B-BBEE level	PO Count	% PO Count	No. of vendors	% of Vendors	Order value (R)	% Order value
0	45 755	31%	1 383	48%	5 706 666 860	38%
1	73 974	50%	959	33%	5 388 109 547	36%
2	17 393	12%	239	8%	2 117 815 426	14%
3	2 349	2%	48	2%	449 406 809	3%
4	8 041	5%	219	8%	666 335 748	4%
5	797	1%	12	0%	233 346 505	2%
6	42	0%	5	0%	5 070 437	0%
7	24	0%	5	0%	229 700 617	2%
8	193	0%	12	0%	47 799 760	0%
Total	148 568	100%	2 882	100%	14 844 251 709	100%

B-BBEE	102 813	69%	1 499	52%	9 137 584 852	62%
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The number of B-BBEE suppliers who have conducted business with the City for the financial year was 1 499 which equates to 52% of the overall number of suppliers used. 43% of these suppliers are on B-BBEE levels 1 to 3 which are entities with more than 50% black ownership.

A total of 102 813 purchase orders, with a total value of R9 137 584 852, were issued to the B-BBEE suppliers which equates to 69% of the total of purchase orders processed and 62% of the total spending for the financial year.

6.1.13 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.

The tender for pumps maintenance and repairs has been awarded and four tenders for repairs and maintenance to fleet and equipment are being finalized.

These deviations are reported to Mayco and Council on a monthly basis in terms of SCM Regulation 36. Table 10 below highlights the four key tenders to address fleet deviations.

Table 10: Fleet services tenders' status update as at 30 June 2021

Directorate	Description	Status
Solid Waste Management (Tender 339S/ 2020/21)	Servicing, diagnostic testing, fault finding and repairs of Heavy Plant	Tender evaluation stage.
Water and Sanitation (Tender 344S/ 2020/21)	Servicing and repairs of Marine equipment, Small Plant, Bicycles and Golf Carts	Tender evaluation stage.
Electricity Generation and Distribution (Tender 269S/ 2020/21)	Servicing, General repairs and Structural repairs of Hydraulic Equipment and Compactor Bodies	Final bid evaluation meeting to be held on 8 July 2021.
Electricity Generation and Distribution (Tender 318S/ 2020/21)	Servicing and repairs of Vehicles and standard Trucks	Tender evaluation stage.

All four tenders for repairs and maintenance to fleet and equipment are in bid evaluation stage. Progress is being tracked to ensure that framework contracts are put in place to service the City's fleet needs.

6.2 Supplier Development, Empowerment and Management

6.2.1 Supplier Empowerment (Community Based Suppliers)

Information sessions with Community Based Suppliers were impacted and had to be put on hold during specific time periods in the financial year due to the COVID-19 restrictions at the time. These sessions were facilitated by Economic and Supplier Development (ESD) based on the approved information and documentation developed by SCM. These sessions provide assistance to new and emerging suppliers and guide 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 582 attendees were present during these sessions as compared to 1 242 attendees during the previous financial year.

The number of accredited Community Based Suppliers increased with 189 compared to 30 June 2020. Table 12 under paragraph 6.2.2 refers. The year-on-year Community Based Supplier spending since the 2017/18 financial year to the 2020/21 financial year are summarized as per Table 11 below:

Table 11: Year-on-Year Community Based Supplier Spending

Details	2017/18 Total	2018/19 Total	2019/20 Totals	2020/21 Total
Number of awards	46	59	37	193
Award values	R543 542	R1 049 753	R879 977	R3 181 798

Table 11 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 2020/21 financial year compared to the previous financial year, are shown in Table 12 below.

Table 12: Supplier Database Statistics 2020/21 vs 2019/20

Details	2019/20 Totals	2020/21 Totals
Accredited Suppliers on the City Database	12 702	14 010
Central Supplier Database registered (CSD)	12 671	13 685
Total E-Procurement registered suppliers	3 099	4 110
Community Based Suppliers (CBS)	808	997

As at the end of the financial year, the City had 14 010 accredited suppliers (2019/20: 12 702), of which 13 685 were CSD registered (2019/20: 12 671). These statistics include 4 110 registered E-Procurement suppliers (2019/20: 3 099) and 997 Community Based Suppliers (2019/20: 808).

The quarterly comparable new approved supplier registration statistics are included in Table 13 below.

Table 13: New approved supplier registration statistics 2020/21 vs 2019/20

Period	2019/20 Totals	2020/21 Totals
Quarter 1 (1 July to 30 Sept)	350	348
Quarter 2 (1 Oct to 31 Dec)	378	275
Quarter 3 (1 Jan to 31 Mar)	332	312
Quarter 4 (1 Apr to 30 June)	181	274
Total for the Financial Year	1 241	1 209

A total of 1 209 new supplier registration applications were approved for the 2020/21 financial year, compared to a total of 1 241 new supplier registration applications approved during the previous financial year.

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. There have been constant enhancements of detection controls 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.

As per Table 14 below, a total of 20 694 staff declaration/s of interest/s were assessed by SCM during the 2020/21 financial year.

Table 14: Staff Declaration of Interest (DOI's) and Private Work applications reviewed during the 2020/21 financial year

Staff DOI's reviewed by SCM	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Electronic DOI's	6 202	5 426	3 204	3 576	18 408
Manual DOI's and private work applications	408	397	346	1 135	2 286
Total	6 610	5 823	3 550	4 711	20 694

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.

This report requires the name, capacity in which the person is in service of the state and the amount of the award. This information is captured from the declarations of interest as submitted by staff and suppliers. A list of these persons and their respective companies is available for review by the SCM Practitioners before the award of RFQ's and Tenders.

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.

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 committed abuse of the SCM system. The quarterly comparable supplier performance management statistics are contained in Table 15 below. In total, 58 instances of supplier performance, default or abuse related instances were registered on the "Red list" for the financial year.

Table 15: Supplier Performance Management for the 2020/21 Financial Year

Defaulting and Poor Performing Suppliers	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Poor performance	4	4	4	1	13
Non-delivery of goods / services	2	2	2	0	6
False documentation	1	2	0	0	3
Collusion	0	2	0	1	3
Abuse of SCM system	1	2	1	0	4
Sent to Forensic Services	0	4	6	6	16
Sent to Legal Services (Possible restrictions)	2	5	4	2	13
Total	10	21	17	10	58

A total of 19 instances of poor or non-performing suppliers were registered on the "Red list" by the relevant project managers within line departments. A total of 10 instances of potential abuse of the SCM system, including collusion and false

documentation, were registered on the "Red list" for the financial year. As and when required, matters are referred to Legal Services and / or Forensic Services for further action. In total 16 cases were referred to Forensic Services and 13 cases were referred to Legal Services. Such suppliers may be reported to the National Treasury in instances where the supplier has defaulted and must be restricted.

6.3 Inventory and Stores Management

The main purpose of the Inventory and Stores Management (ISM) branch is to provide the right quality of materials at the right time and quantities to other user departments in the City. This is done to enable effective service delivery to the citizens of Cape Town. ISM strives to keep the right balance between stock levels and working capital investment.

There are currently 31 operational SAP stores in the City and 14 fuel sites. There are five (5) stores which are temporarily closed since the beginning of the COVID-19 lockdown restrictions became effective on 26 March 2020. There are 13 576 different materials and 23 176 bins maintained.

During the 2020/21 financial year, the average stock value was R491 552 624 with an annual stock usage of R1 157 749 739, There were 601 944 goods movements transactions during the financial year.

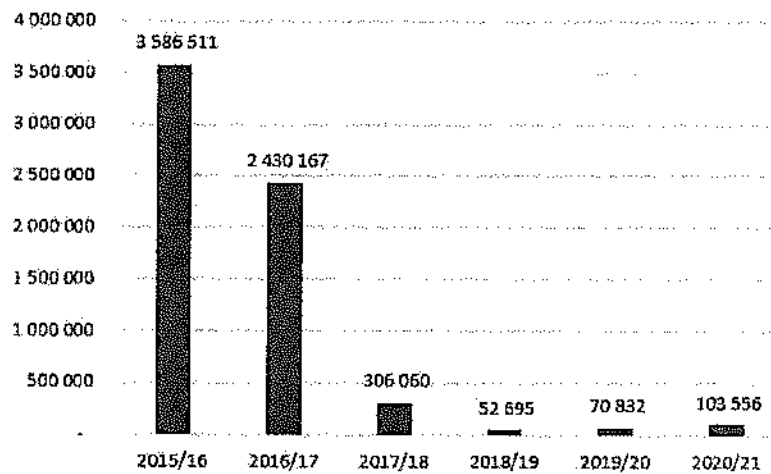
6.3.1 Annual Stocktake Results

The MFMA requires that inventory be verified at least once per financial year. The annual stock take result amounted to a shortage of R103 556.41 and surplus stock amounted to R20 409.97.

All shortages were assessed and formally reported to the Chief Financial Officer and approved for write-off. The main causes of shortage were as result of a fuel tank which was contaminated by water ingress and an incident of theft at the Hillstar store.

The below Graph 01 depicts the negative stock variances (stock written-off) since the 2015/16 financial year up to the 2020/21 financial year and shows the dramatic reduction in stock losses over the last six years. This is as result of the improvements in controls and security which have been implemented.

Figure 3: Stock Variances



Stock variances have decreased over time with R103 556 being the closing various at year end. This was due to inventory shrinkage, obsolescence and theft. These matters are fully investigated and dealt with.

Area Heads are required to monitor the daily count of selected stock items in order to ensure that any variances are detected early and can be addressed. The ISM unit undertakes a full mid-year stock count over and above the legislated year-end verification of stock.

6.3.2 Stock comparative results

Comparative results for the last two financial years are indicated in Table 16 (Quarter 4) and Table 17 (Annual) below.

Table 16: Results for Quarter 4 - 2019/20 and 2020/21

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)		
2019/20	428 292 020	380 243 078	189 807 267	1.97	69 202
2020/21	492 708 634	493 364 217	291 211 664	2.34	160 634
% Change	15%	30%	53%	0.37	132%

The quarterly comparable stock value increased by 15% (01 April 2021 to 30 June 2021 compared to 01 April 2020 to 30 June 2020). The reason for the increase is

attributable to an increase in the value of stock for water meters, electricity components (mini substations, circuit breakers, electricity meters, etc. for capital projects) and PPE materials for the prevention of COVID-19.

The quarterly usage value increased by R 102 million (53%) (01 April 2021 to 30 June 2021 compared to 1 April 2020 to 30 June 2020). The reason was mainly attributable by the increase in water meters, electricity meters, electricity components (mini subs, switchgears, panels, cabinets, LED Luminaires) and PPE items.

The number of inventory transactions increased by 132% when compared with the 4th quarter of the previous financial year. It is anticipated that the increase in stock turnover in the 4th quarter will continue and thereby reduce the stock value on hand and improve the stock turn ratio closer to the target of 3.5.

Table 17: Annual results for 2019/20 and 2020/21 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)		
2019/20	428 292 020	372 214 052	996 149 482	2.63	699 536
2020/21	492 708 634	491 552 624	1 157 749 739	2.32	601 944
% Change	15%	32%	16%	-0.31	-14%

The comparable stock turn reduced by 0.31 year-on-year. The stock turn for the 2020/21 financial year was unfavourable at 2.32 compared to the target of 3.5. The total stock at year end was R492 708 634 which was slightly higher than the previous year.

This was mainly due to:

- Stock piling of materials in order to ensure adequate stock levels as result of increased demand for purposes of service delivery.
- Stock piling of PPE materials in anticipation of increased demand of PPE materials as a result of the imminent third wave.
- Some projects had to be put on hold due to lockdown restrictions.

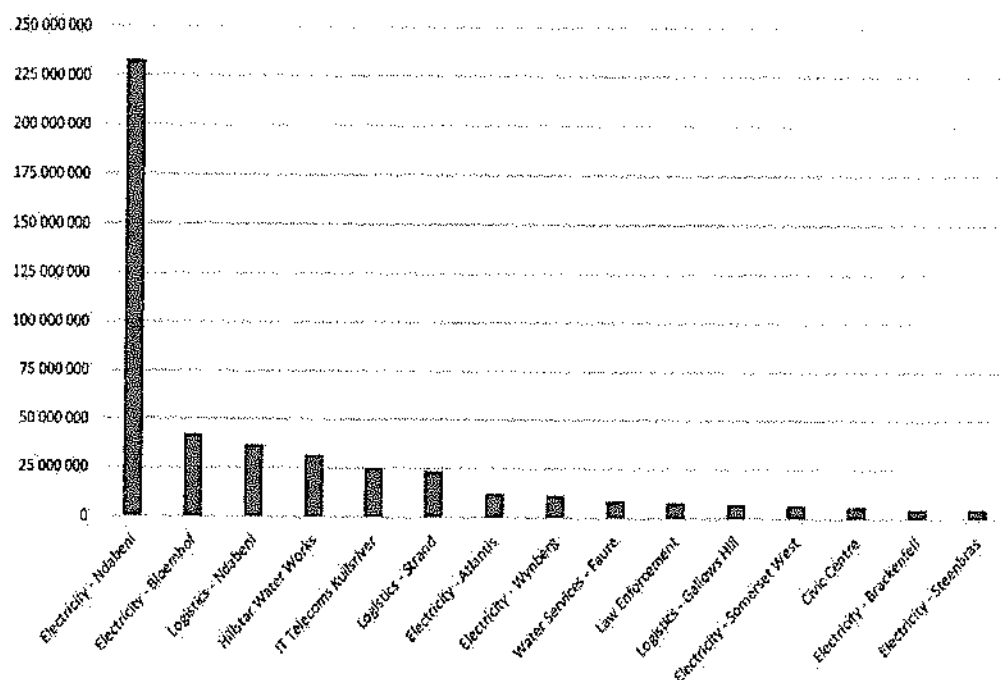
The relaxation of the lockdown restrictions has enabled the resumption of projects, which will increase consumption of stock. The Stores Management team is

implementing better oversight with regard to material replenishment planning to curb instances of over-stock of materials and to ensure optimal working capital management. These activities will contribute to the improvement of the stock turn in order to reach the target of 3.5.

6.3.3 Top 15 Stores - Stock value as at 30 June 2021

Figure 4 below indicates the relative importance of the Top 15 stores in terms of stock / rand value at the end of the fourth quarter of 2020/21.

Figure 4: Top 15 Stores - Stock Value as at 30 June 2021

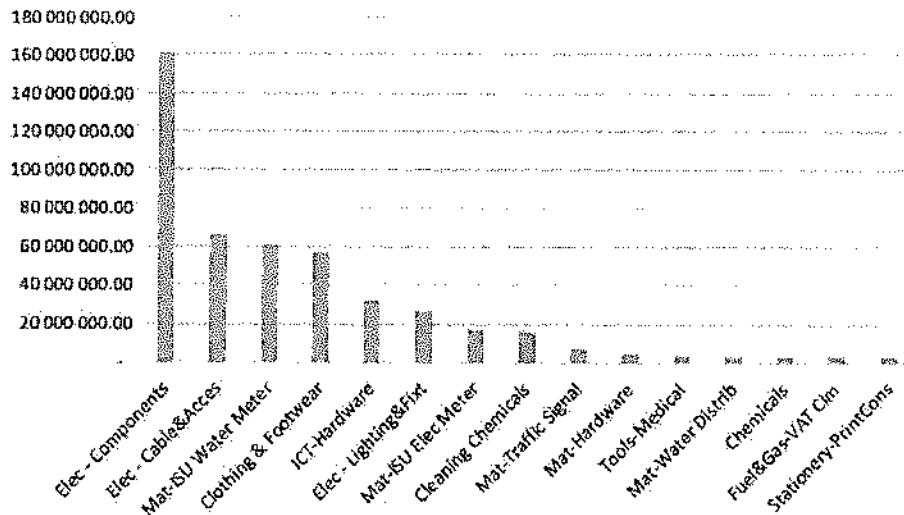


The information as per Figure 4 depicts that the majority of stock value held in City stores is for electrical materials stored at Ndabeni and it is the strategic hub for electrical items. The Ndabeni store carries the majority of the high-value items for consumption throughout the Metro; while other stores carry materials of lower value and are located closer to the point of use.

6.3.4 Top 15 Material Groups - Stock Value as at 30 June 2021

Graph 03 below indicates the relative importance of the Top 15 material groups in terms of stock / rand value at the end of the fourth quarter of 2020/21.

Figure 5: Top 15 Material Groups Stock Values as at 30 June 2021

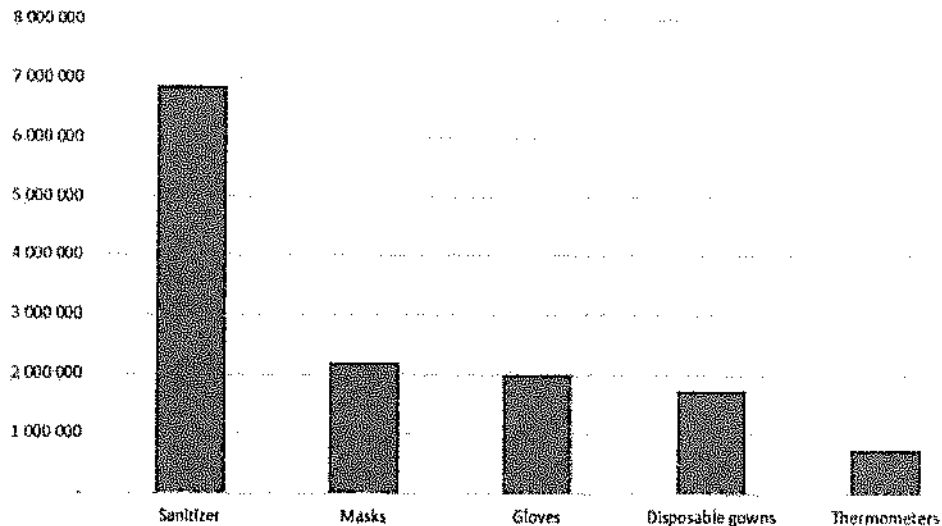


The information as per Graph 03 shows that the majority of stock value is for Energy Services. Many of these items are high value items such as mini-substations, transformers and switchgear. Many items are purchased in advance for capital projects due to their long lead times.

6.3.5 Personal Protective Equipment (PPE) Stock Values as at 30 June 2021

The City is carrying stock to the total value of R14.77 million as at 30 June 2021. The Top 5 categories of PPE held in stock being Sanitizer, Masks, Gloves, Disposable gowns and Thermometers, are illustrated in Figure 06 below.

Figure 06: Rand Value of PPE Stock as at 30 June 2021



The SCM unit exercises strict control over the requests for PPE commodities and has engaged with the Occupational Health department to ensure that appropriate PPE is issued to the various departments.

The Auditor General performed an in-depth audit of PPE procurement and the City's processes and controls were found to be excellent. This is also reflected in the AG report recently published in the media.

Since pandemic started the City has spent R137 262 215.76 on Covid-19 PPE in response to the pandemic. The table below reflects a high level summary of total estimated.

Table 18: COVID-19 PPE

Stock Category	Stock Item	Total Units Issued	Value of Stock Issued	Vale of Stock on Hand	Total Value of Stock Purchased
PPE	Cloth Mask (each)	135605	R2 746 574.14	R47 082.50	R2 793 656.64
	Masks (each)	2973371	R35 290 016.02	R5 203 251.27	R40 493 267.29
	Hand Sanitiser (litres)	518560.6	R28 604 971.91	R9 242 865.69	R37 847 837.60
	Gloves (each)	5145842	R9 415 365.09	R2 066 325.06	R11 481 690.15
	Face Shields	26830	R1 069 662.31	R2 221 860.75	R3 291 523.06
	Thermometer	3506	R3 213 614.20	R742 028.07	R3 955 642.27
Specialised PPE	N95 Mask (Each)	83565	R4 389 651.11	R1 567 756.56	R5 957 407.67
	Goggles	2305	R47 038.07	R21 623.30	R68 661.37
	Isolation Gowns	4800	R624 000.00	R2 481 755.00	R3 105 755.00
	Aprons (each)	276478	R294 338.98	R97 557.23	R391 896.21
	Disp. Overalls	21487	R3 323 008.46	R2 733 213.35	R6 056 221.81
	HazMat Suits	144	R111 816.00	R0.00	R111 816.00
	HD Gloves (Each)	1679	R30 306.09	R16 908.61	R47 214.70
Other COVID-19 Materials	Soap Bars (each)	461875	R2 221 760.17	R699 805.21	R2 921 565.38
	Liquid Soap (litres)	133590	R2 376 458.94	R1 300 529.55	R3 676 988.49

Anti Bac. Liquid (litres)	11279.25	R905 370.28	R648 640.61	R1 554 010.89
Bleach (litres)	102753.5	R1 151 047.65	R602 503.12	R1 753 550.77
Pine Gel (litres)	244315	R4 537 757.77	R1 948 296.68	R6 486 054.45
Cloths	123737	R744 162.39	R2 060 787.88	R2 804 950.27
Bottles	40125	R450 898.98	R12 040.41	R462 939.39
Dispenser	2646	R1 092 799.00	R201 937.95	R1 294 736.95
Sprayer	829	R677 904.40	R26 925.00	R704 829.40
	10315322.35	R103 318 521.96	R33 943 693.80	R137 262 215.76

6.4 Supply Chain Management Overall

6.4.1 Risk Management

The SCM risk registers and mitigating plans are reviewed on an ongoing basis and was recently approved on 15 June 2021. SCM is satisfied that known risks are being adequately managed and monitored.

6.4.2 Disposal Management

The SCM Demand & Disposal unit is responsible for the disposal of redundant movable assets and scrap. The disposal unit was affected by the lockdown and the administration had to implement alternate methods of disposal as visitors were not permitted to attend an auction in person.

Our contract with the auctioneers included the option to auction goods via electronic auction (internet-based). This option has been implemented with resounding success.

Table 19: Comparable Disposal revenue (2019/20 and 2020/21 financial years)

Category	2019/20 Revenue R	2020/21 Revenue R
Disposal of movable assets	24 385 448,27	47 004 319,68
Disposal of scrap metals	2 440 796,65	4 022 146,83
Disposal of waste paper	5 279 202,41	69 244,88
Disposal of oils	860 832,67	610 543,71
Disposal of transformers	65 101,99	2 530 874,00
Total	33 031 381,99	54 237 129,10

As can be seen in Table 18, a total of R54 237 129.10 disposal revenue were generated for the financial year, compared to R33 031 381.99 disposal revenue generated during the previous financial year. This represent an increase in disposal revenue generated of 64% from previous year.

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 April 2021 to 30 June 2021, the SCM department made 6 appointments.

For the 2020/21 financial year, a total of 21 permanent appointments were made. These details are as follows:

- 2 Heads (ISM and Tenders & Contracts)
- 1 Senior SCM Practitioner (Procurement Excellence & Governance)
- 3 Senior Professional Officers (Procurement and Tenders & Contracts)
- 2 Professional Officers (ISM and Supplier Management & Administration)
- 4 Buyers (Procurement)
- 1 Administrative Officer 2 (Tenders & Contracts)
- 1 Administrative Officer 1 (Tenders & Contracts)
- 2 Specialists Clerks (ISM and Supplier Management & Administration)
- 1 Senior Clerks (Supplier Registration)
- 3 Clerks (Officer of the Director SCM and Tenders & Contracts)
- 1 Office Assistant (Demand & Disposal)

The SCM staff establishment consists of 370 approved positions on the organogram of which 313 are filled and 57 vacant positions. A campaign advert has been published in order to advertise various SCM positions. Currently shortlisting and interview processes are under way. In total, 44 EPWP opportunities were created for the financial year.

The SCM unit has initiated on-line Bid Committee training via the National School of Government (NSG) during the period 1 July 2020 to 30 June 2021. In total 120 attendees have participated in the online training. A further 1 Day Workshop, was offered by NSG, during Quarter 4. The target group for this intervention was Executive Directors, Managers and Senior SCM staff, with a total of 20 attendees.

6.4.4 SCM Audit Action Plan

The SCM department has developed an audit action plan which is aimed at addressing audit findings and mitigating risks in the compliance processes.

The 2019/20 Auditor General of South Africa (AGSA) external audit was concluded at the end of the 3rd quarter following which the SCM Audit Action Plans were developed with the key focus on achieving a clean audit outcome for the next audit cycle. Significant focus was afforded to analysing instances of non-compliance and resultant irregular expenditure as reported by the AGSA. Consequence management interventions are ongoing in order to bring about a culture of compliance, good governance and efficiency.

The implementation of corrective measures as contained in the Audit Action Plan was concluded by 30 June 2021.

6.4.5 COVID-19 impacts on SCM operations and business continuity measures

The SCM unit continued to support the City with the critical needs in response to the pandemic. PPE is issued weekly to line directorates. All requirements were managed in consultation with the City's Occupational Health and Safety department who based its response plan on World Health

Organisation guidelines. A number of directives were issued to internal directorates to ensure proper inventory management and SCM is monitoring the usage hereof including producing weekly reporting.

SCM officials attend the Pandemic Business Coordinating Committee meetings and the Disaster Coordinating meetings on a regular basis to support the COVID-19 procurement processes. Reporting for procurement in terms of the National State of Emergency requirements were provided to the Provincial Treasury on a monthly basis. COVID-19 Procurement Disclosure reports covering procurement of PPE and other Goods & Services are publicly available on the SCM website for disclosure and transparency purposes.

The AGSA recognised the City's management arrangements in responding to the pandemic in that it was publically reported that there was a number of best practices

around PPE stock management, including a dashboard for monitoring stock on hand to ensure supply met demand.

6.4.6. Management Interventions

During the year management revised three key guidelines:

- Implementation Guidelines for MFMA Section 33 (Contracts having future budgetary implications);
- Implementation Guidelines for MFMA Section 116(3) (Contract variation, expansion or amendment of an existing contract or agreement);
- Deviation Guidelines (MSCM Regulation 36); and
- Fleet deviations guidelines.

Management is also developing Tender Procedures to complement the SCM Policy and provided clear direction on various matters to line directorates.

For under R200 000 procurement, extensive work was done to review this environment and develop Procurement Guidelines for various types of purchases and order processes, a Roles and Responsibilities Matrix for procurement staff. Extensive training has been conducted for line departments and SCM staff on these guidelines.

Monthly SCM Forum meetings are held with the City Manager to highlight and report on the progress of various SCM issues. SCM is also represented at the Contract Management Forum meetings with the City Manager. During the year, SCM spearheaded the Contract Financial Tracking project to drive a reconciliation of payments to contracts and produce a credible contract register for the city.

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