

DATE: 01 OCTOBER 2024

REPORT TO: EXECUTIVE MAYOR

## 1. ITEM NUMBER

## 2. SUBJECT

**SUPPLY CHAIN MANAGEMENT:  
REPORT FOR THE PERIOD 1 JULY 2024 TO 30 SEPTEMBER 2024**

**VERSKAFFINGSKETTINGBESTUUR:  
VERSLAG VIR DIE TYDPERK 1 JULIE 2024 TOT 30 SEPTEMBER 2024**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA  
IIMPAHLA ZEZIKO:  
INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 JULAYI 2024 UKUYA  
KOWAMA-30 SEPTEMBER 2024**

## 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.

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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 2024 TO 30  
SEPTEMBER 2024 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 2024 TOT 30 SEPTEMBER 2024.

### ISINDULULO

KUNDULULWE UKUBE MAKUQWALASELWE IZIQULATHO ZENGXELO  
ESIHLOKO 'INGXELO ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO'  
YESITHUBA ESISUSELA KWISITHUBA SOMHLA WOKU-1 JULAYI 2024 UKUYA  
KOWAMA-30 SEPTEMBER 2024.

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## ANNEXURES

### ANNEXURE A

## FOR FURTHER DETAILS CONTACT

NAME	Adiel Bloew	CONTACT NUMBER	021 400 3190
E-MAIL ADDRESS	Adiel.Bloew@capetown.gov.za		
DIRECTORATE	Finance	FILE REF NO	
SIGNATURE : DIRECTOR	<div>Adiel Bloew</div>	<div>Digitally signed by Adiel Bloew Date: 2024.10.03 10:48:39 +02'00'</div>	

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**CHIEF FINANCIAL OFFICER**

NAME Kevin Jacoby COMMENT:

DATE

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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

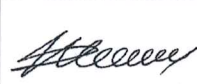
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**CITY MANAGER**

NAME Lungelo Mbandazayo COMMENT:

DATE

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**EXCUTIVE MAYOR**

NAME Ald Geordin Hill-Lewis COMMENT:

DATE 09 Oct 2024

SIGNATURE 



## ANNEXURE 1

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### 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 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 for the 2024/24 financial year is approximately 302 tenders, which includes 0 tenders that were in progress at the end of the previous financial year. This amounts to 1 less tender than the 2023/24 demand plan, which consisted of 301 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 75% as at the end of Quarter 1 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 75% of tenders completed by the different statuses.

<b>2024/25 Approved Demand Plan</b>	
Total number of tenders on approved plan	302
Number of tenders successfully awarded	174
Number of tenders cancelled	51
Number of tenders in progress	77
<b>Implementation rate</b>	<b>75%</b>

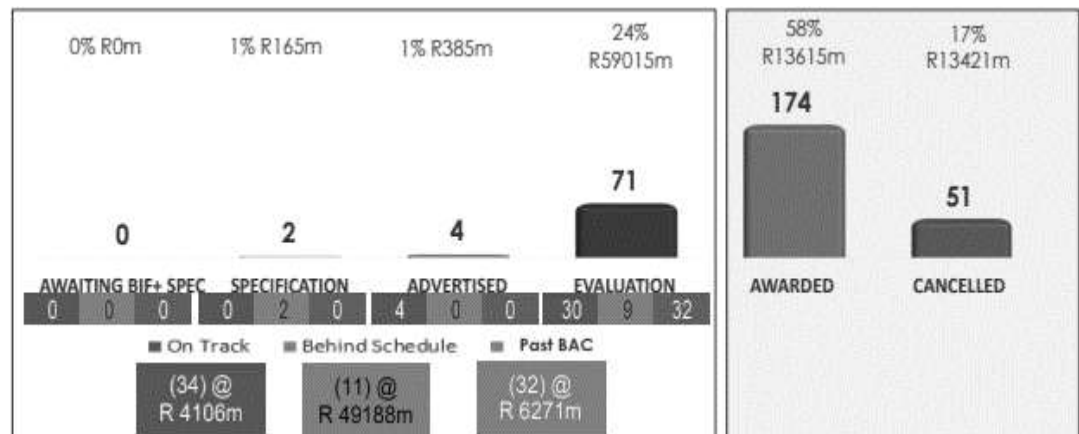
As can be seen from Table 01, 174 tenders (58%) of the total required tenders have been awarded and 51 tenders (17%) were cancelled as at 30 September 2024.

Tenders to the value R13 615 million for the financial year have been awarded, and tenders to the value of R13 412 million 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 (2023/24)**

77 Tenders to the value of R59 595 million are currently still in process of finalization at different stages [Specification (2 tenders), Advertised (4 tenders) and Evaluation (71 tenders)]. 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:

- All specifications for repeatable tenders and the associated BIF must be submitted to a Supply Chain Management (SCM) Tenders: Senior SCM Practitioner, 18 months in advance of the CRBD (Contract Required By date) (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 30 days of receipt of the 100% complete draft specification.
- The timeline must provide at least 90 days after the BAC award and prior to CRBD, 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. 99.99% of the approved budget for 2024/25 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 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 September 2024 is depicted in Table 02 below.

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

Implementing Directorate	Number of tenders in progress			
	On Track	Behind Schedule	Overdue	Grand Total
Community Services & Health	2	0	5	7
Corporate Services	6	0	2	8
Economic Growth	0	0	0	0
Energy	11	5	2	18
Finance	1	0	0	1
Future Planning & Resilience	1	0	1	2
Human Settlements	2	1	1	4
Office Of The City Manager	0	0	1	1
Safety & Security	0	0	3	3
Spatial Planning & Environment	1	0	1	2
Urban Mobility	5	0	8	13
Urban Waste Management	1	0	0	1
Water & Sanitation	4	5	8	17
Grand Total	34	11	32	77

As per Table 02 above, 77 tenders are in progress of which 32 tenders are past their planned BAC award date and 11 tenders are behind schedule. These tenders are closely monitored to drive the conclusion thereof expeditiously.

The tender completion rate of 70% as at 30 September 2024 far exceeds the planned target of 20% for Quarter 1 of the 2024/25 financial year. A remarkable achievement due to improvement measures set in place during the prior financial year.

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 September 2024.

**Table 02A: Demand Plan status – tenders overdue as at 30 September 2024**

Directorate	08. Evaluation	09. Drafting PB Report	09. Drafting Report	10. Preferred Bidder (PB)	11. Report Ready	Grand Total
Community Services & Health	0	2	2	0	1	5
Corporate Services	0	0	1	1	0	2
Energy	1	0	1	0	0	2
Future Planning & Resilience	0	0	1	0	0	1
Human Settlements	0	0	0	1	0	1
Office Of The City Manager	0	0	1	0	0	1
Safety & Security	0	1	1	0	1	3
Spatial Planning & Environment	0	0	1	0	0	1
Urban Mobility	2	0	5	0	1	8
Water & Sanitation	2	1	3	1	1	8
<b>Grand Total</b>	<b>5</b>	<b>4</b>	<b>16</b>	<b>3</b>	<b>4</b>	<b>32</b>

Table 02A provides a detailed overview of the 32 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 32 overdue awards are depicted in Table 02B below:

**Table 02B: Budget source on tenders overdue as at 30 September 2024**

Implementing Directorate	CAPEX	CAPEX and OPEX	OPEX	Grand Total
Community Services & Health	R -	R -	R 482 500 000	R 482 500 000
Corporate Services	R -	R 252 000 000	R 40 000 000	R 292 000 000
Economic Growth	R -	R -	R 16 000 000	R 16 000 000
Energy	R 581 300 000	R -	R -	R 581 300 000
Finance	R -	R -	R -	R -
Future Planning & Resilience	R -	R -	R 12 000 000	R 12 000 000
Human Settlements	R -	R 32 153 000	R -	R 32 153 000
Office Of The City Manager	R -	R -	R 1 000 000	R 1 000 000
Safety & Security	R 50 000 000	R 50 000 000	R 70 000 000	R 170 000 000
Spatial Planning & Environment	R 12 000 000	R -	R -	R 12 000 000
Urban Mobility	R 774 490 540	R 3 454 644 857	R 46 000 000	R 4 275 135 397
Urban Waste Management	R -	R -	R -	R -
Water & Sanitation	R 484 117 983	R 117 000 000	R 404 500 000	R 1 005 617 983
<b>Grand Total</b>	<b>R 1 901 908 523</b>	<b>R 3 905 797 857</b>	<b>R 1 072 000 000</b>	<b>R 6 879 706 380</b>

### 6.1.3 Cancelled tenders analysis for the period 01 July 2024 to 30 September 2024

51 tenders (17% 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 September 2024**

Reasons for cancellation	Number	Estimated value
No acceptable bids received	21	R7 405 560 302
PPPFA Non-Compliance	17	R2 911 300 000
No offers received	7	R2 959 861 205
Funds are no longer available	1	R40 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
<b>Grand total</b>	<b>51</b>	<b>R13 480 721 507</b>

In the 2024/25 financial year, a total of 51 tenders, valued at R13,481m, were cancelled for various reasons. The most significant reason for tender cancellations was due to no acceptable bids being received. This accounted for 21 tenders with an estimated value of R7,405m. In these cases, either the bids 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 17 tenders, with a combined estimated value of R2,911m. Non-compliance with the PPPFA may involve issues such as incorrect or missing preference points, impacting the fairness and legality of the bid process.

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.

One (1) tender, valued at R40m, 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 loadshedding over time and supplement the water and sanitation programmes to cope with the increased demand in population growth that the City is experiencing.

Twenty-one (21) cancelled tenders have been added back to the Demand Plan and are in various stages of the tender process. The remaining 30 tenders are in review

to determine the most appropriate mechanism to ensure completion of the Demand Plan and continued service delivery.

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 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 17 appeals during the financial year up to 30 September 2024. Of these, 2 appeals were upheld, 12 appeals dismissed and 3 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 minimise 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 10%, 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 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 department has been sending reminders to line departments to submit outstanding specifications. As at 30 September 2024, only 12 tender specifications for the 2025/26 demand plan has not been received and is behind schedule. The SCM unit is also specifically focusing 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 55 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 due is 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 meeting is open to the public by an application for invitation through the secretariat as part of good governance.

The BAC has convened 14 meetings and 2 special meetings via skype during Quarter 1 of the 2024/25 financial year. BAC resolutions and minutes 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 unauthorised sharing of data relating to City tenders.

### **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 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 54 Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC) Chairperson re-appointments were made during Quarter 1 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 July 2024 until 30 September 2024, a total of 7 621 RFQ's were advertised on the City's website. 25 898 responses were received equating to a response ratio of 3.40 for each RFQ advertised. Table 04 below refers:

Table 04: RFQ Advertisements vs Responses Received for the period 1 July 2024 until 30 September 2024

Month	Goods			Services		
	RFQ's Advertised	RFQ Responses	Ratio	RFQ's Advertised	RFQ Responses	Ratio
Jul 2024	1 832	8 742	4.77	530	543	1.02
Aug 2024	2 013	8 543	4.24	577	870	1.51
Sep 2024	2 002	6 573	3.28	667	627	0.94
<b>Total</b>	<b>5 847</b>	<b>23 858</b>	<b>4.08</b>	<b>1 774</b>	<b>2 040</b>	<b>1.15</b>

Total RFQ's advertised	7 621
Total responses	25 898
Ratio	3.40

The SCM Regulations require a minimum of three (3) responses. The ratio of 3.40 is above the minimum responses and shows that suppliers are interested in doing business with the City.

#### **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 July 2024 until 30 September 2024.

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 programmes 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-BEEE levels and HDI/ RDP goals approach, including how the procurement rand spent supports Small Medium Enterprises.

During Quarter 1 of the 2024/25 financial year, 55 tenders were awarded under the Preferential Procurement Regulations of 2022; of which 93% (51/55) of the awards were in terms of the HDI/RDP goals and 7% (4/55) awards made did not score in terms of the HDI/RDP goals.

The Table 05 below depicts the awards made per HDI/RDP category with the total award amount.

**Table 05: HDI/ RDP Total Award Value per Category for the period 01 July 2024 to 30 September 2024**

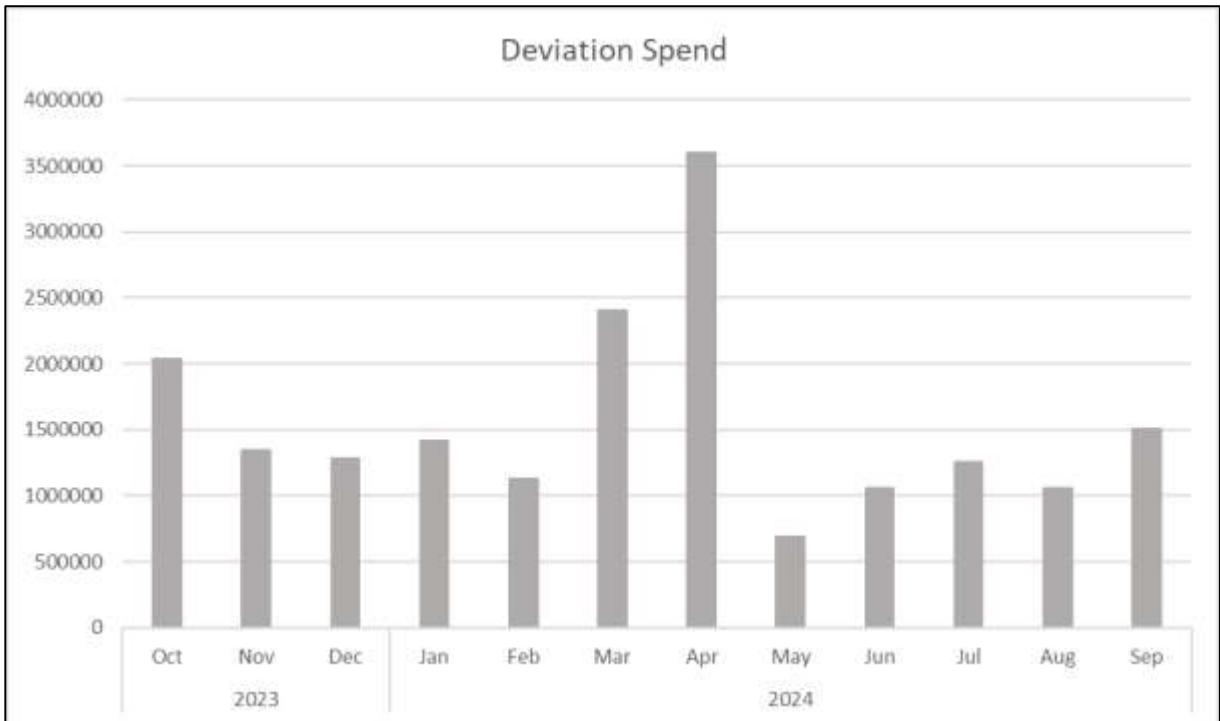
<b>HDI/RDP Goals</b>	<b>Number per Category</b>	<b>Total Award Value per Category</b>
Women	1	R4 000 000.00
Black	2	R250 977 213.25
Disabilities	0	
SMME	2	R9 516 250.00
No HDI/RDP Goal	4	R35 201 250.00
More than one HDI/RDP Goals	46	R3 633 102 890.52
<b>Total</b>	<b>55</b>	<b>R3 932 797 603.77</b>

#### **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.

Four (4) tenders relating to repair and maintenance of fleet vehicles and equipment, and three (3) tenders for pump related maintenance and repairs have been awarded and all seven (7) tenders are active. Since the implementation, a decline in the number and value of deviations has been noted as a result of the implementation of the tenders. The results are demonstrated below in Graph 01.

Graph 01: Decrease in deviations



The deviations under R750 000 for the **12 month period** as at 30 September 2024 has reduced by 41% from R26.6m to R18.8m when compared to the status in September 2023.

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 1, there are 1 483 Community Based Suppliers, representing an increase of 5 Community Based Suppliers who have been registered on the City's database since the end Quarter 4 of 2023/24. Table 07 under paragraph 6.2.2 refers.

The monthly Community Based Supplier spending for Quarter 1 of the 2023/24 financial year is summarised as per Table 06 below.

**Table 06: Monthly Community Based Supplier Spending**

<b>Details</b>	<b>July 24</b>	<b>Aug 24</b>	<b>Sep 24</b>	<b>Total</b>
Number of awards	24	30	18	72
Award values	R64 044.62	R80 634.28	R693 714.48	R838 393.38

The City's 95% demand plan achievement in the 2021/22 financial year, followed by a 97% demand plan achievement rate for the 2022/23 and 100% for 2023/24, has consequently resulted in a decrease of procurement below R750 000 (RFQ's) awarded in the financial year under review. More tenders were active in the current year, which did not necessitate the need to procure via the RFQ process. There has also been a greater trend towards the use of EPWP workers as highlighted in 6.4.3.

### 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 2024 to 30 September 2024 is shown in Table 08 below.

**Table 07: Supplier Database Statistics 2024/24**

Details	Q1 Totals
Accredited Suppliers on the City Database	18 924
Central Supplier Database registered (CSD)	17 351
Total E-Procurement registered suppliers	7 696
Community Based Suppliers (CBS)	1 483

As at the end of quarter 1, the City had a total of 18 924 accredited suppliers, of which 17 351 suppliers are CSD registered. These statistics include 7 696 registered E-Procurement suppliers and 1 483 Community Based Suppliers.

The quarterly comparable new approved supplier registration statistics are included in Table 08 below.

**Table 08: New approved supplier registration statistics**

SCM supplier support Service	Jul 2024	Aug 2024	Sep 2024	Total
CSD new registrations	57	72	78	207
New suppliers created	60	75	80	215

A total of 215 new supplier registration applications were approved for quarter 1 of 2024/25.

### 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 9 below, a total of 6 009 staff declaration/s of interest/s were assessed by SCM during quarter 1 of 2024/25.

**Table 9: Staff Declaration of Interest (DOI's) and Private Work applications reviewed during the 2024/25 financial year**

<b>Applications and declarations reviewed by SCM</b>	<b>Number</b>
Electronic DOI's	5 066
Manual DOI's and private work applications	943
<b>Total</b>	<b>6 009</b>

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 10 below.

**Table 10: Supplier Performance Management for 01 July 2024 to 30 September 2024**

Defaulting and Poor Performing Suppliers	Details
Poor performance	3 suppliers
Non-delivery	3 suppliers
Negative Media Report	1 supplier
False Documentation	1 supplier
Abuse	7 suppliers
<b>Total</b>	<b>15 suppliers</b>

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:

- Three (3) case 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);
- Three (3) cases relating to **non-delivery** has been flagged on the red list for warning, prior to any subsequent awards being made to the respective supplier(s);
- Seven (7) cases relating to **abuse** has been flagged on the red list for sanction, prior to any subsequent awards being made to the respective supplier(s);
- One (1) cases relating to **Negative Media Report** has been flagged on the red list for warning, prior to any subsequent awards being made to the respective supplier; and
- One (1) cases relating to **False Documentation** has been flagged on the red list for noting and consideration, prior to any subsequent awards being made to the respective supplier.

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 different stores and 18 Fuel sites. There are 13 358 different materials and 23 605 bins maintained.

#### 6.3.1 Stock comparative results

Comparative results for the last two financial years are indicated in Table 11 below:

**Table 11: Results for Quarter 1 - 2024/25**

Quarter 1	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	563 007 098	568 881 322	313 180 478	2.15	203 501
2024/25	579 688 244	559 690 881	354 491 170	2.48	208 376
<b>% Change</b>	<b>3%</b>	<b>-2%</b>	<b>13%</b>	<b>0.33</b>	<b>2.4%</b>

The quarterly comparable stock value increased by 3% (01 Jul 2023 to 30 September 2023 compared to 01 Jul 2024 to 30 September 2024). This 3% increase, amounting to R16 million, was necessary to ensure service delivery amidst ongoing port congestion challenges affecting supply chain stability. The higher stockholding reflects our proactive approach to meeting demand and maintaining service reliability.

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. This approach led to an improvement in stock turnover, increasing from 2.15 to 2.48, signaling solid progress toward our

target of achieving a stock turnover of 3.5.

The quarterly usage value increased by R41 million (13%) (01 July 2023 to 30 September 2023 compared to 01 July 2024 to 30 September 2024). The reason was mainly attributable to the increased demand for chemicals required for the water purification process, refuse bags and electrical goods. In Quarter 2 of 2024/25, SCM will undertake a review of inventory usage values to assess reasons for increased demand and its impact.

Our inventory transactions have grown by 2.4% compared to the first quarter of the previous financial year. This improvement is largely due to ISM's strategic focus on enhancing material availability and liaising with end users of stock to collect stock which they ordered from stores.

**6.3.2 Top 15 Material Groups - Stock Value as at 30 September 2024**

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 September 2024**



The information as per Graph 03 shows the top 15 Material groups which make up 91% of the total inventory holding, at a value of R525.40m. It is noted that 66.90% (R351.48m) of these materials are Electricity goods with a stock turnover rate of 2,70. This is attributable to inventory kept as strategic stock for upcoming projects,

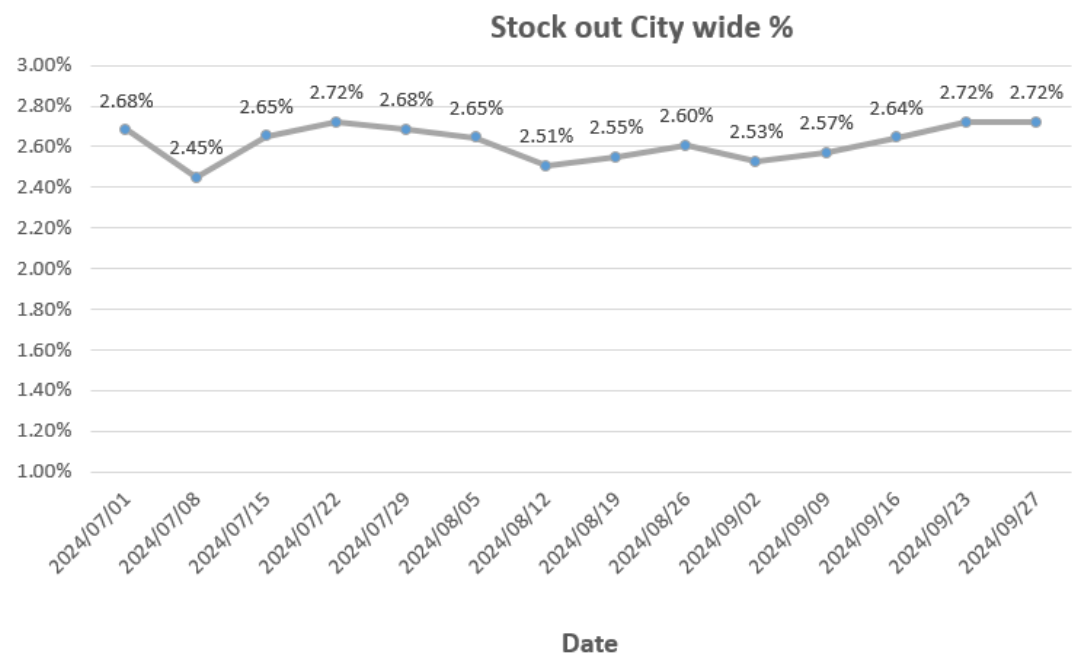
with long lead times. The remaining 33.10% (R173.92m) showed a solid performance on the turnover rate of 5.61, as a higher turnover rate is a measure of how well inventory is managed.

### 6.3.3 Stock out percentages as at 27 September 2024

The stock out percentage had a marginal increase from 2.68% at the beginning of Quarter 1 to 2.72% as at 27 September 2024. The top 5 contributing material groups were Clothing & Footwear, Hardware, Stationery, Tools and IT Equipment. Suppliers have faced difficulty in sourcing imported goods for manufacture and resale due to port congestions. Active and regular engagements between ISM and Suppliers has enhanced supply chain visibility, enabling contingency planning ahead of time for service delivery continuation.

Graph 04 below indicates the stock out percentage as at the end of Quarter 1 of the 2024/25 financial year.

**Graph 04: Stock out City wide % as at 27 September 2024**



The stock availability achievement as at the end of Quarter 1 was 97.28%. This represents an over-achievement of 5.28% 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 on a weekly basis 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 28<sup>th</sup> 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 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 12: Disposal revenue for the period 01 July 2024 to 30 September 2024**

Category	Revenue R
Disposal of scrap metals	6 235 586.33
Disposal of waste paper	41 690.61
Disposal of oils	467 209.41
Disposal of Scrap Transformers	1 401 896.00
Auction	35 952 095.68
<b>Total</b>	<b>44 098 478.03</b>

As can be seen in Table 12, a total of R44 098 478.03 disposal revenue was generated for the quarter 1 of the financial year. The next auction is scheduled to take

place in October 2024.

### **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 September 2024, the SCM department made 21 permanent appointments. These details are as follows:

- 1x Head
- 1x Senior SCM Practitioner
- 2x Assistant Professional Officers
- 1x Disposal Controller
- 1x Asset Disposal Attendant
- 5x Storekeeper
- 1x Specialist Clerk
- 3x Senior Stores Assistants
- 1x Senior Clerk
- 4x Stores Assistant
- 1x Clerk

During the period ending 30 September 2024, the SCM department had 18 active EPWP workers employed within the department.

The SCM staff establishment consists of 375 approved positions (which includes 10 graduate APOs and 3 Student positions). At the end of September 2024, there were 32 vacant positions (including 1 Student opportunity) of which 5 have already been filled.

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

- 1x Administrative Officer 1
- 1x Clerk
- 1x Stores Assistant

The loss of SCM skills to other parts of the organisation 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 is ongoing. 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 all of the actions required has already been implemented.

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 300 project managers are held in order to sensitise 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 will be implemented within the first quarter of 2024/25.

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 Digitisation 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. A tender, calling the market to respond to bids for the supply, installation and maintaining a supply chain management solution (demand management, supplier on-boarding and sourcing), was issued to the market in Quarter 1. It is anticipated that an e-tendering system will be piloted by December 2024.

#### **6.4.6 Supply Chain Management Policy review**

The SCM Policy, 2024 was approved by council on 22 August 2024. The Procurement Excellence & Governance unit is in the process of rolling out update training.

The next policy review will commence in quarter 4 of the 2024/25 financial year.

#### **FOR FURTHER DETAILS, CONTACT:**

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