



DATE: 12 OCTOBER 2021

REPORT TO: EXECUTIVE MAYOR

1. ITEM NUMBER

2. SUBJECT

**SUPPLY CHAIN MANAGEMENT:
REPORT FOR THE PERIOD 1 JULY 2021 TO 30 SEPTEMBER 2021**

**VERSKAFFINGSKETINGBESTUUR:
VERSLAG VIR DIE TYDPERK 1 JULIE 2021 TOT 30 SEPTEMBER 2021**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IIMPAHLA ZEZIKO:
INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 JULAYI 2021 UKUYA
KOWAMA-30 SEPTEMBER 2021**

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.

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 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

4.2. Policy and Strategy ☐ Yes ☒ No

4.3. Legislative Vetting ☐ Yes ☒ No

4.4. Legal Implications ☐ Yes ☒ No

4.5. Staff Implications ☐ Yes ☒ No

4.6. Risk Implications ☐ Yes ☒ No

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

5. RECOMMENDATIONS

IT IS RECOMMENDED THAT THE CONTENTS OF THE REPORT ENTITLED
SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 JULY 2021 TO 30
SEPTEMBER 2021 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 2021 TOT 30 SEPTEMBER 2021.

ISINDULULO

KUNDULULWE UKUBE MAKUQWALASELWE IZIQULATHO ZENGXELO
ESIHLOKO 'INGXELO' ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO'
YESITHUBA ESISUSELA KWISITHUBA SOMHLA WOKU-1 JULAYI 2021 UKUYA
KOWAMA-30 SEPTEMBER 2021

ANNEXURES

ANNEXURE 1

FOR FURTHER DETAILS CONTACT

NAME	BASIL CHINASAMY	CONTACT NUMBER	021 400 3190
E-MAIL ADDRESS	021 400 3190		
DIRECTORATE	021 400 3190	FILE REF NO	
SIGNATURE : DIRECTOR	<div><div>Basil Chinasamy</div><div>Digitally signed by Basil Chinasamy Date: 2021.10.12 14:04:55 +02'00'</div></div>		


CHIEF FINANCIAL OFFICER

NAME

COMMENT:

DATE

SIGNATURE


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Kevin Jacoby
Date: 2021.10.11.
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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: For information

DATE

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Jason Sam Liebenberg
Date: 2021.10.12
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CITY MANAGER


- ☒ RECOMMENDED IN TERMS OF PART 1: SECTION 10(5).
- ☐ NOT RECOMMENDED IN TERMS OF PART 1: SECTION 10(5)

NAME Lungelo Mbandazayo

COMMENT:

DATE

SIGNATURE


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Lungelo Mbandazayo
Date: 2021.10.13
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EXECUTIVE MAYOR

- ☒ RECOMMENDED IN TERMS OF PART 1: SECTION 10(5).
- ☐ NOT RECOMMENDED IN TERMS OF PART 1: SECTION 10(5)

NAME

DAN PLATO.

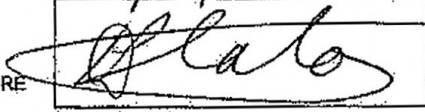
COMMENT:

Making progress possible. Together.

DATE

22/10/2021.

SIGNATURE



Making progress possible. Together.



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. OVERVIEW 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 2021/22 Demand Plan

The implementation of the 2021/22 demand plan is progressing well. The total quantum of the demand plan for the 2021/22 financial year is approximately 320 tenders, which include the 15 tenders that were in progress at the end of the previous financial year. This amounts to 66 more tenders than the 2020/21 demand plan, which consisted of 254 tenders.

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.

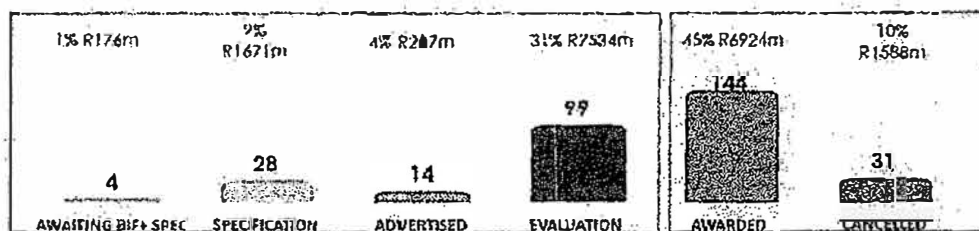
The implementation rate of 55% as at the end of quarter 1 of the 2021/22 financial year and reflected in Table 01 below:

Table 01: 2021/22 Demand Plan for Tenders

2021/22 Approved Demand Plan	
Total number of tenders on approved demand plan	320
Number of tenders successfully awarded	144
Number of tenders cancelled	31
Number of tenders in progress	141
Number of tenders awaiting draft specifications	4
Implementation rate	55%

As per Table 01 above and Figure 01 below, 144 tenders (45%) of the total required tenders have been awarded and 31 tenders (10%) were cancelled as at 30 September 2021. 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 (2021/22)



141 Tenders (44% of total number of tenders on the approved demand plan) to the value of R9.4 billion are currently in the competitive tender process [Specification (28 tenders), Advertised (14 tenders) and Evaluation (99 tenders)]. Tenders to the value of R6.9 billion (45% of total number of tenders on the approved demand plan) for the financial year have already been awarded, and tenders to the value of R1.6 billion (10% of total number of tenders on the approved demand plan) have been cancelled. Cancellations are discussed in more detail in paragraph 6.1.4 below.

The emphasis at this stage is to ensure that the remainder of the 4 outstanding specifications (1% of total number of tenders on the approved demand plan) are received. In March 2019, SCM issued a directive on the submission of tender specifications well in advance.

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, 8 billion approved capital budget for the 2021/22 financial year, R6.7 billion (76 %) is linked to tenders on the Demand Plan. Information pertaining to projects which have not been linked to the demand plan is provided to Executive Management weekly.

6.1.2 Tender completion rate (2021/22 Demand Plan)

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. Table 02 below refers:

Table 02 - 2021/22 Demand Plan

Stage in SCM Process	Quarter 1
Awaiting Bid Initiation Form (BIF) and draft tender specifications.	4
Compiling tender specifications	28
Advertised	14
Tender evaluation stage	99
Awarded	144
Cancelled	31
TOTAL	320
Completion Rate	55%
Targeted Completion Rate	20%

The implementation rate of 55% as at the end of quarter 1 of the 2021/22 financial year and reflected in Table 02 above, exceeds the first quarter target of 20%.

The tender completion rate at the end of quarter 1 of the 2021/22 financial year exceeds the tender completion rate at the same time last year when it was reported at 27%. The SCM unit is striving to award all 2021/22 by 30 April 2022.

28 tenders are in the Bid Specification stage, 14 tenders are in the Advertisement stage and 99 tenders are in the Bid Evaluation stage.

6.1.3 Slippage analysis per Directorate 2021/22

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 period 01 July 2021 to 30 September 2021 is depicted in Table 03 below.

Table 03: Slippage Analysis per Directorate 2021/22

Implementing Directorate	Number of tenders in progress			
	On Track	Behind Schedule	Past CRbD	Grand Total
Community Services & Health	5	8	8	21
Corporate Services	4	6	4	14
Economic Opportunities & Asset Management	5	1	6	12
Energy & Climate Change	5	9	5	19
Finance	3	4	6	13
Human Settlements	2	8	2	12
Office of the City Manager	-	1	-	1
Safety & Security	2	3	1	6
Spatial Planning & Environment	1	-	-	1
Transport	1	7	3	11
Urban Management	-	-	-	-
Water & Waste	11	11	13	35
Grand Total	39	58	48	145

As per Table 03 above, 145 tenders are in progress of which 48 tenders (15% of tenders) are past their contract required by date and 58 tenders (18% of tenders) which are behind schedule. These tenders are closely monitored to drive the conclusion thereof expeditiously.

Detailed demand plan management information is sent to Executive Directors each week to enable management to monitor the progress and address slippages with tenders so as to ensure timeous replacement of contracts impacting service delivery.

6.1.4 Cancelled tenders' analysis for the period 01 July 2021 to 30 September 2021

31 tenders (10% of tenders) were cancelled during Quarter 1 of the 2021/22 financial year. The Preferential Procurement Regulations provide for limited reasons under which a tender may be cancelled. Table 04 below provides an analysis of the number and estimated award value of tenders which were cancelled per cancellation category (reasons).

Table 04: Cancellations for the period 1 July 2021 to 30 September 2021

Reasons for cancellation	Number	Estimated award value R
No acceptable bids received	20	602 070 691
PPPFA non-compliance	7	833 500 000
No offers received	2	2 960 000
Market related price not achieved	2	149 238 634
Grand total	31	1 587 769 325

The 31 tender cancellations, as set out in Table 04 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.

20 of the 31 tender cancellations, representing 65 %, 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 those tenders. Replacement tenders are added to the demand plan immediately and the Tender Management unit gives these tenders priority.

6.1.5 Appeals analysis 2021/22

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 31 appeals during Quarter 1 of the 2021/22 financial year. Of these, 4 appeals were upheld, 14 appeals dismissed and 13 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.

6.1.6 Implementation of the 2022/23 Demand Plan

The implementation of the 2022/23 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 (169 tenders to the estimated value of R10.2 billion) in order for the tender process to start and that tenders do not fall behind schedule.

6.1.7 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 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.

6.1.8 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 2021/22 financial year.

6.1.9 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 19 Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC) Chairperson

re-appointments were made during Quarter 1 of the 2021/22 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).

6.1.10 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 2021 until 30 September 2021, a total of 5 978 RFQ's were advertised on the City's website. 31 375 responses were received equating to a response ratio of 5.25 for each RFQ advertised. Table 06 below refers.

Table 06: RFQ Advertisements vs Responses Received for the period 01 July 2021 – 30 September 2021

Month	Goods			Services		
	RFQ's advertised	RFQ responses	Ratio	RFQ's advertised	RFQ responses	Ratio
Jul 2021	1 300	8 719	6.71	701	2 659	3.79
Aug 2021	1 175	7 471	6.36	574	2 187	3.81
Sept 2021	1 524	7 763	5.09	704	2 576	3.66
Total	3 999	23 953	5.99	1 979	7 422	3.75

Total RFQ's advertised	5 978
Total responses	31 375
Ratio	5.25

The SCM Regulations require a minimum of three responses. A ratio of 5.25 indicates that vendors are sufficiently competing for opportunities. The ratio of 5.25 is good and shows that suppliers are interested in doing business with the City.

6.1.11 B-BBEE Purchase Orders

Table 07 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 2021 to 30 September 2021.

Table 07: B-BBEE Purchase Orders for the period 01 July 2021 to 30 September 2021

B-BBEE level	PO Count	% PO Count	No. of vendors	% of Vendors	Order value R	% Order value
1	31 537	51%	622	36%	1 655 910 007.64	32%
2	6 664	11%	128	7%	724 426 635.59	15%
3	779	1%	26	1%	86 067 688.06	2%
4	2 313	4%	119	7%	123 963 778.43	3%
5	210	0%	7	0%	28 544 117.22	1%
6	7	0%	3	0%	461 941.99	0%
7	1	0%	1	0%	71 800.00	0%
8	143	0%	6	0%	7 697 467.15	0%
0	20 467	33%	825	47%	2 328 142 075.70	48%
Total	62 121	100%	1737	100%	4 855 285 511.78	100%

B-BBEE	41 654	67.1%	912	53%	2 527 143 436.08	52%
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The number of B-BBEE suppliers who have conducted business with the City for quarter 1 of the 2021/22 financial year was 912, which equates to 53% of the overall number of suppliers the City conducted business with. 44% of these suppliers are on B-BBEE levels 1 to 3, which are entities with more than 50% black ownership.

A total of 41 654 purchase orders, with a total value of R2 527 143 436 were issued to the B-BBEE suppliers which equates to 67.1% of the total of purchase orders processed and 52% of the total spending for this period. The procurement relating to *B-BBEE level 0* amounting to R2 328 142 075.70 includes payments to other Government Departments, Leases, Bursaries and City Improvement Districts to the value of R647 133 719.25. Should these payments be excluded the percentage of B-BBEE spend would amount to 60.05%.

6.1.12 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.

Various tenders for pump related maintenance and repairs have been awarded thus far, with three more in process. Since the implementation of the pump repairs and maintenance tenders, SCM Procurement has seen decreases in the request for pump related strip and quote deviations.

Four tenders relating to repair and maintenance of fleet vehicles and equipment are being finalised. Until these tenders are awarded, deviations are reported to Mayco and Council on a monthly basis in terms of SCM Regulation 36. A status update on these tenders are included below in Table 08.

Table 08 below highlights the status update on key tenders to address fleet and pump related deviations.

Table 08: Fleet services and Pump related tenders' status update as at 30 September 2021

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

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. These sessions were negatively impacted by the COVID-19 restrictions and are planned to resume during November 2021.

At the end of quarter 1 and as shown in Table 09 below, a total of 1 045 Community Based Suppliers, representing an increase of 48 Community Based Suppliers since the end of the previous financial year, have been registered on the City's database.

A total of 89 awards to the value of R1 124 399.31 were made to Community Based Suppliers during quarter 1 of the 2021/22 financial year.

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 2021 to 30 September 2021, are shown in Table 09 below.

Table 09: Total supplier registration statistics as at 30 September 2021

Details	Total number of suppliers registered
Accredited Suppliers on the City Database	14 008
Central Supplier Database registered (CSD)	13 958
Total E-Procurement registered suppliers	4 382
Community Based Suppliers (CBS)	1 045

As at the end of 30 September 2021, the City had a total of 14 008 accredited suppliers, of which 13 958 suppliers are CSD registered. These statistics include 4 382 registered E-Procurement suppliers and 1 045 Community Based Suppliers.

The monthly comparable new approved supplier registration statistics for the period 01 July 2021 to 30 September 2021 are included in Table 10 below.

Table 10: New approved supplier registration statistics for the period 1 Jul 2021 to 30 September 2021

SCM supplier support service	Jul 2021	Aug 2021	Sept 2021	Total
CSD new registrations	101	94	86	281
New suppliers created	101	94	86	281

A total of 281 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. 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 11 below, a total of 10 245 staff declaration/s of interest/s and private work applications were assessed by SCM for the period 01 July 2021 to 30 September 2021.

Table 11: Staff Declaration of Interest (DOI's) and Private Work applications reviewed for the period 1 July 2021 to 30 September 2021

Applications and declarations reviewed by SCM	Number
Electronic DOI's	9 362
Manual DOI's and private work applications	883
Total	10 245

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 committed abuse of the SCM system. The quarterly supplier performance management statistics are contained in Table 12 below.

Table 12: Supplier Performance Management for the period 1 July 2021 to 30 September 2021

Defaulting and Poor Performing Suppliers	Details
Poor or non-performance	1 supplier
Collusion	2 suppliers (1 tender)
Cases referred to Forensic Services (for investigation)	1 case

One (1) instance of poor or non-performing supplier was registered on the "Red list" by the relevant project managers within line departments. Two (2) suppliers have been registered on the "Red list" for the potential abuse of the SCM system relating to collusive practices during a tender process. This case has been referred to Forensic Services for investigation.

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 restriction.

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 32 operational SAP stores in the City and 14 fuel sites. There are four (4) stores which are temporarily closed since the beginning of the COVID-19 lockdown restrictions became effective on 26 March 2020. There are 13 614 different materials and 23 286 bins maintained.

6.3.1 Stock comparative results

Comparative results for the last two financial years are indicated in Table 13 (Quarter 1) below.

Table 13: Results for Quarter 1 - 2020/21 and 2021/22

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		
2020/21	486 729 917	459 472 773	272 500 925	2.32	142 633
2021/22	517 162 968	509 661 513	240 352 967	1.85	161 605
% Change	6%	11%	-12%	0.37	13.3%

The quarterly comparable stock value increased by 6% (01 July 2021 to 30 September 2021 compared to 01 July 2020 to 30 September 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, LED Luminaires, electricity meters, etc. for capital projects) and PPE materials for the prevention of COVID-19.

The quarterly usage value decreased by 12% (01 July 2021 to 30 September 2021 compared to 01 July 2020 to 30 September 2020). The reason was mainly attributable to the reduction in the use of water meters, electricity components (mini subs, switchgears, circuit breakers, panels, cabinets, LED Luminaires) and PPE items.

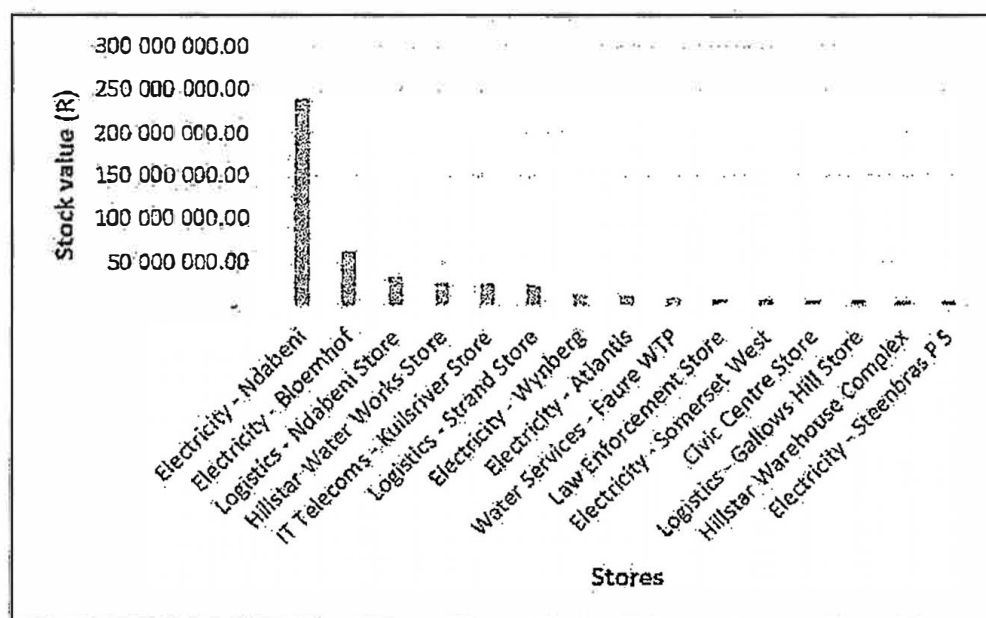
The number of inventory transactions increased by 13.3% when compared with the first quarter of the previous financial year and this can be directly attributed to the easing of the COVID-19 lock down restrictions.

The stock turnover rate of 1.85 against the target of 3.5 is being closely monitored in order to bring about improvement in this area by following up with line departments on materials ordered for projects but not collected from stores.

6.3.2 Top 15 Stores - Stock value as at 30 September 2021

Figure 03 below indicates the relative importance of the Top 15 stores in terms of stock / rand value at the end of the first quarter of 2021/22.

Figure 03: Top 15 Stores - Stock Value as at 30 September 2021



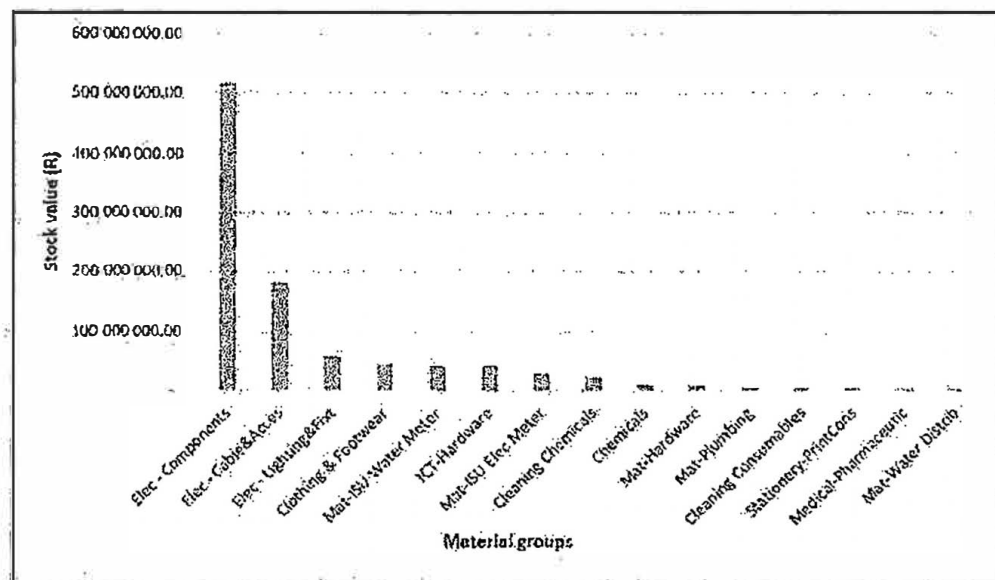
The information as per Figure 03 depicts that the majority of stock value held in City stores is for electrical materials stored at Ndabeni and it is the strategic hub for electrical items. The Ndabeni store carries the majority of the high-value items for

consumption throughout the Metro, while other stores carry materials of lower value and are located closer to the point of use.

6.3.3 Top 15 Material Groups - Stock Value as at 30 September 2021

Figure 04 below indicates the relative importance of the Top 15 material groups in terms of stock / rand value at the end of the first quarter of 2021/22.

Figure 04: Top 15 Material Groups Stock Values as at 30 September 2021

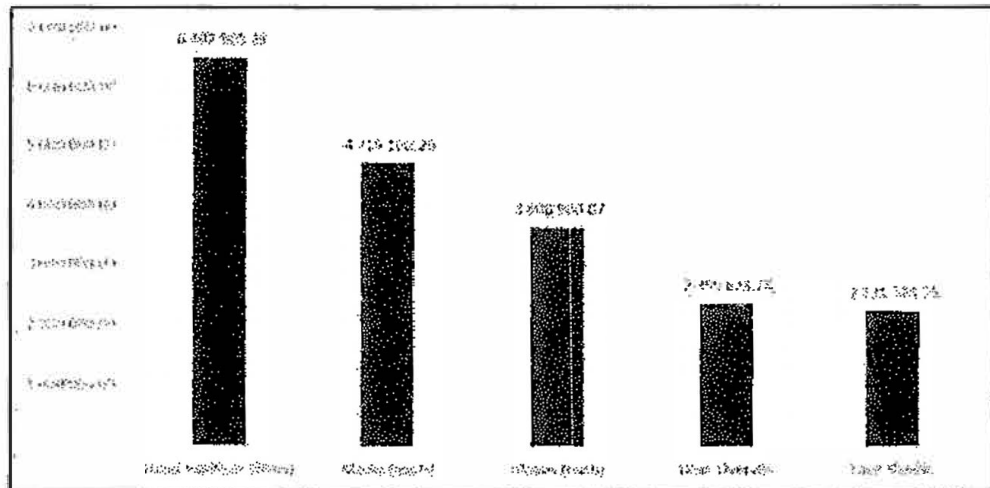


The information as per Figure 04 shows that the majority of stock value is for Energy Services. Many of these items are high value items such as mini-substations, transformers and switchgear. Many items are purchased in advance for capital projects due to their long procurement lead times.

6.3.4 Personal Protective Equipment (PPE) Stock Values as at 30 September 2021

The City is carrying stock to the total value of R29.32 million as at 30 September 2021. The Top 5 categories of COVID-19 related PPE held in stock being Hand Sanitizer, Masks, Gloves, Disposable Coveralls and Face Shields, are illustrated in Figure 05 below.

Figure 05: Rand Value of Key PPE Stock as at 30 September 2021



The SCM unit continued to exercise strict control over the requests for PPE commodities and engage with the Occupational Health and Safety department on an ongoing basis to ensure that appropriate PPE is issued to the various departments. Since the pandemic started the City has spent R143 087 502.27 on Covid-19 related PPE in response to the pandemic. Table 14 below reflects a high-level summary of this spending.

Table 14: COVID-19 Spending

Stock Category	Stock Items	Total Units Issued	Value of Units Issued R	Value of Stock on Hand R	Total Value of Stock Purchased R
PPE	Cloth Mask (each)	150 612	3 053 081.20	307 790.44	3 360 781.64
	Masks (each)	2 863 621	37 403 167.04	4 715 160.75	42 118 267.25
	Hand Sanitizer (litres)	581 316	31 350 332.32	6 497 505.78	37 847 837.60
	Gloves (each)	5 932 242	11 250 089.28	3 608 960.87	14 859 050.15
	Face Shields	27 950	1 096 913.92	2 221 324.25	3 318 238.17
	Thermometer	4 428	3 675 253.78	286 396.81	3 961 650.59
Specialised PPE	N95 Mask (each)	89 625	4 495 250.11	1 462 157.56	5 957 407.67
	Goggles	2 440	49 751.42	18 909.95	68 661.37
	Isolation Gowns	4 800	624 000.00	1 973 310.00	2 597 310.00
	Aprons (each)	318 599	353 122.95	116 123.26	469 246.21
	Disb. Overalls	24 196	3 754 107.49	2 355 623.78	6 109 731.27
	HarMat Suits	144	111 810.00	-	1 11 810.00
Other COVID-19 Materials	HB Gloves (each)	2 101	36 682.00	12 272.70	48 954.70
	Soap Bars (each)	567 542	2 713 048.02	772 363.23	3 485 411.25
	Liquid Soap (litres)	157 990	2 810 582.18	1 078 258.31	3 888 740.49
	Anti Bac. Liquid (litres)	14 686	1 176 128.98	371 881.91	1 554 010.89
	Bleach (litres)	116 199	1 296 438.62	468 377.87	1 764 816.49
	Pine Gel (litres)	280 535	5 211 452.52	1 308 778.25	6 520 230.77
	Clotris	157 778	1 040 847.79	1 511 164.01	2 552 011.80
	Bottles	43 712	454 443.24	18 496.83	472 934.07
	Dispenser	2 748	1 127 269.12	167 467.83	1 294 736.95
	Sprayer	851	688 117.33	37 539.57	725 656.90
Totals		12 340 314	113 771 895.31	29 315 606.96	143 087 502.27

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 17 September 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 movable assets via electronic auction (internet-based). This option has been implemented with resounding success. 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 15 below.

Table 15: Disposal revenue for the period 1 July 2021 to 30 September 2021

Category	Revenue R
Disposal of movable assets	16 420 326.07
Disposal of scrap metals	1 513 436.71
Disposal of waste paper	17 059.95
Disposal of oils	21 312.62
Total	17 972 135.35

As can be seen in Table 15, a total of R17 972 135.35 disposal revenue has been generated in Quarter 1 of the 2021/22 financial year. The next auction of movable assets is planned to take place on 24 November 2021.

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 2021

to 30 September 2021, the SCM department made 10 appointments. The details are as follows:

- 4 Assistant Buyers (Procurement)
- 1 Assistant Professional Officer (Tenders and Contracts Administration)
- 2 Senior Professional Officer (Procurement, Tenders and Contracts)
- 3 Heads (Procurement, Inventory and Stores Management, Tenders and Contracts)

The SCM staff establishment consists of 353 approved positions on the organogram of which 300 are filled and 53 vacant positions. A campaign advert has been published in order to advertise various SCM positions. Currently shortlisting and interview processes are underway. In total, 23 EPWP opportunities were created for during Quarter 1 of the financial year.

6.4.4 Audit Action Plan and AGSA audit 2020/21

The implementation of corrective measures as contained in the Audit Action Plan was concluded by 30 June 2021. The annual AGSA external audit commenced during September 2021 and is currently in progress.

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.

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.

6.4.6. Management Interventions

The Tender Procedures was implemented 1 August 2021 and the Guideline on Framework Agreements and Panel Tenders, which complement the SCM Policy, were finalized and implemented on 1 October 2021. Training initiatives are ongoing for line departments and SCM staff on these guidelines. Workshops with the Top 300 project managers are arranged 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. Where necessary consequence management, internal reviews and investigations have been implemented to instil the right culture within the SCM department.

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.

6.4.7. Supply Chain Management Policy review

The SCM Policy review is currently in progress with the public participation process which concluded on 14 September 2021. The review was mainly aimed at legislative and language / terminology alignment, strengthening of controls and enhancement of current abuse clauses to address risks identified as well as removing procedural matters within policy into relevant procedural and other guidelines, which application is mandatory.

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