



DATE: 2 JANUARY 2021

REPORT TO: EXECUTIVE MAYOR

1. ITEM NUMBER

2. SUBJECT

SUPPLY CHAIN MANAGEMENT:

REPORT FOR THE PERIOD 1 OCTOBER 2021 TO 31 DECEMBER 2021

VERSKAFFINGSKETTINGBESTUUR:

VERSLAG VIR DIE TYDPERK 1 OKTOBER 2021 TOT 31 DESEMBER 2021

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

**INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 EYEDWARHA 2021 UKUYA
KOWAMA-31 ETIMNGA 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.

Attached as Annexure A the Supply Chain Management report for the period 1 October 2021 to 31 December 2021

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 OCTOBER 2021 TO
31 DECEMBER 2021, ANNEXURE A BE NOTED.

AANBEVELING

DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD
VAN DIE VERSLAG GETITELD VERSKAFFINGSKETTINGBESTUUR: VERSLAG
VIR DIE TYDPERK 1 OKTOBER 2021 TOT 31 DESEMBER 2021 BYLAE A.

ISINDULULO

KUNDULULWE UKUBE MAKUQWALASELWE IZIQULATHO ZENGXELO
ESIHLOKO 'INGXELO ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO'
YESITHUBA ESISUSELA KWISITHUBA SOMHLA WOKU-1 EYEDWARHA 2021
UKUYA KOWAMA-31 ETIMNGA 2021 ISIHLOMELO-A

ANNEXURES

Annexure A - Supply Chain Management report for the period 1 October 2021 to 31
December 2021

FOR FURTHER DETAILS CONTACT

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DIRECTORATE	021 400 3190	FILE REF No	
On behalf of the	Arno Vorster		
SIGNATURE : DIRECTOR	Digitally signed by Arno Vorster Date: 2022.01.03 08:30:52 +02'00'		

CHIEF FINANCIAL OFFICER - Acting

NAME Louise Muller

COMMENT:

DATE 4 January 2022

SIGNATURE

Louise Muller

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Date: 2022.01.04 08:56:09
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The ED's signature represents support for report content and confirms POPIA compliance.

Making progress possible. Together.


CITY MANAGER

NAME

COMMENT:

DATE

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LEGAL COMPLIANCE

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


NAME

COMMENT:

DATE

For information

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EXECUTIVE MAYOR

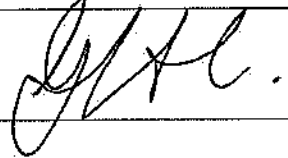
NAME

COMMENT:

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12.01.2022

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ANNEXURE A

SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 OCTOBER 2021 TO 31 DECEMBER 2021

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. There are approximately 317 new tenders on the demand plan for the 2021/22 financial year, which includes 15 tenders that were in progress at the end of the previous financial year. This amounts to 63 more tenders than the previous financial year which had 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.

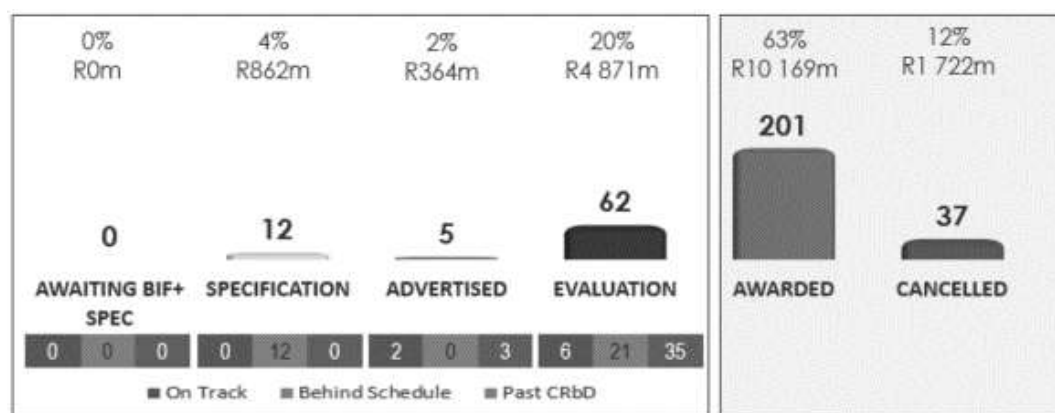
The current tender completion rate is 75% as at the end of Quarter 2 and is reflected in Table 01 below:

Table 01: 2021/22 Demand Plan for Tenders

2021/22 Approved Demand Plan	
Total number of tenders on approved demand plan	317
Number of tenders successfully awarded	201
Number of tenders cancelled	37
Number of tenders in progress	79
Number of tenders awaiting draft specifications	0
Implementation rate	75%

As per Table 01 above, 201 tenders (63%) of the total required tenders have been awarded and 37 tenders (12%) were cancelled as at 31 December 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)



79 Tenders with a value of R 6.1 billion are currently in the tender process at different stages [Specification (12 tenders), Advertised (5 tenders) and Evaluation (62 tenders)].

R10.17 billion (63% of total number of tenders on the approved demand plan) for the financial year have already been awarded, and tenders to the value of R1.7 billion (12% of total number of tenders on the approved demand plan) have been cancelled. Cancellations are discussed in more detail in paragraph 6.1.3 below.

The emphasis at this stage is to ensure that the demand plan is implemented timeously in order to support service delivery. As at 31 December 2021, all specifications for the approved 2021/2022 demand plan were received.

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, 2 962 projects have been registered on the Project Management system to the value of R8.3 billion. There are 14 projects to the value of R4 231 250 which have not been linked to the appropriate procurement strategy whilst the remainder are either linked to tenders or other methods of sourcing. Information pertaining to projects which have not been linked to the demand plan is provided to Executive Management weekly for the relevant line department to resolve.

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 implementation rate of 75% as at the end of Quarter 2 of the 2021/22 financial year, exceeds the second quarter target of 50%.

The tender completion rate at the end of Quarter 2 of the 2021/22 financial year exceeds the tender completion rate at the same time last year when it was reported at 56%. The SCM unit is striving to award all 2021/22 tenders by 30 April 2022.

6.1.2 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 2021/22 demand plan as at 31 December 2021 is depicted in Table 02 below.

Table 02: Slippage Analysis per Directorate 2021/22

Implementing Directorate	Number of tenders in progress			
	On Track	Behind Schedule	Past CRbD	Grand Total
Community Services & Health	2	6	7	15
Corporate Services	-	2	2	4
Economic Opportunities & Asset Management	-	3	3	6
Energy & Climate Change	1	3	6	10
Finance	1	2	3	6
Human Settlements	-	3	4	7
Office of the City Manager	-	1	-	1
Safety & Security	-	2	1	3
Spatial Planning & Environment	-	-	-	-
Transport	1	2	2	5
Urban Management	-	-	-	-
Water & Waste	3	9	10	22
Grand Total	8	33	38	79

As per Table 02 above, 79 tenders are in progress of which 38 tenders (48% of tenders) are past their contract required by date and 33 tenders (42% 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 award of contracts in support of service delivery. It is incumbent on the relevant line department to resolve slippages so that capital projects and operating requirements are not adversely impacted.

6.1.3 Cancelled tenders' analysis for the period 01 October 2021 to 31 December 2021

37 tenders (12% of tenders) were cancelled during the 2021/22 financial year. The Preferential Procurement Regulations provide for limited reasons under which a tender may be cancelled. Table 03 below provides an analysis of the number and estimated award value of tenders which were cancelled per cancellation category (reasons).

Table 03: Cancellations for the period 01 October 2021 to 31 December 2021

Reasons for cancellation	Number	Estimated award value R
No acceptable bids received	25	656 370 691
PPPFA non-compliance	8	913 500 000
No offers received	2	2 960 000
Market related price not achieved	2	149 238 634
Grand total	37	1 722 069 325

25 of the 37 tender cancellations, representing 68%, 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. 12 of the cancelled tenders have been awarded. 4 of the cancelled tenders are awaiting BIF/Specification. 15 of the cancelled tenders are in the bid committees for advertisement and evaluation. 2 of the cancelled tenders are no longer required. 1 cancelled tender will follow an alternative method of procurement and 3 of the cancelled tenders are still to be placed back on the Demand Plan.

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

6.1.4 Appeals analysis 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 has received 54 appeals during the financial year up to 31 December 2021. Of these, 13 appeals were upheld, 34 appeals dismissed and 7 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. The number of appeals is also an indicator of supplier's levels of confidence in the SCM system rather than to automatically resort to a court of law for remedies.

6.1.5 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 in order for the tender process to start and that tenders do not fall behind schedule. In March 2019, SCM issued a directive to line departments on the timely submission of tender specifications so as to ensure that contracts are in place well in advance.

6.1.6 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.

6.1.7 SCM Bid Adjudication Committee (SCMBAC)

The SCM Bid Adjudication Committee (SCMBAC) continues to meet weekly and remains instrumental in achieving maximum awards within a quick turn-around time. The BAC meeting is open to the public as part of good governance. The BAC has convened 12 meetings via skype during Quarter 2 of the 2021/22 financial year.

6.1.8 SCM Bid Committees

The BSC and BEC Chairperson appointments are for a two-year period after which the appointment is reviewed by relevant Executive Directors. Only staff who are at a T-level 14 and above are appointed and only nominations accompanied by proof of the required SCM training are considered for appointment. A total of 20 Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC) Chairperson re-appointments were made during Quarter 2 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).

6.1.9 Procurement below R200 000

In order to procure goods or services which involves a transaction value over R2 000 and up to R200 000, written price quotations must be obtained. SCM tracks the ratio between Requests for quotations (RFQ's) that have been advertised and the number of responses received in order to establish the supplier activity in our procurement processes.

For the period 01 October 2021 until 31 December 2021, a total of 5 384 RFQ's were advertised on the City's website. 26 405 responses were received equating to a response ratio of 4.90 for each RFQ advertised. Table 04 below refers.

Table 04: RFQ Advertisements vs Responses Received for the period 01 October 2021 – 31 December 2021

Month	Goods			Services		
	RFQ's advertised	RFQ responses	Ratio	RFQ's advertised	RFQ responses	Ratio
Oct-21	1 731	10 508	6.07	487	1 343	2.76
Nov-21	1 669	9 538	5.71	493	1 780	3.61
Dec-21	730	2 503	3.43	274	733	2.68
Total	4 130	22 549	5.46	1 254	3 856	3.07

Total RFQ's advertised	5 384
Total responses	26 405
Ratio	4.90

The SCM Regulations require a minimum of three responses. The ratio of 4.90 is good and shows that suppliers are interested in doing business with the City.

6.1.10 B-BBEE Purchase Orders

Table 05 below illustrates the number of purchase orders, and their values, processed by the City for each B-BBEE status level of contributor for the period 01 October 2021 to 31 December 2021.

Table 05: B-BBEE Purchase Orders for the period 01 October 2021 to 31 December 2021

B-BBEE level	PO Count	% PO Count	No. of vendors	% of Vendors	Order value	% Order value
					R	
1	30 658	54%	637	39%	1 425 397 879	45%
2	5 694	10%	134	8%	403 833 547	13%
3	650	1%	23	1%	101 668 811	3%
4	2 567	5%	117	7%	99 268 167	3%
5	109	0%	7	0%	12 500 023	0%
6	17	0%	3	0%	2 927 572	0%
7	4	0%	1	0%	34 300	0%
8	91	0%	8	0%	34 696 513	1%
Subtotal level 1-8	39 790	70%	930	57%	2 080 326 811	66%
0	16 839	30%	697	43%	1 084 638 748	34%
Total	56 629	100%	1627	100%	3 164 965 559	100%

Approximately 930 B-BBEE suppliers who have conducted business with the City for Quarter 2 of the 2021/22 financial year, which equates to 57% of the overall number of suppliers the City conducted business with, are on B-BBEE levels 1 to 8. 49% of these suppliers are on B-BBEE levels 1 to 3, which are entities with more than 50% black ownership.

A total of 39 790 purchase orders, with a total value of R2 080 326 811 were issued to the B-BBEE suppliers which equates to 70% of the total of purchase orders processed and 66% of the total spending for this period.

The procurement relating to *B-BBEE level 0* amounting to R1 084 638 748 includes payments to other Government Departments, Leases, Bursaries and City Improvement Districts.

6.1.11 Procurement Deviations

Deviations are approved in line with the Systems of Delegations. Ongoing initiatives to minimize deviations include SCM engaging line departments to put formal framework agreement tenders in place.

Three tenders for pump related maintenance and repairs have been awarded. Since the implementation of the pump repairs and maintenance tenders. The number of deviations has decreased.

Four tenders relating to repair and maintenance of fleet vehicles and equipment are being finalised and will eventually reduce the number of deviations. Until these tenders are awarded, deviations are reported to Mayco and Council on a monthly basis in terms of SCM Regulation 36. Table 06 below highlights the status update on key tenders to address fleet and pump related deviations.

Table 06: Fleet services and Pump related tender status update as at 31 December 2021

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

All fleet tenders have been prioritized and are in the final stages. Planned implementation is by May 2022. Presently, the RFQ and deviation processes are used for repairs and maintenance of vehicles. There is a high dependency on the relevant line department to provide SCM with proper technical specifications on time so as to procure vendors speedily. The timelines for these transactions are tracked daily and on average less than 20% sits with the Procurement unit in the SCM department at any given time to process. Status Reports are sent to the line directors concerned regarding fleet repairs and maintenance procurements.

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.

At the end of quarter 1 and as shown in Table 07 below, a total of 1 077 Community Based Suppliers, representing an increase of 32 Community Based Suppliers since the end of the previous financial year, have been registered on the City's database.

A total of 35 awards to the value of R712 755 were made to Community Based Suppliers during Quarter 2 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 October 2021 to 31 December 2021, are shown in Table 07 below.

Table 07: Total supplier registration statistics as at 31 December 2021

Details	Total number of suppliers registered
Accredited Suppliers on the City Database	14 526
Central Supplier Database registered (CSD)	14 212
Total E-Procurement registered suppliers	4 625
Community Based Suppliers (CBS)	1 077

As at the end of 31 December 2021, the City had a total of 14 526 accredited suppliers, of which 14 212 suppliers are CSD registered. These statistics include 4 625 registered E-Procurement suppliers and 1 077 Community Based Suppliers.

The monthly comparable new approved supplier registration statistics for the period 01 October 2021 to 31 December 2021 are included in Table 08 below.

Table 08: New approved supplier registration statistics for the period 1 October 2021 to 31 December 2021

SCM supplier support service	Oct 2021	Nov 2021	Dec 2021	Total
CSD new registrations	91	91	86	268
New suppliers created	91	91	86	268

A total of 268 new supplier registration applications were approved for Quarter 2.

6.2.3 Due Diligence processes for testing Conflicts of Interest

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

As per Table 09 below, a total of 3 686 staff declaration/s of interest/s and private work applications were assessed by SCM for the period 01 October 2021 to 31 December 2021

Table 09: Staff Declaration of Interest (DOI's) and Private Work applications reviewed for the period 1 October 2021 to 31 December 2021

Applications and declarations reviewed by SCM	Number
Electronic DOI's	2 957
Manual DOI's and private work applications	729
Total	3 686

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 10 below.

Table 10: Supplier Performance Management for the period 01 October 2021 to 31 December 2021

Defaulting and Poor Performing Suppliers	Details
Poor or non-performance	3 suppliers
Possible false declaration	1 supplier
Possible abuse of the SCM system	1 supplier

All the above suppliers have been registered on the "*Red list*" in the respective categories:

- 3 (three) cases relating to poor or non-performance has been flagged on the red list for noting and consideration, prior to any subsequent awards being made to the respective supplier(s),
- 1 (one) case relating to a possible false declaration has been identified by the AGSA and internal investigations are currently in progress,
- 1 (one) case relating to possible abuse of the SCM system has been referred to Legal Services.

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 31 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. One additional store was closed during November 2021 in order to ensure optimisation of the City's facilities as the inventory transactions in that store declined sharply since the lockdown became effective. The end users of the stores which were closed will be serviced by neighbouring stores. There are 13 487 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 11 (Quarter 2) below.

Table 11: Results for Quarter 2 - 2020/21 and 2021/22

Quarter 2	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	547 480 328	508 914 140	342 741 960	2.64	164 507
2021/22	547 301 353	528 672 852	235 114 554	1.74	160 101
% Change	0%	4%	-31%	- 0.90	-2.7%

The quarterly comparable stock value was unchanged at 0% (01 October 2021 to 31 December 2021 compared to 01 October 2020 to 31 December 2020).

The quarterly usage value decreased by 31% (01 October 2021 to 31 December 2021 compared to 01 October 2020 to 31 December 2020). The reason was mainly attributable to the reduction in the use of water meters, electricity components (mini subs, switchgears, panels, LED Luminaires) and PPE items.

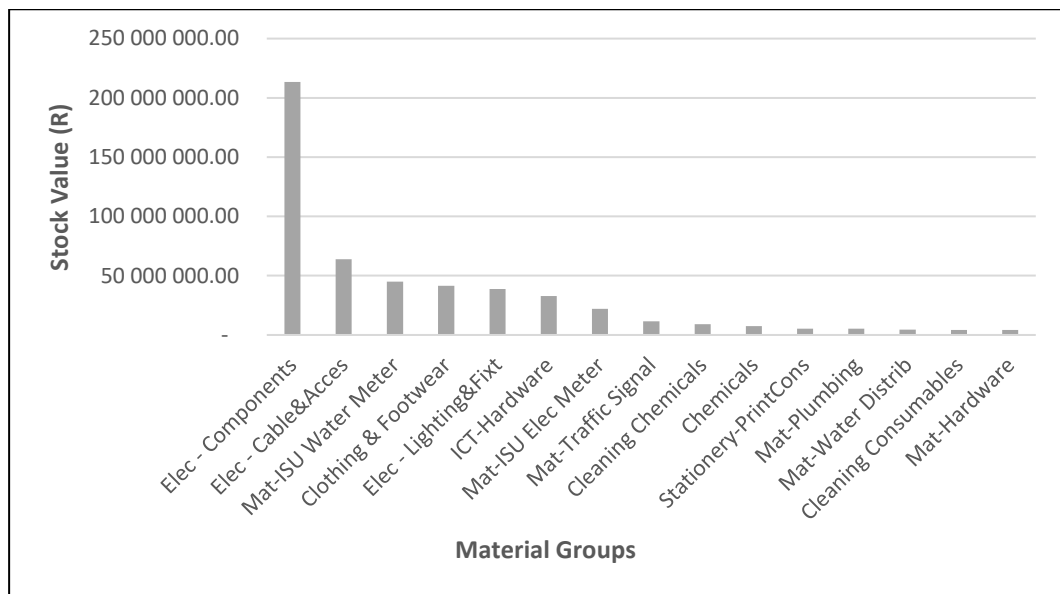
The number of inventory transactions reduced by 2.7% when compared with the second quarter of the previous financial year.

The stock turnover rate of 1.74 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 Material Groups - Stock Value as at 31 December 2021

Figure 02 below indicates the relative importance of the Top 15 material groups in terms of stock / rand value at the end of the second quarter of 2021/22.

Figure 02: Top 15 Material Groups Stock Values as at 31 December 2021

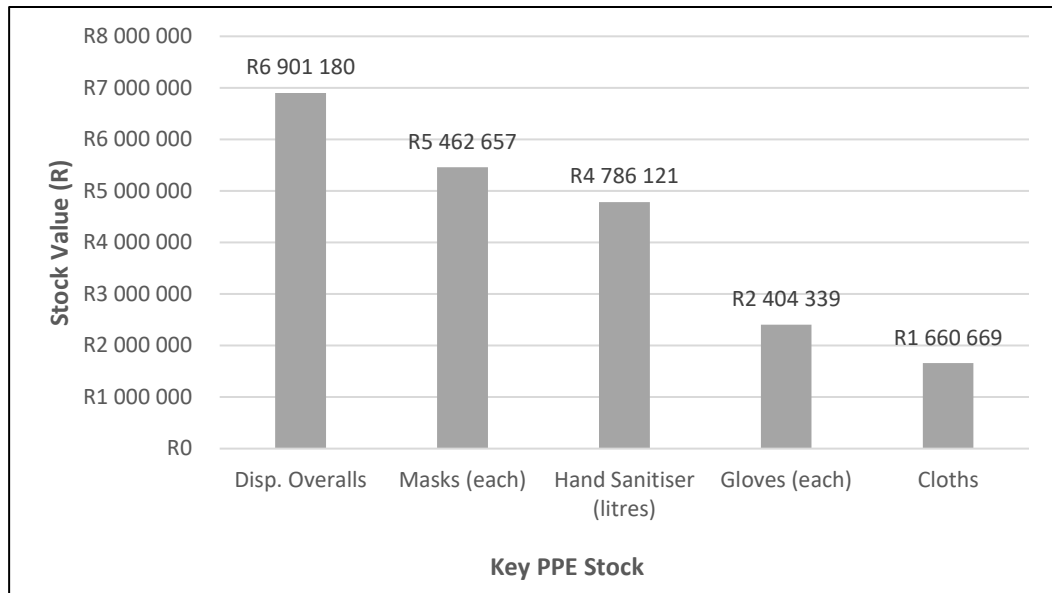


The information as per Figure 02 shows that the majority of stock value is for Energy Services. Many of these items are high value items such as mini-substations, transformers and switchgear. Many items are purchased in advance for capital projects due to their long procurement lead times.

6.3.3 Personal Protective Equipment (PPE) Stock Values as at 31 December 2021

The City is carrying stock to the total value of R28.4 million as at 31 December 2021. The Top 5 categories of COVID-19 related PPE held in stock being Masks, Hand Sanitizer, Gloves, Disposable Coveralls and Cloths, are illustrated in Figure 03 below.

Figure 03: Rand Value of Key PPE Stock as at 31 December 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 R145 285 144.17 on Covid-19 related PPE in response to the pandemic. Table 12 below reflects a high-level summary of this spending.

Table 12: COVID-19

Stock Category	Stock Items	Total Units Issued	Value of Units Issued	Value of Stock on Hand	Total Value of Stock Purchased
PPE	Cloth Mask (each)	156 444	R3 177 011	R88 570	R3 360 782
	Masks (each)	4 552 460	R38 688 921	R5 462 657	R42 865 637
	Hand Sanitiser (litre)	627 366	R33 358 821	R4 786 121	R38 128 538
	Gloves (each)	6 438 646	R12 458 367	R2 404 339	R14 859 050
	Face Shields	29 833	R1 151 707	R118 375	R3 335 207
	Thermometers	4 661	R3 791 915	R169 735	R3 961 651
Specialised PPE	N95 Mask (Each)	92 305	R4 558 687	R420 480	R5 957 408
	Goggles	2 506	R51 038	R18 208	R69 246
	Isolation Gowns	10 330	R1 030 010	R1 567 300	R2 597 310
	Aprons (each)	339 856	R382 854	R86 393	R469 246
	Disp. Overalls	28 502	R4 413 214	R6 901 180	R7 014 231
	HazMat Suits	144	R111 816	R0	R111 816
Other COVID-19 Materials	HD Gloves (Each)	2 372	R40 612	R11 823	R52 435
	Soap Bars (each)	649 420	R3 092 260	R393 711	R3 485 411
	Liquid Soap (litres)	165 970	R2 953 146	R939 168	R3 888 740
	Anti Bac. Liquid	17 939	R1 432 755	R304 232	R1 554 011
	Bleach (litres)	124 598	R1 384 885	R381 229	R1 764 816
	Pine Gel (litres)	314 385	R5 777 988	R868 940	R6 646 868
	Cloths	171 018	R1 148 731	R1 660 669	R2 553 872
	Bottles	43 476	R486 517	R21 386	R504 300
	Wipes	3 258	R509 942	R1 518 870	R0
	Deoderant	708	R182 082	R778	R52 000
	Dispenser	2 752	R1 128 712	R166 025	R1 294 737
	Sprayer	877	R697 092	R60 740	R757 832
Totals		13 779 825	R122 009 083	R28 350 929	R145 285 144

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 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.

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.

Table 13: Disposal revenue for the period 01 October 2021 to 31 December 2021

Category	Revenue R
Disposal of movable assets	18 249 022.73
Disposal of scrap metals	2 131 174.25
Disposal of waste paper	10 056.75
Disposal of oils	174 661.45
Total	20 564 915.18

As can be seen in Table 13, a total of R20 564 915.18 disposal revenue has been generated in Quarter 2 of the 2021/22 financial year. The next auction of movable assets is planned to take place in March 2022.

6.4.3 SCM Capacitation and Development

The SCM business improvement strategy, which focus is to provide an effective and efficient SCM service to the City, *inter alia*, provides for the staffing of the SCM unit with suitably qualified and experienced employees. For the period 1 October

2021 to 31 December 2021, the SCM department made 7 appointments. The details are as follows:

- 1 Senior Clerk (Demand and Disposal)
- 2 Logistics Officers (ISM)
- 1 Professional Officer (Supplier Management and Administration Services)
- 1 SPO (Tenders and Contracts)
- 1 Head (Supplier Management and Administration Services)
- 1 Manager (Procurement)

The SCM staff establishment consists of 370 approved positions. To fill scarce skills, a campaign advert has been published in order to advertise various SCM positions. Shortlisting and interview processes are currently underway.

In total, 23 EPWP opportunities were created for the financial year to date. The SCM department received a “compliant” verification during Quarter 2, based on the internal EPWP audit verification.

6.4.4 Audit Action Plan and AGSA audit 2020/21

The annual AGSA external audit for the 2020/2021 financial year is still in progress. In order to pro-actively address findings identified to date, the provisional implementation of corrective measures as contained in the Audit Action Plan was implemented on 22 December 2021.

The SCM Audit Action Plan was developed with the focus on achieving a clean audit outcome for the next audit. The achievement of the SCM Audit Action Plan will be rigorously monitored to succeed in our strive towards a clean audit 2021/22.

6.4.5 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.

Comments have been submitted to the National Treasury and province on how to create more enabling legislation within the municipal environment. Further, meetings were also held with the Red Tape Unit in Provincial Government Western Cape to unpack a number of issues.

The external audit by the AGSA was the focus during the second quarter and will continue in January 2022.

6.4.6 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. Inputs received during the public participation process and the SCM Forum will be presented to the Finance Portfolio Committee during the next meeting early 2022, for final approval and onward submission to MAYCO and Council for adoption.

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