



REPORT TO: EXECUTIVE MAYOR

1. ITEM NUMBER

2. SUBJECT

**SUPPLY CHAIN MANAGEMENT:
REPORT FOR THE PERIOD 1 OCTOBER 2023 TO 31 DECEMBER 2023**

**VERSKAFFINGSKETTINGBESTUUR:
VERSLAG VIR DIE TYDPERK 1 OKTOBER 2023 TOT 31 DESEMBER 2023**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IIMPAHLA ZEZIKO:
INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 EYEDWARHA 2023 UKUYA
KOWAMA-31 ETIMNGA 2023**

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 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 OCTOBER 2023 TO
31 DECEMBER 2023 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 2023 TOT 31 DESEMBER 2023.

ISINDULULO

KUNDULULWE UKUBE MAKUQWALASELWE IZIQULATHO ZENGXELO
ESIHLOKO 'INGXELO ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO'
YESITHUBA ESISUSELA KWISITHUBA SOMHLA WOKU-1 EYEDWARHA 2023
UKUYA KOWAMA-31 ETIMNGA 2023

ANNEXURES

ANNEXURE 1

FOR FURTHER DETAILS CONTACT

NAME	Fabian Sepkins	CONTACT NUMBER	021 400 2171
E-MAIL ADDRESS	Fabian.Sepkins@capetown.gov.za		
DIRECTORATE	021 400 2171	FILE REF No	
SIGNATURE : DIRECTOR			

CHIEF FINANCIAL OFFICER

NAME

COMMENT:

DATE

SIGNATURE

Wayne
Muller

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by Wayne Muller
Date: 2024.01.04
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The ED's signature represents support for report content and confirms POPIA compliance.

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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.

SIGNATURE

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Jason Sam Liebenberg
Date: 2024.01.04
14:39:05 +02'00'

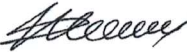
CITY MANAGER

NAME Lungelo Mbandazayo

COMMENT:

DATE

SIGNATURE

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EXECUTIVE MAYOR

NAME *Geordin Hill-Lewis*

COMMENT:

DATE *2024-09-01*

SIGNATURE





ANNEXURE 1

1. STRATEGIC INTENT

- ☐ Opportunity City
- ☐ Safe City
- ☐ Caring City
- ☐ Inclusive City
- ☒ Well-run City

2. PURPOSE

Compliance with clause 12 of the City's Supply Chain Management (SCM) Policy.

3. FOR NOTING BY COUNCIL

For information of Council.

4. EXECUTIVE SUMMARY

This report briefly analyses the on-going implementation of the City's Supply Chain Management Policy, for oversight purposes.

5. OTHER SERVICES CONSULTED

Not applicable.

6. SALIENT DETAILS OF SUPPLY CHAIN MANAGEMENT ACTIVITIES

Major SCM activities are summarised below, for information.

6.1 Demand and Acquisition Management

The Demand Management unit has been instrumental in driving the planning for tenders and contracts for the MTREF cycle. The demand plan is reconciled to the capital and operating budgets to ensure that budgets are informed by planned contracts. Regular interactions with executives and line departments take place to ensure progress is made towards the planning for tenders City wide.

6.1.1 Implementation of the 2023/24 Demand Plan

The implementation of the 2023/24 demand plan is progressing well. The total quantum of the demand plan for the 2023/24 financial year is approximately 296 tenders, which includes 10 tender that were in progress at the end of the previous financial year. This amounts to 54 less tenders than the 2022/23 demand plan, which consisted of 350 tenders.

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

The tender completion rate was 92% as at the end of Quarter 2 of the 2023/24 financial year and is reflected in Table 01 below:

Table 01: 2023/24 Demand Plan for Tenders

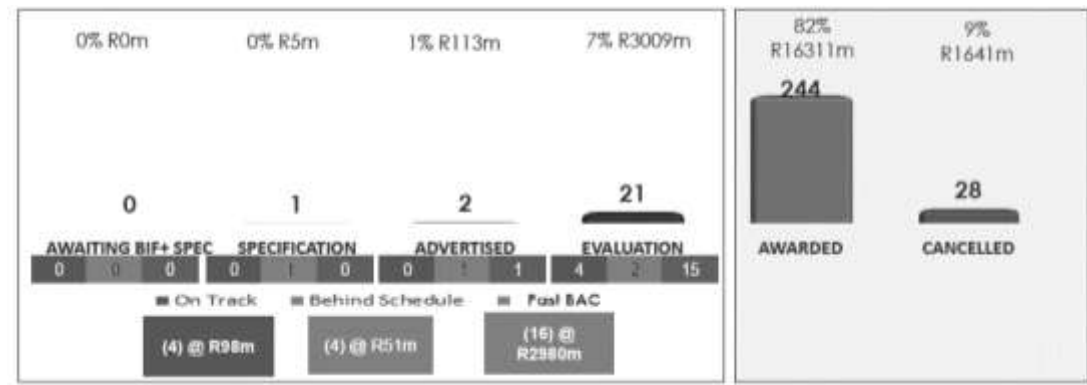
The table below reflects the breakdown of the 87% of tenders completed by the different statuses.

2023/24 Approved Demand Plan	
Total number of tenders on approved plan	296
Number of tenders successfully awarded	244
Number of tenders cancelled	28
Number of tenders in progress	24
Implementation rate	92% (91.89%)

As can be seen from Table 1, 244 tenders (82.5%) of the total required tenders have been awarded and 28 tenders (9.5%) were cancelled as at 31 December 2023. Tenders to the value R16 311 million for the financial year have already been awarded, and tenders to the value of R1 641 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)



24 Tenders to the value of R3 127 million are currently still in process of finalisation at different stages [Specification (1 tender), Advertised (2 tenders) and Evaluation (21 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 in June 2022, to strengthen the implementation of the demand plan:

- All specifications for repeatable tenders and the associated BIF must be submitted to a SCM Tenders: SPO, 18 months in advance of the CRBD (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. 98,57% Percentage of the approved budget for 2023/24 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 2023/24

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 2023/24 demand plan as at 31 December 2023 is depicted in Table 02 below.

Table 02: Tenders not awarded per Directorate 2023/24

Implementing Directorate	Number of tenders in progress			
	On Track	Behind Schedule	Overdue	Grand Total
Community Services & Health	0	0	2	2
Corporate Services	0	0	0	0
Economic Growth	0	0	0	0
Energy	3	1	1	5
Finance	0	0	0	0
Future Planning & Resilience	0	0	0	0
Human Settlements	0	1	2	3
Office of the City Manager	0	0	0	0
Safety & Security	0	1	0	1
Spatial Planning & Environment	0	0	2	2
Urban Mobility	1	0	1	2
Urban Waste Management	0	1	0	1
Water & Sanitation	0	0	8	8
Grand Total	4	4	16	24

As per Table 02 above, 24 tenders are in progress of which 16 tenders are past their BAC award date and 4 tenders are behind schedule. These tenders are closely monitored to drive the conclusion thereof expeditiously.

The tender completion rate of 92% as at 31 December 2023 far exceeds the planned target of 50% for Quarter 2 of the 2023/24 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 31 December 2023.

Table 02A: Demand Plan status – tenders overdue as at 31 December 2023

Demand Plan Status			
Directorate	Advertised	Evaluation	Grand Total
Community Services & Health	0	2	2
Corporate Services	0	0	0
Economic Growth	0	0	0
Energy	0	1	1
Finance	0	0	0
Future Planning & Resilience	0	0	0
Human Settlements	0	2	2
Office of the City Manager	0	0	0
Safety & Security	0	0	0
Spatial Planning & Environment	0	2	2
Urban Mobility	0	1	1
Urban Waste Management	0	0	0
Water & Sanitation	1	7	8
Grand Total	1	15	16

The table 02A shows the number of overdue tenders. The percentages breakdown is as follows: 6.3% for advertisement, and 93.7% for evaluation. Processes have been implemented to prioritize and track the awards in the evaluation stage.

The approximate award values and budget source of the 16 overdue awards are depicted in Table 02B below:

Table 02B: Budget source on tenders overdue as at 31 December 2023

Directorate	CAPEX R	CAPEX & OPEX R	OPEX R	Grand Total R
Community Services & Health	R250 000 000	R100 000 000	-	R350 000 000
Corporate Services	-	-	-	-
Economic Growth	-	-	-	-
Energy	-	-	R5 000 000	R5 000 000
Finance	-	-	-	-
Future Planning & Resilience	-	-	-	-
Human Settlements	R420 000 000	R60 000 000	-	R480 000 000
Office of the City Manager	-	-	-	-
Safety & Security	-	-	-	-
Spatial Planning & Environment	R38 002 876	-	-	R38 002 876
Urban Mobility	R467 164 268	-	-	R467 164 268
Urban Waste Management	-	-	-	-
Water & Sanitation	R1 293 000 000	-	R346 600 000	R1 639 600 000
Grand Total	R2 468 167 144	R160 000 000	R351 600 000	R2 979 767 144

6.1.3 Cancelled tenders analysis for the period 01 July 2023 to 31 December 2023

28 tenders (10% of tenders) were cancelled during the 2023/24 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 2023 to 31 December 2023

Reasons for cancellation	Number	Estimated value
No acceptable bids received	13	R718 612 562
PPFA Non-Compliance	4	R258 500 000
No offers received	8	R387 400 000
Funds are no longer available	2	R273 990 000
Market related price not achieved	1	R2 000 000
Grand total	28	R1 640 502 562

Thirteen (13) of the 28 tender cancellations, representing 46%, are due to no acceptable bids received. 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.

Three (3) of the cancelled tenders have been added back to the demand plan. Regarding the outstanding 25 tenders, ongoing efforts are being made to conduct further market research. This research is essential to obtain a comprehensive understanding of the existing constraints within the market concerning available product and service offerings. The findings from this research will play a pivotal role in refining specifications and determining whether the tender process remains the most suitable procurement mechanism for meeting our procurement requirements.

In addition to the aforementioned market research, various line departments are actively exploring cross-functional opportunities to address their respective procurement needs.

6.1.4 Appeals analysis 2023/24

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 67 appeals during the financial year up to 31 December 2023. Of these, 9 appeals were upheld, 49 appeals dismissed, 2 appeals were withdrawn and 7 appeals are pending an outcome from the Appeals Authority. 13% of appeals were upheld and is indicative of the fact that majority of tenders are processed in a compliant manner.

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

6.1.5 Implementation of the 2024/25 Demand Plan

The implementation of the 2024/25 demand plan is in its early stages but progressing well with a completion rate of 24%, however there are many tenders for this period which need to start within the current financial year in order to be awarded in time for implementation as required by the CRbD.

The emphasis at this stage is to ensure that tender specifications are received in order for the tender process to start and that tenders do not fall behind schedule. The SCM department has been sending reminders to line departments to submit outstanding specifications. As at 31 December 2023, only 4 (13%) tender specifications for the 2024/25 demand plan has not been received. 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 48 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 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.

Procurement Transparency Report

The Procurement Transparency Report was made public on 27 November 2023 by the Executive Mayor. The scope and timelines for the next iteration will be discussed with the mayor's office in January 2024.

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 11 meetings via skype during Quarter 2 of the 2023/24 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 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 37 Bid Specification Committee (BSC) and Bid Evaluation Committee (BEC) Chairperson re-appointments were made during Quarter 2 of the 2023/24 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 BAC members are informed, advised of any changes and equipped to maintain a high standard of compliance.

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 1 October 2023 until 31 December 2023, a total of 3 262 RFQ's were advertised on the City's website. 19 995 responses were received equating to a response ratio of 6.13 for each RFQ advertised. Table 04 below refers:

Table 04: RFQ Advertisements vs Responses Received for the period 1 October 2023 to 31 December 2023

Month	Goods			Services		
	RFQ's advertised	RFQ responses	Ratio	RFQ's advertised	RFQ responses	Ratio
Oct 23	1 131	8 946	7.91	296	697	2.35
Nov 23	985	7 795	7.91	277	638	2.30
Dec 23	460	1 664	3.62	113	255	2.26
Total	2 576	18 405	7.14	686	1 590	2.32

Total RFQ's advertised	3 262
Total responses	19 995
Ratio	6.13

The SCM Regulations require a minimum of three (3) responses. The ratio of 6.13 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 2023 to 31 December 2023.

Table 05: B-BBEE Purchase Orders for the period 01 October 2023 to 31 December 2023

B-BBEE level	PO Count	% PO Count	No. of vendors	% of Vendors	Order value	% Order value
					R	
1	29 828	51.43%	529	39.24%	1 721 430 820	46%
2	6 076	10.48%	96	7.12%	477 443 296	13%
3	1 127	1.94%	15	1.11%	22 504 541	1%
4	2 332	4.02%	68	5.04%	36 365 442	1%
5	42	0.07%	1	0.07%	14 698 984	0%
6	13	0.02%	2	0.15%	2 669 645	0%
7	16	0.03%	2	0.15%	2 102 384	0%
8	36	0.06%	4	0.30%	7 098 591	0%
Subtotal level 1-8	39 470	68%	717	53%	2 284 313 704	61%
0	18 531	32%	631	47%	1 462 997 363	39%
Total	58 001	100%	1348	100%	3 747 311 067	100%

Approximately 717 B-BBEE suppliers who have conducted business with the City for Quarter 2 of the 2023/2024 financial year, which equates to 53% of the overall number of suppliers the City conducted business with, are on B-BBEE levels 1 to 8, 640 or 48% of these suppliers are on B-BBEE levels 1 to 3, which are entities with more than 50% black ownership.

A total of 39 470 purchase orders, with a total value of R2 284 313 704 were issued to the B-BBEE suppliers which equates to 68% of the total of purchase orders processed and 61% of the total spending for this period. The procurement relating to *B-BBEE level 0* amounting to R 1 462 997 363 includes payments to other Government Departments, Leases, Bursaries and City Improvement Districts.

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-BBEE levels and HDI/ RDP goals approach, including how the procurement spend supports Small Medium Enterprises.

The dual reporting will be in place until such time that all tenders advertised prior to 16 January 2023 are phased out of the reporting cycles.

During the Quarter 2 of the 2023/24 financial year, 53 tenders were awarded under the Preferential Procurement Regulations of 2022; of which 70% (37/53) of the awards were in terms of the HDI/RDP goals and 30% (16/53) awards made did not score in terms of the HDI/RDP goals.

The Table 06 below depicts the awards made per HDI/RDP category with the total award amount.

Table 06: HDI/ RDP Total Award Value per Category for the period 01 October 2023 to 31 December 2023

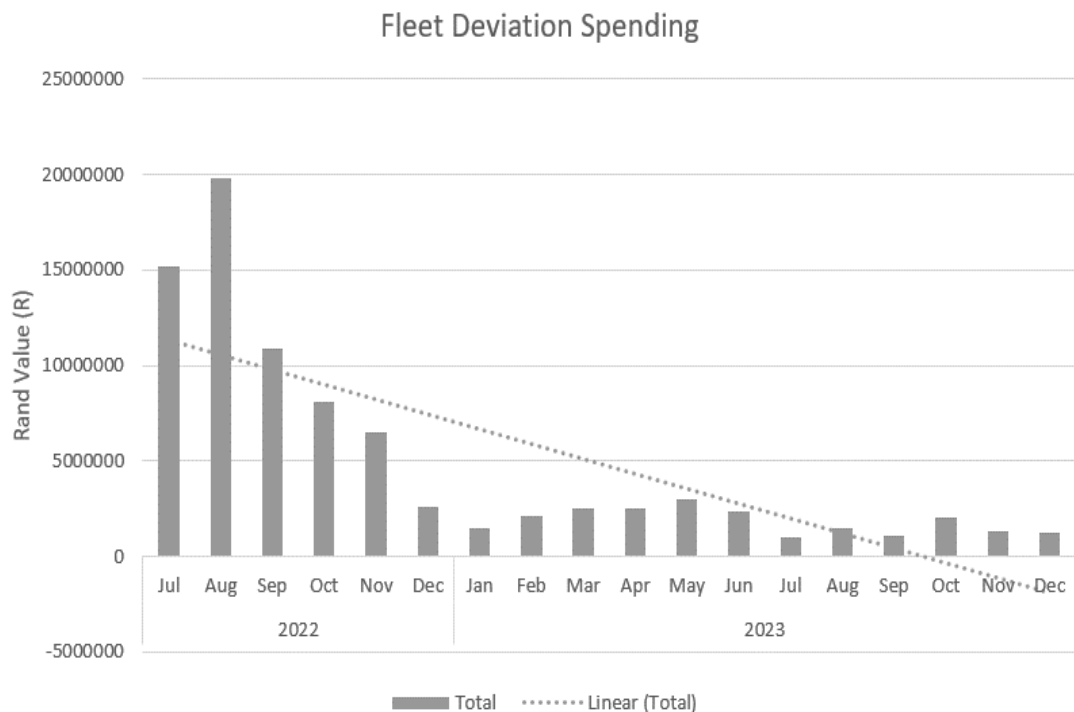
HDI/RDP Goals	Number per Category	Total Award Value per Category
Women	0	R0
Black	11	R2 564 757 665.08
Disabilities	0	R0
SMME	6	R354 377 395.89
No HDI/RDP Goal	16	R1 746 111 805.47
More than one HDI/RDP Goals	20	R532 077 334.01
Total	53	R5 197 324 200.45

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 Fleet deviations



The fleet deviations under R200 000 has reduced by approximately **51%** as at 31 December 2023, compared to the status in December 2022 last year. 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 2, a total of 1 468 Community Based Suppliers, representing an increase of 34 Community Based Suppliers since the end of Quarter 1, have been registered on the City's database. Table 08 under paragraph 6.2.2 refers.

The monthly Community Based Supplier spending for the 2023/24 financial year is summarised as per Table 07 below.

Table 07: Monthly Community Based Supplier Spending

Details	Oct 23	Nov 23	Dec 23	Quarter 2
Number of awards	3	1	1	5
Award values	R58 350	R18 500	R24 950	R101 800

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 has consequently resulted in a decrease of procurement below R200 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 2023 to 31 December 2023 is shown in Table 08 below.

Table 08: Supplier Database Statistics as at 31 December 2023

Details	Total number of suppliers registered
Accredited Suppliers on the City Database	18 181
Central Supplier Database registered (CSD)	16 626
Total E-Procurement registered suppliers	6 844
Community Based Suppliers (CBS)	1 468

As at the end of Quarter 2 of the 2023/24 financial year, the City had a total of 18 181 accredited suppliers, of which 16 626 suppliers are CSD registered. These statistics include 6 844 registered E-Procurement suppliers and 1 468 Community Based Suppliers.

The monthly comparable new approved supplier registration statistics for the period 01 October 2023 to 31 December 2023 are included in Table 09 below.

Table 09: New approved supplier registration statistics for the period 1 October 2023 to 31 December 2023

SCM supplier support service	Oct 2023	Nov 2023	Dec 2023	Total
CSD new registrations	109	91	51	251
New suppliers created	109	91	51	251

A total of 251 new supplier registration applications were approved for Quarter 2.

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 10 below, a total of 7 999 staff declaration/s of interest/s were assessed by SCM during Quarter 2 of the 2023/24 financial year.

Table 10: Staff Declaration of Interest (DOI's) and Private Work applications reviewed during Quarter 2 of the 2023/24 financial year

Applications and declarations reviewed by SCM	Number
Electronic DOI's	6 983
Manual DOI's and private work applications	1 016
Total	7 999

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 SCMsystem.

The quarterly supplier performance management statistics are contained in Table 11 below:

Table 11: Supplier Performance Management for 1 October 2023 to 31 December 2023

Defaulting and Poor Performing Suppliers	Details
Poor performance	3 suppliers
Non-delivery	4 suppliers
Sent to National Treasury (To restrict)	1 supplier
Total	8 suppliers

All the above suppliers have been registered on the “Red list” in the respective categories, where applicable. The following is in respect of Quarter 2:

- Three (3) cases 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),
- Four (4) cases relating to non-delivery has been flagged on the red list for noting and consideration, prior to any subsequent awards being made to the respective supplier(s),
- One (1) case relating to abuse has been flagged on the red list for noting and consideration, prior to any subsequent awards being made to the respective supplier(s).

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 14 Fuel sites. There are 14 131 different materials and 24 815 bins maintained.

6.3.1 Stock comparative results

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

Table 12: Results for Quarter 2 - 2022/23 and 2023/24

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)		
2022/23	571 691 196	533 693 625	301 991 171	2.21	171 708
2023/24	611 841 142	584 343 343	347 948 856	2.33	203 343
% Change	7%	9%	15%	0.12	18.4%

The quarterly comparable stock value has increased by 7% (01 October 2022 to 31 December 2022 compared to 01 October 2023 to 31 December 2023). The closing inventory balance increase of 7% resulted from higher demand from the negative effects of supply chain disruptions due to increased load shedding and delays at the ports. SCM increased inventory holding as a mitigation strategy for these disruptions in order to ensure continuous service delivery to the City. The top contributing material groups were Electrical components, Cables, ICT Hardware, Clothing and Footwear.

In comparison to the second quarter of the previous fiscal year, the stock turnover rate improved by 0.12. A higher turnover ratio is a measure of how well inventory is managed, and it is predicted that the improvement will continue until the ratio reaches the target of 3.5.

In order to minimize overstocking and achieve optimal working capital management, the ISM management team ensured that only necessary goods were ordered by following stringent inventory management procedures in the material requirements planning. This will ensure that ISM is moving in the proper direction in order to achieve a 3.5 stock turn target.

The quarterly usage value increased by R45.96 million (15%) (01 October 2022 to 31 December 2022 compared to 01 October 2023 to 31 December 2023). The reason was mainly attributable to the increased demand for chemicals required for the water purification process, asphalt for roads, electrical components, refuse bags

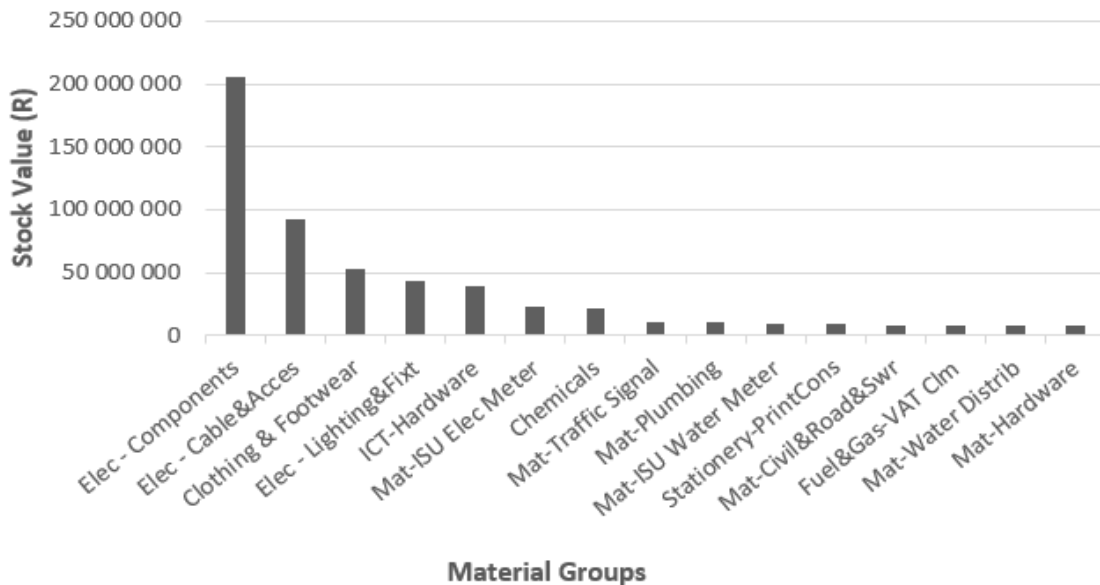
and toilet paper. In Quarter 3, SCM will undertake a review of inventory usage values to assess reasons for increased demand and its impact.

The number of inventory transactions increased by 18.4% when compared with the second quarter of the previous fiscal year.

6.3.2 Top 15 Material Groups - Stock Value as at 31 December 2023

Graph 02 below indicates the relative importance of the Top 15 material groups in terms of stock / rand value in the second quarter of 2023/24.

Graph 02: Top 15 Material Groups Stock Values as at 31 December 2023



The information as per Graph 02 shows the top 15 Material groups which make up 90% of the total inventory holding, at a value of R551.30m. It is noted that 66.31% (R365.56m) of these materials are Electricity goods with a stock turnover rate of less than 2, which is attributable to stock kept as strategic stock with long lead times and for upcoming projects. The remaining 33.69% (R185.73m) had an average turnover rate of 3.58.

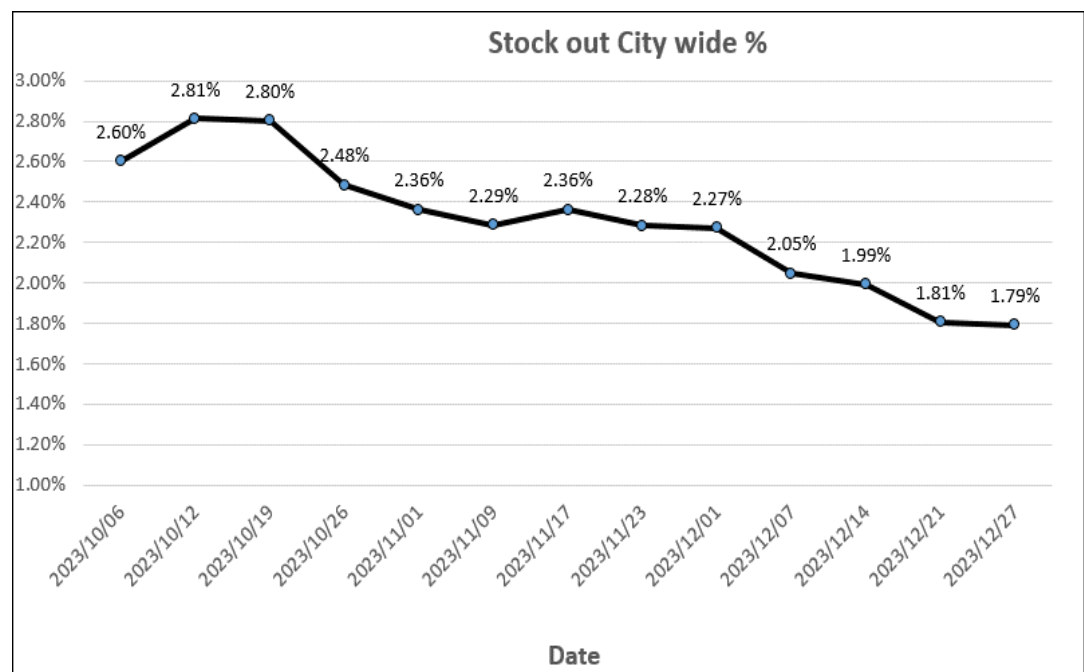
A number of Electricity goods are high value items and have long lead times such as mini- substations, transformers and switchgear, which requires advance purchases for capital projects due to their critical need in the City of Cape Town.

6.3.3 Stock out percentages as at 27 December 2023

The stock out percentage decreased from 2.60% at the beginning of Quarter 2 to 1.79% as at 27 December 2023. Notwithstanding the disruption in supply due to load shedding and port delays experienced by manufacturers, the improvement in the stock out rate was attributable to the proactive and collaborative approach of ISM with Procurement. The downward trend of the Stock Out ratio indicates that the end users of materials are able to receive materials when they require them for service delivery purposes.

Graph 03 below indicates the stock out percentage as at the end of Quarter 2 of the 2023/24 financial year.

Graph 03: Stock out City wide % as at 27 December 2023



The stock availability achievement as at the end of Quarter 2 was 98.21%. This represents an over-achievement of 6.21% 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 2023/24 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 on 20 September 2023. The Finance: Supply-Chain Management risk register was approved on the 3 October 2023. The next review will take place during Quarter 3 of 2023/24.

6.4.2 Disposal Management

The SCM Demand & Disposal unit is responsible for the disposal of redundant movable assets and scrap. Disposal of scrap metals, oil, paper and transformers is achieved through competitive contracts with dealers in these categories of scrap.

The revenue generated for each of these categories is reflected in Table 13 below. Movable assets are disposed through an auction process conducted by a professional auctioneer who has been appointed through a competitive SCM process.

Table 13: Disposal revenue for the period 01 October 2023 to 31 December 2023

Category	Revenue R
Disposal of scrap metals	2 671 536.98
Disposal of waste paper	99 128.96
Disposal of oils	266 079.59
Disposal of Scrap Transformers	1 772 403.00
Auction	29 710 320.86
Total	34 519 469.39

As per Table 13 above, a total of R34 519 469.39 disposal revenue was generated in Quarter 2 of the 2023/2024 financial year. The next auction is scheduled to take place in March 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 October 2023 to 31 December 2023, the SCM department made 34 permanent appointments. These details are as follows:

- 2 x Managers
- 2 x Heads
- 1 x Senior Professional Officers
- 1 x Professional Officers
- 2 x Logistics Officers
- 3 x Assistant Professional Officers
- 1 x Specialist Clerk
- 3 x Store Clerks
- 15 x Senior Clerks
- 2 x Clerks
- 1 x Asset Disposal Attendant
- 1 x Senior Worker

During the period ending 31 December 2023, the SCM department also made 23 EPWP appointments. Furthermore, 21 EPWP workers are currently in service until 31 December 2023.

The SCM staff establishment consists of 369 approved positions (which includes 10 graduate APOs). At the end of December 2023, there were 30 vacant positions.

It should be noted that offers were made to officials which were accepted, for the following positions. The employment period will commence in January/February 2024.

- 6 x Senior Professional Officer
- 1 x Buyer
- 2 x Store Clerks
- 1 x Senior Clerk

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 annual AGSA external audit for the 2022/2023 financial year concluded during December 2023. The SCM department has developed an audit action plan which is aimed at addressing audit findings and mitigating risks in the compliance processes. The Procurement Excellence and Governance Unit track the audit action plan regularly. All audit actions emanating from 2021/22 audit action plan were implemented and will be updated for the actions emanating from the 2022/23 audit.

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 were held in Quarter 1 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.

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 at 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

National Treasury, through the Minister of Finance, issued revised competitive bidding thresholds for the procurement of goods and services and competitive bidding, thereby amending the Municipal Supply Chain Management Regulations issued under General Notice No. 868 of 30 May 2005.

Key to this change is the amendment of Regulation 12, range of procurement processes, in that the competitive bidding threshold has been increased to R750 000 for Metropolitan municipalities as well as contracts in which the duration exceeds twelve (12) months. In line with the above amendments, Regulation 14, 18, 19 and 35 have been amended to cater for the context of the increased threshold.

The SCM policy annual reviewed and update is currently underway, and is anticipated to be tabled at Council by March 2024.

FOR FURTHER DETAILS, CONTACT:

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