

ANNUAL SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT: 1 JULY 2023 TO 30 JUNE 2024

File No./s: 2/1/1/1
Directorate: Finance

Responsible Official: R. Ontong
Portfolio: Finance

1. PURPOSE

The Local Government: Municipal Finance Management Act, no 56 of 2003 (MFMA), requires the municipality to have and implement a Supply Chain Management (SCM) Policy which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

Although the MFMA prohibits a Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or tenders, Council has an oversight role to ensure that the Accounting Officer implements all supply chain management activities in accordance with this policy. For the purposes of such oversight, Council's Supply Chain Management Policy, **Paragraph 6.2(a)(i)** requires that the Accounting Officer must **"Within 30 calendar days of the end of each financial year, submit a report on the implementation of the policy to Council."**

2. Background

Although the MFMA prohibits a Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or tenders, Council has an oversight role to ensure that the Accounting Officer implements all supply chain management activities in accordance with this policy. For the purposes of such oversight, Council's Supply Chain Management Policy, **paragraph 6.2(a)(i)** requires that the Accounting Officer must **"within 30 working days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality."** In addition, **paragraph 6.4** requires that the report referred to in paragraph 6.2 above **also to be tabled to council on a quarterly basis**. The report may be included as part of any other report to serve before council.

The SCM annual implementation report approved in terms of paragraph 6.2(a)(i) for the financial year 2023/2024, is attached as **Annexure A**.

3. Financial Implications

None

4. Applicable Legislation / Council Policy

Municipal Finance Management Act. 2003, (Act 56 of 2003)
Breede Valley Supply Chain Management Policy, as amended.
Supply Chain Management Regulations

Annexure

Annexures A: SCM annual implementation report (1 July 2023 to 30 June 2024) approved in terms of paragraph 6.2 (a)(i).

RECOMMENDATION TO COUNCIL:

That the approved SCM annual implementation report for the 2023/2024 financial year, **be noted**.

FOR OFFICE USE



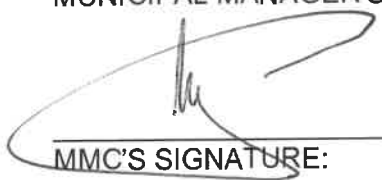
OFFICIAL'S SIGNATURE: _____ DATE: 8 July 2024



RELEVANT DIRECTOR'S SIGNATURE: _____ DATE: 8 July 2024



MUNICIPAL MANAGER'S SIGNATURE: _____ DATE: 8 July 2024



MMC'S SIGNATURE: _____ DATE: 8 July 2024



EXECUTIVE MAYOR'S (Mayco item) SIGNATURE: _____ DATE: 8 July 2024
SPEAKER'S (Council item) SIGNATURE: _____

**ANNEXURES A: ANNUAL SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT:
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Although the MFMA prohibits a Councilor from being a member of a bid committee or any other committee evaluating or approving quotations or tenders, Council has an oversight role to ensure that the Accounting Officer implements all supply chain management activities in accordance with this policy. For the purposes of such oversight, Council's Supply Chain Management Policy, **Paragraph 6.2(a)(i)** requires that the Accounting Officer must **"Within 30 calendar days of the end of each financial year, submit a report on the implementation of the policy to Council."**

1.1 Supply Chain Management Policy:

The Supply Chain Management Policy was initially adopted on 30 August 2005 and a Supply Chain Unit was also established, which operates under direct management of the Senior SCM Manager and supervision of the Chief Financial Officer. The policy provides for the systems of: Demand, Acquisition, Fleet and Logistics, Disposal, Performance and Risk Management.

The objectives of the Policy are:

- a. To give effect to section 217 of the Constitution of the Republic of South Africa by implementing a system that is fair, equitable, transparent, competitive, and cost effective; and
- b. To comply with applicable provisions of the Municipal Finance Management Act including Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636, 30 May 2005 and any National Treasury Guidelines issued in terms of the MFMA and regulations pertaining thereto.
- c. To acknowledge the provisions of:
 - The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
 - The Competitions Act 1998 (Act No. 89 of 1998)
 - The Construction Industry Development Board Act, 2000 (Act No.38 of 2000)
 - The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
 - The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
 - The Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998)
 - The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000)
 - The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)
 - The Prevention and Combating of Corrupt Activities Act, 2000 (Act No. 12 of 2004)
 - The Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)

1.2 Amendment of Supply Chain Management Policy

In terms of Paragraph 3(1)(b) of the Policy, the Accounting Officer must, when consider necessary, submit proposals for the amendment of the Supply Chain Management Policy, to Council.

SCM POLICY: The Supply Chain Management Policy was reviewed and amended in March 2024 and submitted to Council for approval as part of the financial policies, during the draft budget process. The draft policy was adopted by Council and communicated to National- and Provincial Treasury.

The major amendments to the SCM Policy, was impacted by the changing SCM Regulations on 14 December 2023, which besides other changes, excluded all written price quotation procedures and an increased threshold on formal quotations. As per communication from National Treasury, National Treasury allowed local municipalities to adjust their policies before end of March 2024, as an interim implementation period.

PPPFA POLICY: The PPPFA Policy, based on the PPPFA Regulations of 2017 has been declared un-constitutional by the supreme court of appeal (February 2022) and was replaced by a newly adopted PPPFA Regulations of 2022, which gave effect to the implementation of a separate PPPFA policy in January 2023, which was further reviewed and adopted by council in May 2024. Progress of implementation on a quarterly basis is as follow:

- The PPPFA Policy adoption by BVM Council – 24 January 2023
- The PPPFA Policy reviewed and updated for the 2023/2024 financial year in March 2023
- Preference applied is 50% for BBEEE and 50% for LOCALITY (Jurisdiction of suppliers)
- The PPPFA Policy has been reported and adopted as a standalone policy (Separated from the SCM Policy Document since January 2023), referred to as the Preferential Procurement Policy Framework Act (PPPFA) Policy of Breede Valley Municipality.
- At the end of the 4th Quarter, all changes to the new PPPFA Regulations, as adopted in January 2023, have been implemented within procedures addressing compliance and controls.
- During the 2023/2024 financial year, quarter 1, the Auditor General of South Africa was auditing the 2022/2023 financial year, and a general finding was raised against the preferential implementation on transactions below R30 000, due to the absence of the new PPPFA Regs of Nov 2022.
- At the end of the 2nd quarter, after engagement between NT and the AG, it was found that additional time will be allowed to address the shortcoming of application.
- Breede Valley Municipality gives preference to locality to all transactions below R30000, which implicates that all local suppliers within the BVM Jurisdiction, will have preference above suppliers from outside the jurisdiction of BVM. The same applies to BBEEE Level 1 contributors in the same application of preference.
- The PPPFA Policy was reviewed and adopted by BVM Council in May 2024.

The SCM Policy and the PPPFA Policy, may be further reviewed (2024/2025) on adoption of the new Procurement Bill, which is currently in draft and out for comments, and will have a great effect on procurement on local government level, when adopted as one piece of legislation regulating procurement in all spheres of government.

2. Supply Chain Management Unit

The Supply Chain Management Unit operates under the direct supervision of the Chief Financial Officer and is led by the Senior SCM Manager.

2.1 The structure of the SCMU covers the following disciplines within Supply Chain Management

- | | |
|---|---|
| a) Demand Management: | Demand Planning; Specifications.
Evaluation and Adjudication. |
| b) Acquisition Management: | Procurement of Goods and Services below R300 000- Purchasing/Buyer's Division
Procurement of Goods and Services above R300 000- Procurement/Bid Division |
| c) Disposal Management: | This section reports directly to the Senior Manager Financial Planning (Refer to new organogram structure). |
| d) Contract Management:
performance of | Monitoring and control of the registry and

contracts procured through the SCM process.
and ensuring continuous service delivery within
the organisation, within a healthy legislative
governed environment. |
| e) Database Administration: | The Central Supplier Database (CSD)(NT) as
Primary database; The Breede Valley Database as
Secondary Database. |

The staff complement in the SCM consists of a total of 16 officials out of 18 positions.

3.1 New appointments and Additions to the SCM unit

Two new appointments were made in the past quarters

- Assistant SCM Practitioner: Quotations
- Assistant SCM Practitioner: Procurement

3.2 Resignations

No new resignations in the past quarters.

3.3 Vacancies to be filled

The following vacancies still exist, and no new positions become vacant:

- a. Assistant SCM Practitioner: Bid & Contract Administration
- b. Administrator: Vendor Management

As of 30 June 2024, two vacancies existed in the Department representing a 11.11% vacancy rate. The vacancy rate is above the national norm.

The database administration position will be reviewed as part of the rest of the SCM review and new organogram adoption by council, then considered for advertisement, subject to Task outcome.

3.4 Training and Development

Supply Chain Management is legislatively bound to capacitate certain officials in management and Heads of SCM within these departments, according to the MFMA's minimum competency levels, which Breede Valley Municipality complied with as can be see below.

One of the strategic quadrants of SCM in the Western Cape Province is to capacitate their officials with skills capacity to ensure good governance and cost effective and efficient procurement initiatives. Therefore, BVM were supported by Provincial Treasury with various virtual training initiatives during 2023/2024, whereby training needs for 2024/2025 have been established with Provincial Treasury.

The BVM SCM division further ensured that all SCM Practitioners from accountant level, complies with the Minimum Competency Levels as prescribed by the MFMA and NT, should acting be needed or an application opportunity arises internally for SCM practitioners to grow their careers within SCM.

The following senior SCM officials started or completed the minimum competency levels (either by total completed certificate or by achieving success in certain credited areas in accumulating points towards such a competency certificate) for Managers (line and middle management levels) and Heads of Supply Chain Management units:

Table 1: Officials who started or completed the minimum competency levels

#	Name of Official	Course	Progress (Certificate/Points Achieved)
1	Morne Potgieter	MFMA Completed with University of Pretoria for SCM Heads	Certificate
2	Mimi Mphatsoane	MFMA Completed for SCM Managers	Certificate
3	Wilfred Bells	MFMA Completed for SCM Managers	Certificate
4	Cheryl Wiese	MFMA Completed for SCM Managers	Certificate
5	Katiso Moteetee	MFMA Completed for SCM Managers	Certificate
6	Liesl Plaatjies	Enrolled for MMCL	Completed
7	Jason Gordon	Enrolled for MMCL	Completed
8	Taygan Brown	Enrolled for MMCL	Completed
9	Eugenia Sampson	Enrolled for MMCL	Completed
10	Lettisia Leisa	Enrolled for MMCL	Completed
11	Junike Steenkamp	Enrolled for MMCL	Completed
12	Vusumzi Mondl	Enrolled for MMCL	In progress

4 Discussion: Supply Chain Management Systems

4.1 Demand management

Demand management requires timely planning and management processes to ensure that all goods and services which are required are quantified, budgeted for, and delivered in a timely and effective manner at the right locations and at the critical delivery dates. These goods and services must be of appropriate quality and quantity at a fair cost.

The SCM Unit has, with support by the Accounting Officer and the Chief Financial Officer, implemented SCM Demand Management Plan (DMP) as a strategic tool. The DMP assists the SCM Unit with the planning of tender processes and, user departments with the planning of the execution and timely completion of projects in alignment with performance targets in the Service Delivery and Budget Implementation Plan.

To enhance the demand planning process, an annual Demand Management Plan was developed for the 2023/24 financial year for capital and operational spending. Such plan is continuously monitored and communicated to all stakeholders monthly. The accumulative performance against the DMP for 2023/2024 is displayed below:

Table 2: Accumulative Annual Demand Management Progress Plan: Dashboard 2023/2024

Accumulative Demand Management Progress Plan Dashboard - 2023/2024			
Directorate	Total Annual Target	Early Achieved Targets	Accumulative % Achieved Against DMP Bac Target Dates
Finance	11	10	90,91%
Strategic Support Services	8	6	75,00%
Engineering Services	25	17	68,00%
Public Services	15	9	60,00%
Community Services	8	6	75,00%

Demand Management planning for 2024/2025 was circulated and a draft DMP for 2024/2025 was submitted with the final budget and approved by the Municipal Manager on 30 June 2024. The new 2024/2025 DMP will be further distributed to the Western Cape Provincial and National Treasury.

Above accumulative percentages illustrate the progress against DMP targets and is the final progression against financial year performance targets.

4.2 Acquisition Management

The system of acquisition management must ensure the following:

- That goods and services are procured in accordance with authorized processes only.
- That expenditure on goods and services is incurred in terms of an approved budget in terms of section 15 of the Municipal Finance Management Act (Act 56 of 2003).
- That the threshold values for different procurement processes are complied with.
- That bid documentation, evaluation and adjudication criteria and general conditions of a contract are in accordance with applicable legislations; and

- That any Treasury guidelines on acquisition management are properly considered.

4.2.1 Purchasing section

The Purchasing Section is specifically tasked to perform all procurement related functions for the procurement of goods and services with a value up to R300 000 as well as the issuance of orders for procurement with higher values.

All reporting requirements relating this section were fully complied with, included are the following, but not limited to:

- Deviations in accordance with paragraph 36 of the policy.
- Monthly awards in accordance with paragraph 5.3 of the policy
- Monthly reports on cases where three quotations could not be obtained, in accordance with paragraphs 16 of the SCM policy.
- Premiums paid and
- Any other SCM matters that are prescribed.

The following table illustrates the distribution of orders been generated monthly:

Table 3: Distribution of order over the 2023/2024 financial year (Per month: Local Suppliers vs Non-Local Suppliers) (Local-Breede Valley Municipal Jurisdiction)

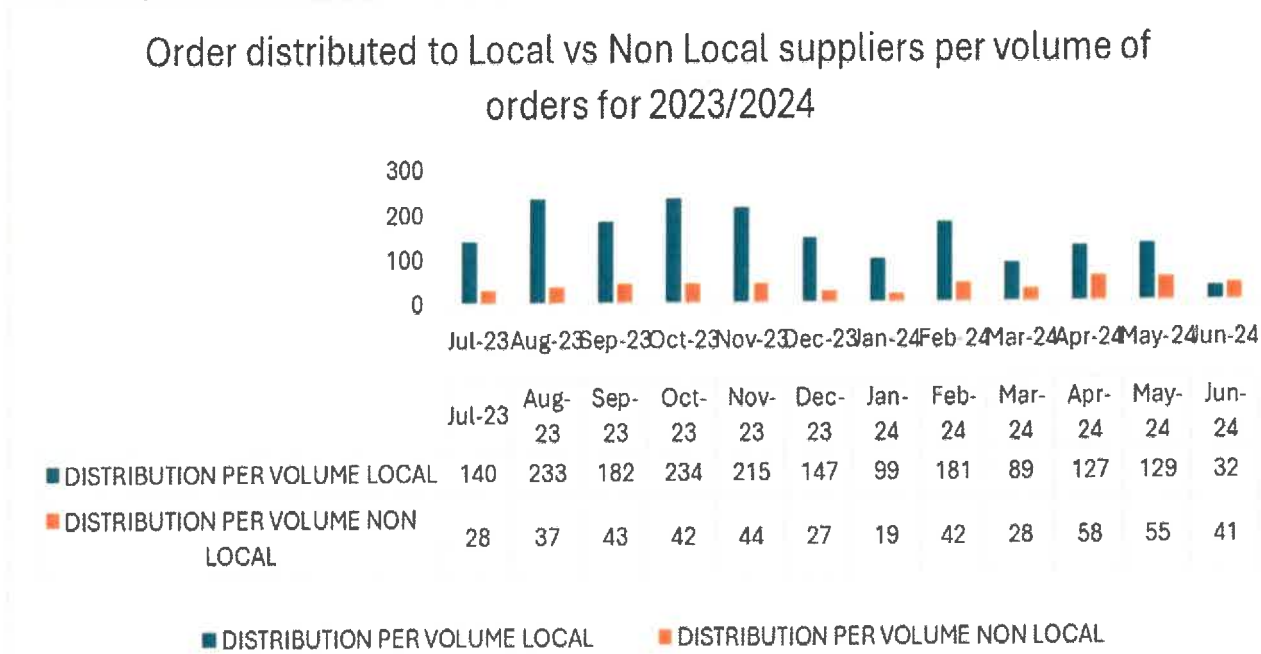


Table 4: Distribution of order allocation to local companies versus outside of the BVM Jurisdiction companies i.t.o Rand Value for the 2023/2024 financial year:

Annual Order distribution per Rand value expended to Local vs Non Local Suppliers (2023/2024)

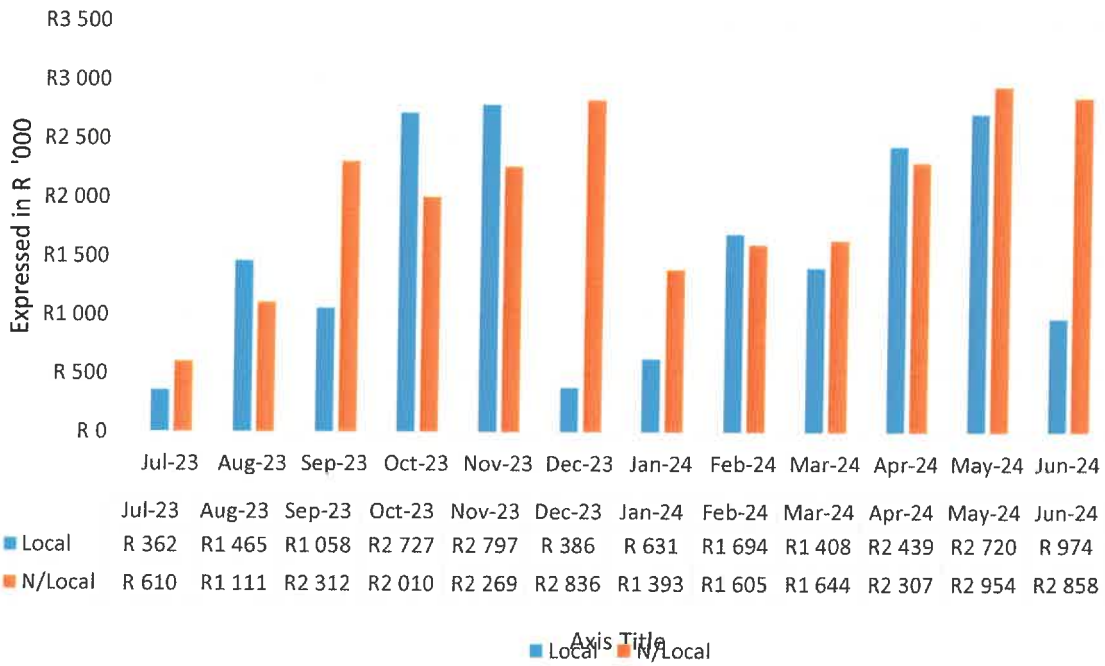


Table 5: The following table illustrates the total volume distribution of orders for the 2023/2024 (Local vs non-local):

Total annual Orders distributed to Local vs Non Local suppliers

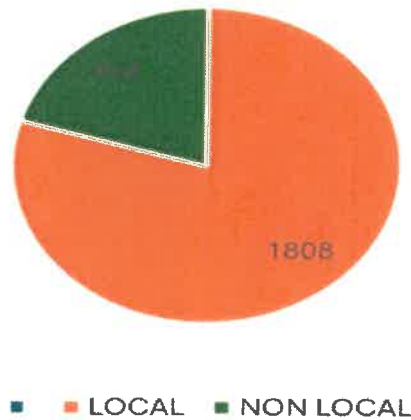
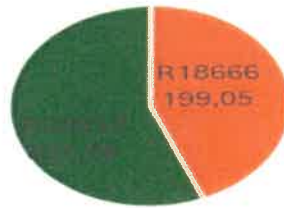


Table 6: The following table illustrates the total Rand VALUE distribution of orders for the 2023/2024 (Local vs non-Local)

Total annual order distributed to Local vs Non Local suppliers per Rand value



- DISTRIBUTION PER RAND VALUE
- DISTRIBUTION PER RAND VALUE LOCAL
- DISTRIBUTION PER RAND VALUE NON LOCAL

Table 7: The ten highest bids awarded by the Bid Adjudication Committee and the Accounting Officer are as follows:

Bid number	Title of bid	Directorate	Successful bidder	Value of bid awarded (R) (Inc all applicable taxes)
BV1030/2023	Provision of security services for a period ending 30 June 2026	Community Services	Mafoko Security Patrols (Pty) Ltd	Rates based, anticipated at R35 million
BV1040/2023	Upgrading of gravel roads in Avian Park, Worcester	Engineering Services	Leafy Space	R45,884,962.97
BV902/2023	Supply, delivery, installation and commissioning of the control and protection plant at the 66KV Robertson Substation	Engineering Services	Ampcor Khanyisa (Pty) Ltd	R18,406,367.01
BV987/2023	Construction of high security wall and relocation of existing services in Esselen Park	Community Services	Umzali Civils (Pty) Ltd	R13,556,281.94
BV1051/2023	Upgrading of gravel roads in Touwsrivier	Engineering Services	JVZ Construction (Pty) Ltd	R39,710,515.77
BV1041/20223	Upgrading of wastewater treatment works at Touwsrivier (civils & structural works)	Engineering Services	Rodpaul Construction (Pty) Ltd	R49,809,669.54
BV1044/2023	Upgrading of wastewater treatment works at Touwsrivier (electrical and mechanical works)	Engineering Services	Inenzo Water (Pty) Ltd	R26,218,330.52
BV1017/2022	Supply and delivery of heavy-duty mobile firefighting rescue vehicle	Community Services	Marce Projects	R8,550,558.23
BV1081/2023	Maintenance of electrical and mechanical equipment for water services for a period ending 30 June 2027	Public Services	Zanamanzi Services (Pty) Ltd	Rates based, anticipated at R45 million
BV1069/2023	Supply and delivery of road building material for a period ending 30 June 2027	Public Services	1. AJ Van Huffel Plant Hire cc 2. Sasuka Civil and Construction	Rates based, anticipated at R45 million

4.2.2 Bid Committee Systems

A Bid Committee system for competitive bids has since been established and is fully operational. It comprises of the Bid Specification, Evaluation and Adjudication committees. The committees meet regularly and are properly delegated. The Accounting Officer appoints members of each committee considering Section 117 of the MFMA.

All tenders that have been approved by the Bid Adjudication Committee or/and the Accounting Officer are reported monthly to the accounting officer as prescribed by SCM Regulation 5.3. There is an increase of tenders in comparison to the previous financial year, which is an indication that there is an improvement in procurement strategy, however, needs close monitoring to ensure sustainability of cost-effective procurement.

4.2.3 Appeals/ Objections by aggrieved bidders

Paragraph 49 of the Municipal Supply Chain Management Regulations allows the aggrieved bidders the opportunity to lodge objections (with proper motivation) against the decision(s) taken by the Bid Adjudication Committee, within 14 days from date of notification thereof.

Alternatively, should they wish to lodge an appeal in terms of Section 62 of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) against the award of the tender, such appeal is to be lodged within 21 days from date of the notification. For the year under review, eight (8) objections/ appeals were recorded **out of 35 Bids**.

Table 8: Objections/ appeals recorded for the financial year (2023/2024).

Date Received	Bid Number	Tender Description	Objection/ Appeal Lodge By	Date Forwarded to Impartial Person	Date Resolved	Outcome Of the Objection / Appeal Process
11/07/2023	BV995/2022	Rendering professional legal services for the period ending 30 June 2026	Meyer and Botha Attorneys	12/07/2023	18/7/2023	The decision of the BAC on 30 June 2023 is maintained without any amendment
16/11/2023	BV 1030/2023	Provision of security services for a period ending 30 June 2026	Capital Security Boland	22/11/2023	19/12/2023	The objection/ appeal option not available to aggrieved bidders. The decision of the AO on 7 November 2023 is maintained without any amendment
16/11/2023			Distinctive Choice Security	22/11/2023	19/12/2023	The objection/ appeal option not available to aggrieved bidders. The decision of the AO on 7 November 2023 is maintained without any amendment
23/11/2023			Mzansi Securifire	23/11/2023	19/12/2023	The objection/ appeal option not available to aggrieved bidders. The decision of the AO on 7 November 2023 is maintained without any amendment
17/11/2023			Fidelity Security Solutions (Pty) Ltd	17/11/2023	19/12/2023	The objection/ appeal option not available to aggrieved bidders. The decision of the AO on 7 November 2023 is maintained without any amendment
23/11/2023			Securitem (Pty) Ltd	23/11/2023	19/12/2023	The objection/ appeal option not available to aggrieved bidders. The decision of the AO on 7 November 2023 is maintained without any amendment

11/04/2024	BV1051/2023	Upgrading of gravel roads at Touwsrivier	JVZ Construction (Pty) Ltd	11/04/2024	17/04/2024	The objection/ appeal option not available to aggrieved bidders. The decision of the AO on 25 March 2024 is maintained without any amendment
11/06/2024	BV 1080/2024	Supply and delivery of protective clothing for the period ending 30 June 2027	Uhambo Procurement and Distribution	12/06/2024	Work in Progress	Work in Progress

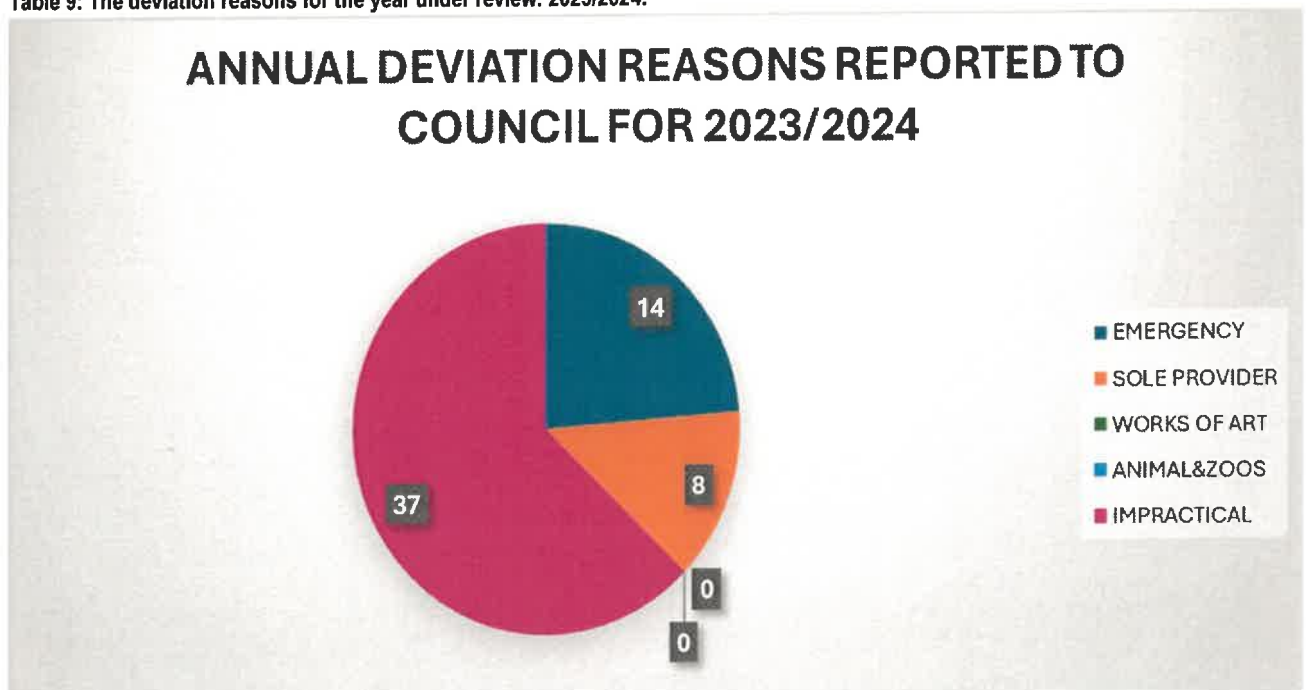
4.2.4 Deviations from normal procurement processes

Paragraph 36(1)(b) of the policy allows the Accounting Officer to dispense with the official procurement processes established by the Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

- i. In an emergency.
- ii. If such goods or services are produced or available from a single provider only.
- iii. For the acquisition of special works of art or historical objects where specifications are difficult to compile.
- iv. Acquisition of animals for zoos and/or nature and game reserves; or
- v. In any other exceptional case where it is impractical or impossible to follow the official procurement processes

For the year under review, the Accounting Officer approved **59** deviations to an estimated amount of **R4 391 137.77** (VAT Included) (Deviation values reported to the Annual Financial Report and the Annual SCM Implementation report for the annum under review, will only include fix value deviations and exclude tariff base deviations). Such deviations were reported in the next ordinary meeting of Council. The deviations for the year under review were broken down per reason and can be summarized as follow illustrated in the Pie diagram below:

Table 9: The deviation reasons for the year under review: 2023/2024:

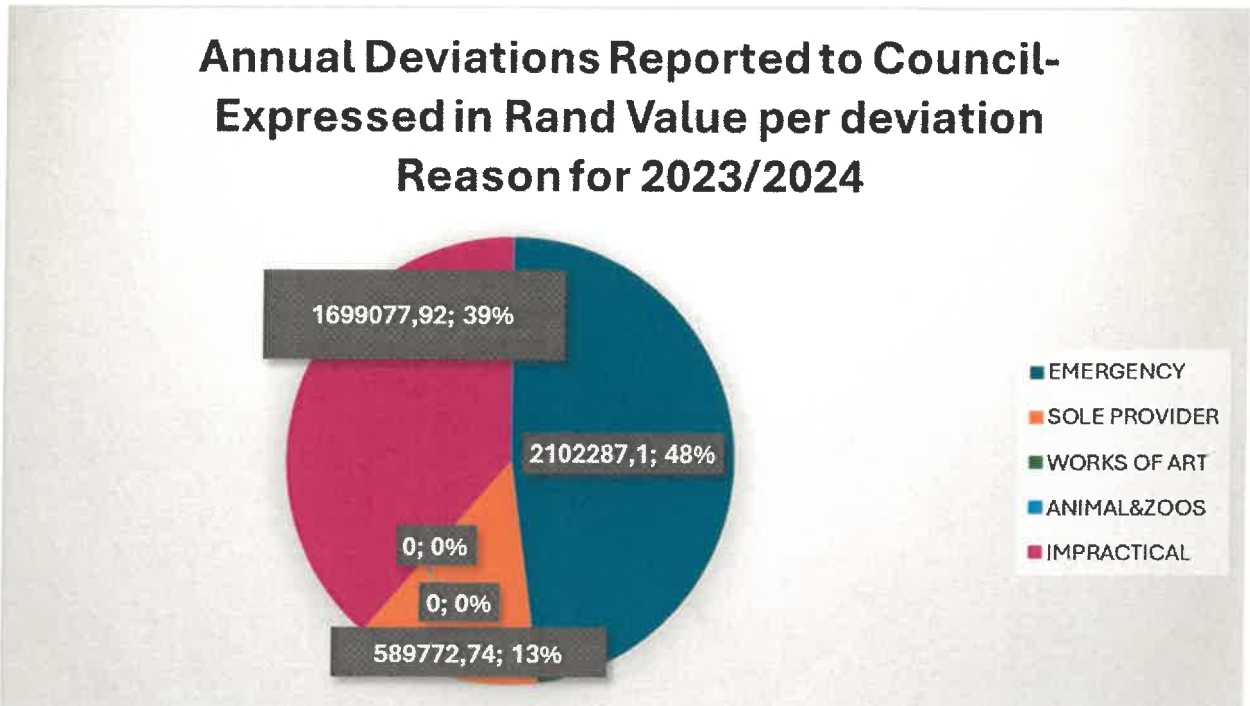


The deviations for the year under review are currently under a reconciliation process and amendments will be reported to the Accounting Officer for administrative authorization, and these amendments will be reflected in the quarterly reports following, which shall result in one or more of the following:

- i. The number of deviations decreasing because of orders that had to be cancelled due to year-end processes.
- ii. The reason for a deviation changing from one, to another, based on its merit and explanation.
- iii. The amount or estimation of the deviation changing (decreasing or increasing). The values that will be considered for annual reporting will exclude deviation contracts, which is based on tariffs only, whereby the original contract value could not have been determined/calculated from initiation of the deviation contract, due to frequency of use, which is not determinable).
- iv. Term of deviation amended to align with legislative prescripts

This process is mandatory and important to ensure that the Annual Financial Statements are correctly presented by the correct deviation values, as far as practically possible. The true and correct amount for all the deviations shall be disclosed in the 2023/2024 Annual Financial Statements. Cognisance must be taken that tariff-based deviations could only be displayed by the end of such contract term, since procurement cannot be accurately determined, since the contract is used on a as and when basis, as needed.

Table 10: Annual Deviation expenditure per rand value measured against deviation reasons reported to council for the 2023/2024 financial year:



In conclusion, the deviation process is managed, within a well-controlled SCM environment, which contributed to a decrease in volumes and expenditure and increase of controls and accurate reporting.

4.3 Accredited Suppliers Database

In terms of Paragraph 14(1)(a) of Council's Supply Chain Management Policy, the Accounting Officer is required to keep a list of accredited prospective providers of goods and services (Supply Chain Database).

On implementation of the new SCM System, the Central Supplier Database (CSD) from National Treasury, became the primary database of BVM.

For the year under review, SCM held a Supplier Open Day during April 2024 at the Worcester Town Hall, inviting Local Suppliers to register on CSD and capacitate them, which included various presentations from external stakeholders (i.e., Provincial Treasury: SCM; SARS; CIDB, SEDA and 3rd party financial support to small vendors) to equip small vendors and grant all suppliers the the opportunity to update their information and to allow for new vendors to register, on the Central Supplier Database of National Treasury, which will is the primary database of Breede Valley Municipalities.

4.4 Logistics management

The system of logistics management must ensure the following:

- The monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number.
- The setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock.
- The placing of electronic orders for all acquisitions other than those from petty cash.
- Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract.
- Appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secured and only used for the purpose for which they were purchased.
- Regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and Proper measures are still in place to ensure that the above elements are fully adhered to.

4.5 Disposal management

The system of disposal management must ensure the following:

- i. Immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise.

- ii. movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous.
- iii. Firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee.
- iv. Immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise.
- v. All fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed.
- vi. Where assets are traded in for other assets, the highest possible trade-in price is negotiated.

The disposal management function reports directly to financial planning and has utilised auctioneering as SCM Mechanism for disposals.

4.6 Contract Management (CM)

The SCM Division has established a sub-division within SCM, the Contract Management Office, since 2017/2018 financial year, which primarily focuses on SCM Contracts above R100 000 (Including Deviation contracts), which were procured through the SCM process. Contract/s concluded outside of Breede Valley Municipality's (BVM) Supply Chain Management (SCM) Scope and procedures will not be administered through the SCM System and is therefore excluded from SCM System as per Section 110(2) of the Municipal Financial Management Act of 2003.

The following objectives were set for the Contract Management (CM) Office:

- The Breede Valley Contract Management function has been centralised into the Contract Management Office, reporting to the Manager: Procurement.
- Aligning the contract management procedures and systems with the rest of the SCM functions and Expenditure department.
- Formalise and implement a new Contract Management Framework which already forms part of the SCM Policy.
- The implementation of an electronic Contract Management System, Electronic SCM Archive, Electronic Database Archive.
- The implementation of a full electronic purchasing system, which will be implemented before end of 2022/2023.
- Monthly reports get distributed to all contract champions on the contract status of SCM contracts.
- The Contract Management section within SCM, enable and control performance management on all contracts and the report gets distributed to the executive management on a monthly basis.
- Contracts of a repeatable nature, due to its nature to provide continuous service delivery, are monitored by the CM office and notifications for renewal will be sent 6

months prior to the end date of the contract champions. These repetitive product and services contribute to the annual DMP of each new financial year.

- Regular monitoring and review of the supplier vendor performance to ensure compliance with SCM Regulation 116(2), specifications and contract conditions for goods or services, is conducted.

The following table illustrates the status of contracts as the end of the financial year:

Table 11: Progressive status of contracts as of 30 June 2024

Status	Quantity
Active contracts	181
Expired contracts	65
Expiring contract in the next 6 months	5
Cancelled Contracts	1
Extended Contracts	16

5. Conclusion

The Breede Valley Municipality has been implementing the Supply Chain Management Regulations diligently through the Supply Chain Management Policy.

Contract Management, Demand Management and the combating of Irregular Expenditure remain key focus areas in the implementation of supply chain management within the municipality.

The objective of the 2024/2025 financial year is to have a fully integrated SCM IT system, which operates on a Standard Chart of Accounts base for Local Government (MSCOA) that will further enhance procedural controls, efficiency, and legislative compliance, from a centralized platform. The project initiation started on the 10th of March 2021 and transactions above R200 000 then and now R300 000, currently due to legislative threshold increase from R200 000 to R300 000 will be implemented, subject to completed development from the financial service provider.

Breede Valley Municipality continuously strives not only to ensure compliance to legislative frameworks, but also to improve administrative and procedural efficiency, thereby giving effect to its Constitutional mandate in terms of Section 152 and 217 of the Constitution.

With the newly adopted PPPFA Policy, BVM strives to give preference to Local Suppliers within its jurisdiction, emanating to the increase of local economic activity.

Contract Management, Demand Management Planning and the combating of Irregular Expenditure remain key focus areas in the implementation of supply chain management within the municipality.

6. Recommendation

- a. That the approved SCM annual implementation report for the 2023/2024 financial year, be noted.