

**ANNUAL REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT
POLICY AND THE PREFERENTIAL PROCUREMENT POLICY: 1 JULY 2024 – 30 JUNE 2025**

**JAARLIKSE VERSLAG VAN DIE IMPLEMENTERING VAN VOORSIENINGSKANAALBELEID EN
DIE VOORKEUR VERKRYGINGS BELEID: 1 JULIE 2024 - 30 JUNIE 2025**

**INGXELO YONYAKA YOKUPHUNYEZWA KOMGAQO-NKQUBO WOLAWULO LWETHUBA
NOMGAQO-NKQUBO OKHETHEKILEYO WOKUTHENGA IZINTO: 1 JULY 2024 –
30 EYESILIMELA 2025**

File Number: 9/1/2

Collaborator Number: 2181308

Committees: Finance Portfolio; Mayoral Committee 1; Council

Meeting Cycle: July

Key Performance Area: KPA 2: Finance

Access Level: Public

1. PURPOSE

On an annual basis, a report on the implementation of the Supply Chain Management Policy and the Preferential Procurement Policy must be submitted to the Council for noting purposes.

2. FOR DECISION BY

Council

3. RECOMMENDATIONS

It is recommended that:

3.1 Council takes note of the content of this report; and

3.2 The report be made public in accordance with Section 21A of the Municipal Systems Act.

3. AANBEVELINGS

Dit word aanbeveel dat:

- 3.1 Die Raad kennis neem van die verslag; en
- 3.2 Die verslag gepubliseer word in terme van Artikel 21A van die Munisipale Stelsels Wet.

3. BACEBISE

Bacebise ukuba:

- 3.1 iBhunga malinike ingqalelo kwisiquqatho salengxelo; kunye
- 3.2 Lengxelo mayasizwe kuwowonke umntu njengoko ibekiwe kwicandelo 21A yoMthetho weNkqubo zoMasipala.

4. INTRODUCTION

The annual implementation report on the Supply Chain Management Policy and the Preferential Procurement Policy must be submitted to the Council to exercise its oversight role.

5. DISCUSSION

The current Supply Chain Management Policy and Preferential Procurement Policy were reviewed during the 2024/2025 financial year. No amendments were proposed during this period.

5.1 Supply Chain Management Policy

Paragraph 6(2) of the Supply Chain Management Policy determines the following:

“For the purposes of such oversight the Accounting Officer must –

- (a) Within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and*

(b) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to Council.”

No serious or material problems were experienced with the implementation of the Supply Chain Management Policy. The policy are in line with the prescribed legal framework.

5.2 Preferential Procurement Policy

Paragraph 8 of the Preferential Procurement Policy determines the following:

“For the purposes of oversight the Accounting Officer must within 30 days of the end of each financial year, submit a report on the implementation of this Policy to the Council.”

Paragraph 3 of the Policy stipulates the specific goals for procurement that relate to preferential procurement. The specific goals that are applied are Broad-Based Black Economic Empowerment (BBBEE) and the locality of suppliers. These specific goals are used for all procurement upward from R2,000.00 (incl VAT). This Policy came into effect on 1 February 2024.

As of 30 June 2025, a total amount of R994,968,209 was spent on procurement. This figure may increase subject to final financial year-end payments processed in July 2025 for goods and services delivered up to and including 30 June 2025.

The following table provides a summary of preferential procurement spent in terms of the different BBBEE levels of suppliers:

Table 1:

Serial no	BBBEE level of contribution	Amount spent (incl VAT)	Percentage (%) of total spent
1	Level 1	R802,740,949	80.68%
2	Level 2	R101,390,942	10.19%
3	Level 3	R23,848,010	2.41%
4	Level 4	R35,669,348	3.58%
5	Level 5	R2,211,798	0.22%
6	Level 6	R1,064,861	0.10%

Serial no	BBBEE level of contribution	Amount spent (incl VAT)	Percentage (%) of total spent
7	Level 7	R287,837	0.03%
8	Level 8	R9,702,309	0.98%
9	Non-compliant contributor (suppliers without a BBBEE level)	R18,052,150	1.81%
10	Total spent	R994,968,209	100.00%

As can be seen from Table 1, procurement from level 1 BBBEE suppliers outweighs procurement from other BBBEE suppliers by far. In terms of the Broad-Based Black Economic Empowerment Act (Act no. 53 of 2003), regulations issued in terms of the aforementioned act and its Codes of Good Practice, it is the responsibility of suppliers to obtain a BBBEE level in line with the requirements set out in the aforementioned regulatory framework. Non-compliant contributors mean that those suppliers do not have a BBBEE level. This, however, does not preclude them from participating in the procurement process. The fact that they do not have a BBBEE level means that they will score no points for BBBEE in terms of the Council's Preferential Procurement Policy.

The following table provides a summary of preferential procurement spent in terms of supplier locality:

Table 2:

Serial no	Locality classification	Amount spent (incl VAT)	Percentage (%) of total spent
1	Suppliers within the Drakenstein municipal area	R195,110,195	19.61%
2	Suppliers within the Cape Winelands District area	R8,668,356	0.87%
3	Suppliers within the Western Cape	R677,067,740	68.04%
4	Suppliers outside of the Western Cape (rest of South Africa)	R114,121,918	11.48%
5	Total spent	R994,968,209	100.00%

The Municipality is dependent on suppliers to respond to bid invitations, and suppliers that are compliant with the qualifying criteria as set out in the bid invitations. In comparison to the previous five financial years, the following table provides a comparison with the previous three financial years in terms of local spending:

Table 3:

Serial no	Financial year	Amount spent on local suppliers (incl VAT)	Percentage (%) of total spent during that particular financial year
1	2024/2025	R195,110,195	19.61%
2	2023/2024	R257,103,562	27.59%
3	2022/2023	R101,065,428	19.40%
4	2021/2022	R128,921,670	22.06%

The following table indicates the amount spent per supply category for the 2024/2025 financial year:

Table 4:

Serial no	Supply category	Amount spent (incl VAT)	Percentage (%) of total spent
1	Construction services	R501,381,122	50.40%
2	Electrical, engineering and mechanical equipment service and supplies	R145,801,559	14.65%
3	Professional services	R136,073,547	13.68%
4	General services	R87,331,264	8.78%
5	Vehicle supply, transport services and related equipment	R77,859,497	7.82%
6	Office and facilities equipment and supplies	R27,419,888	2.76%
7	Construction equipment and supplies	R19,007,332	1.90%
8	Events management	R94,000	0.01%
5	Total spent	R994,968,209	100.00%

5.3 Innovation initiatives

As part of its innovation drive to automate supply chain processes, the electronic ordering system was successfully implemented during the 2024/2025 financial year. This is the start of a number of innovative initiatives that have been identified for implementation over the next three financial years, subject to funding. These innovative initiatives are aimed at achieving a paperless system together with integration with the current financial system

that reduces the time spent on administrative processes as well as to enhance compliance, document control and reporting.

6. IMPLICATIONS

6.1 POLICY

None.

6.2 FINANCIAL

None.

6.3 LEGAL

None.

6.4 STAFF

None.

6.5 ENVIRONMENTAL

None.

6.6 RISK

None.

7. PREVIOUS COUNCIL RESOLUTIONS

Not Applicable.

8. ANNEXURES

None.

9. COMMENTS FROM WARD COUNCILLORS AND DATE SIGNED

Not Applicable.

10. COMMENTS FROM DEPARTMENTS AND DIVISIONS

10.1 CORPORATE AND PLANNING SERVICES

Not applicable.

10.2 FINANCIAL SERVICES

Not applicable.

10.3 ENGINEERING SERVICES

Not applicable.

10.4 COMMUNITY SERVICES

Not applicable.

10.5 PUBLIC SAFETY

Not applicable.

10.6 RISK MANAGEMENT

Not applicable.



HEINRICH VERGOTINE *C. Marinus*
MANAGER: SUPPLY CHAIN MANAGEMENT



BRADLEY BROWN
CHIEF FINANCIAL OFFICER

Author: Heinrich Vergotine
Position: Manager: Supply Chain Management
Contact Number: 021 807 4877
E-Mail: heinrich.vergotine@drakenstein.gov.za
Department: Financial Services
Signed off by Portfolio Councillor:
Signed off by Executive Mayor:
Signed off by City Manager: