



dpwrt

Department:
Public Works; Roads and Transport
North West Provincial Government
Republic of South Africa

SUPPLY CHAIN MANAGEMENT POLICY

POLICY NO.: SCM2008/001
NAME OF POLICY: MANAGEMENT OF SUPPLY CHAIN DEMAND

Contents	Page
PREAMBLE	3
1. Definitions and Abbreviations	3
2. Purpose and Objectives	4
3. Principles	4
4. Legislative Framework	4
4.1 Legislation	4
4.2 Departmental	4
5. Scope of Application	4
6. Procedural Guidelines	4-6
6.1 Needs Assessment	4
6.2 Immovable Asset Management Plan	5
6.3 Historical Analysis	5
6.4 Industry and Commodity Analysis	5
6.5 Optimum Method Determination	6
6.6 Lead and Delivery Time Analysis	6
6.7 Economic Order Quantity.....	6
7. Responsibilities and Obligations.....	7
8. Commencement	7

PREAMBLE

Since the Department uses public funds to finance its procurement of goods and services, it is obliged to ensure that the best interest of the public is served when these funds are spent. "Best interest" includes satisfying requirements at the most favourable conditions, including price; ensuring that business and industries are afforded the best possible opportunity to satisfy such requirements on a competitive basis; and adhering to National Government's medium-term policy initiatives, including Broad-Based Black Empowerment (BBBEE) and the Preferential Procurement Policy Framework Act.

1. DEFINITIONS AND ABBREVIATIONS

For the purposes of this policy, the following definitions apply:

Accounting Officer:	the Accounting Officer of the North West Department of Public Works Roads and Transport, as defined in Section 36 of the PFMA.
Black Economic Empowerment:	as defined in the Broad-Based Black Economic Empowerment (BBBEE) strategy: "an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities". BBBEE defines "black people" as a generic term, which means Blacks, Coloureds and Indians.
Historical Disadvantaged Individuals:	<p>a South African citizen –</p> <ul style="list-style-type: none">(i) who, due to the apartheid policy that has been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act 200 of 1993) ("the Interim Constitution"); and/or(ii) who is a female; and/or(iii) who has a disability. <p>Provided that a person who obtained South African citizenship on or after the coming into effect of the Interim Constitution, is deemed not to be an HDI.</p>
Cost centre managers:	officials held accountable for the performance of a specific departmental cost centre in terms of a performance agreement between themselves and the Accounting Officer.
Strategic plan:	as defined and described in the framework and templates for provincial departments for the preparation of strategic and performance plans for the 2004-2009 term, and Annual Performance Plans, issued by National Treasury on the 17th May 2004.
Chosen method:	<ul style="list-style-type: none">- the best method to procure the goods/services. <p>Goods/services can be procured from other departments or institutions; procured in terms of transversal term contracts; or procured in terms of <i>ad hoc</i> contracts.</p> <p>The method chosen shall take into account practical considerations such as: frequency, lead-time, delivery time, warehousing, storage and life span.</p>

2. PURPOSE AND OBJECTIVES

The purpose of this policy is to articulate the departmental guidelines regarding the management of supply chain demand to ensure that the resources required to fulfil the needs identified in the strategic plan of the Department are delivered at the correct time, price and place and that the quantity and quality will satisfy those needs.

3. PRINCIPLES

The onus of responsibility for supply chain management is placed on the accounting officers, thereby giving effect to Section 38 (1)(a)(iii) of the PFMA. The Supply chain management policy is strengthened by the issuing by National Treasury of the Framework for Supply Chain Management as published in Gazette 25767 dated 5 December 2003 in terms of Section 76(4)(c) of the PFMA.

The framework serves as a formal requirement to accounting officers to ensure the implementation of the supply chain management process as an integral part of their financial systems.

4. LEGISLATIVE FRAMEWORK

4.1. Legislation

- (a) Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999)
- (b) Treasury Regulations (March 2005)
- (c) Preferential Procurement Policy Framework Act, 5 of 2000
- (d) Preferential Procurement Regulations, 2001
- (e) Broad Based Black Economic Empowerment Act, 53 of 2003
- (f) Government Immovable Asset Management Act, 19 of 2007
- (g) National Treasury Supply Chain Management Guidelines

4.2. Departmental

- (a) Financial Management Delegations of Authority
- (b) Supply Chain Management Delegations of Authority

5. SCOPE OF APPLICATION

This policy applies to all departmental employees, learnership participants, interns; and the Supply Chain Management Directorate and duly appointed cost centre managers in particular.

6. PROCEDURAL GUIDELINES

6.1 Needs Assessment

A needs assessment is performed to identify the goods and services required to achieve the outcomes envisaged in the business plan. This is a cross-functional exercise that brings the supply chain practitioner closer to the end user and ensures that value for money is achieved. Both current and future needs should be determined based on the strategic plan of the Department.

As part of the strategic plan of the Department, cost centre managers are required to identify activities and analyse resources (known as operational plans) required for the fulfilment of their obligations in terms of the cost centre's objectives. This includes, but is not limited to, a detailed needs assessment of the goods, works and services required by the cost centre, such as how much to be accomplished, how quickly and with what materials, equipment, etc.

To enhance ownership and ensure accountability, cost centre managers are expected to sign-off on their operational plans (including the program's needs assessment).

Based on each cost centre's operational plan and needs assessment, officials within the Supply Chain Management Directorate, shall identify the relevant information and consolidate the departmental need for goods, works and services.

Included within the consolidated needs assessment will be a frequency analysis, to be performed by officials within the SCM Directorate, which entails determining how many times and when the Department needs the specific goods, works or services. The operational plans must be detailed enough to be used as the basis for this analysis.

6.2 Immovable Asset Management Plan

The Supply Chain Management Directorate shall compile an annual immovable asset management plan on behalf of the Department. A copy of the management plan shall be provided to the Provincial Treasury as part of the departmental strategic plan.

The management plan shall consist of at least:

- (a) a strategic needs assessment
- (b) an acquisition plan
- (c) an operations plan
- (d) an immovable asset surrender plan.

The immovable asset management plan shall be revised on an annual basis after the budget allocation for the Department has been finalised.

6.3 Historical Analysis

Each item (goods, works or services), included within the needs assessment, shall be analysed to determine the manner in which the Department fulfilled this need in the past.

The information required consists of at least, but shall not be limited to:

- (a) the method used
- (b) the average price paid
- (c) the frequency of orders
- (d) items kept as stock or ordered when needed.

This shall assist the Department in providing direction regarding the industry and commodity analysis and optimum method determination to be performed.

6.4 Industry and Commodity Analysis

To determine what is available in the market, the industry relating to each item (goods, works or services), included within the needs assessment, shall be analysed. The objective of performing an industry and commodity analysis is to promote the broadest possible competition.

No limitation of scope is allowed when performing such an analysis.

In its broadest sense, the industry and commodity analysis shall be regarded as an information gathering exercise. Information to be gathered includes, but is not limited to:

- (a) the availability of competition (i.e. to identify potential areas where competitive bidding is impractical and limited bidding would be required).
- (b) specification of accepted standards to which the industry ascribes. This can include the standards issued by Standards South Africa (the division of the South African Bureau of Standards responsible for standards), the International Standards Organisation or an authority recognised by the South African National Accreditation System (SANAS).

- (c) the prevalence of Black Economic Empowerment (BEE) companies and transformation goals within the specific industry. This information should be utilised to set industry specific goals (relating to the enhancement of BEE and promotion of Historical Disadvantaged Individuals) to be attained for each contract individually. The industry specific goals should be aligned to the Department's strategy of promoting government's broader BEE policy goals.
- (d) the labour intensive nature of each industry. This information should be utilised to set industry specific goals (relating to job creation) to be attained for each contract individually.
- (e) industry specific characteristics influencing specific goals, as contemplated in Section 2(1)(d)(ii) of the Preferential Procurement Framework Act and published in Government Gazette No. 16085 dated 23 November 1994.

The result of the industry and commodity analysis shall assist the Department in providing direction insofar the optimum method of procurement of the goods, works or services is concerned.

6.5 Optimum Method Determination

Taking into account the specific need, the characteristics of the need (frequency, nature of goods, etc.) and the timing of the need, the Supply Chain Management Directorate must decide on the best method to procure the goods/services. Goods/services can be procured from other departments or institutions; procured in terms of transversal term contracts; or procured in terms of *ad hoc* contracts.

The optimum method to satisfy the need shall be considered, including the possibility of procuring goods, works or services from other institutions (e.g. stationery, printing and related supplies from the Government Printer or furniture from the Department of Correctional Services), or on transversal or *ad hoc* contracts.

The method chosen shall take into account practical considerations such as: frequency, lead-time, delivery time, warehousing, storage and life span.

6.6 Lead and Delivery Time Analysis

To prevent out-of-stock situations and provide sufficient time for the delivery of new stock, the Supply Chain Management Directorate shall, based on the chosen method, determine the lead and delivery times for each item (goods, works or services) included within the needs assessment.

The lead and delivery time of the chosen method shall be used, together with the economic order quantity of each item, to determine the optimum stock level of each item.

6.7 Economic Order Quantity

In order to determine the optimum stock level, the Supply Chain Management Directorate shall calculate the economic order quantity for each item (goods, works or services) included within the needs assessment.

7. RESPONSIBILITIES AND OBLIGATIONS

Overall responsibility for the implementation of this policy rests with the duly delegated Director: Supply Chain Management. Further responsibilities assigned to the cost centre managers and the Supply Chain Management Directorate are outlined in Clause 7 below.

8. COMMENCEMENT OF THE POLICY

This policy is effective from the signature date below.

APPROVED



PJ N VAN STADEN
DEPUTY DIRECTOR GENERAL

1 September 2009

Date