



Unit Standard 116353

Supply Chain Management

Logistics Management overview (172)

- Management of Stock or Inventory includes:
 - Coding of items
 - Analysing product usage and trends
 - Setting inventory levels
 - Placing and expediting orders
 - Receiving and distributing material timeously and accurately
 - Stores, warehouse and transport management functions
 - Minimisation of potential redundant material
 - Generation of timeous payments to suppliers
 - Continuous review of vendor performance
- A similar process occurs for fixed capital items
- Efficient logistics management can assist in reducing costs

Coding of items (173)

- The use of a suitable coding system/structure will assist with:
 - Benchmarking of items
 - Spend analysis
 - Standardisation of products
 - Market share analysis
 - Organising of items
 - Finding items in catalogues
- There should be standardisation of coding across government
- There are best practice coding systems which are internationally available

Inventory Management and Setting of Inventory levels (174)

- Efficient inventory management requires finding a balance between holding a large inventory and a small inventory
- The calculation of optimal stock levels should lead to the minimisation of inventory holding costs, usage of storage space, avoidance of stock becoming obsolete while at the same time ensuring availability of strategic items. Consideration should be given to :
 - Which items and quantities of stock to hold
 - Adding a safety margin to the minimum level

Inventory Management and Setting of Inventory levels (174)

- Identifying the real reason for holding inventory – which are:
 - To ensure the availability of specific and specialised items of stock
 - Protracted lead times
 - To ensure a continuous supply of inventory for ingoing daily processes and service delivery
- Also:
 - Seasonal fluctuations require higher stock holdings during peak periods
 - Utilisation of quantity discounts
 - Cost saving through transport in bulk
 - Protection against supply problems and sudden price increases

Inventory Management and Setting of Inventory levels continued.... (175)

Differentiating between contract methods and other procedures for purchasing inventories.

- Contract method:
 - Many items can be grouped against which bids can be invited for medium term contracts
 - This can include a fixed price arrangement and minimum quantity orders
 - The benefits include: reduced documentation, assured availability, less purchasing staff needed
- Other Procedures
 - MRP 175
 - JIT 175
 - ABC analysis 176

Placing and Expediting orders (178)

An efficient, timeous system for placing orders is critical – either when:

- A particular item reaches its minimum level, or
- A new item is now needed
 - Orders against an existing contract should be placed i.t.o. that contract
 - Orders below R200 000. Quotations should be requested from database of accredited suppliers
 - Orders above R200 000. An open competitive bidding process should be used

Intervention is necessary where orders are not timeously received or properly complied with if service delivery is to be maintained.

GOODS AND SERVICES MAY NOT BE
DELIBERATELY SPLIT INTO PARTS OR ITEMS OF A
LESSER VALUE MERELY TO AVOID COMPLYING
WITH THE REQUIREMENTS OF THE SCM POLICY

ESPECIALLY WITH REGARD TO THE COMPETITIVE
BIDDING PROCESS.



Receiving and distributing items timeously (179)



The stores system must be fully integrated into the financial management system to ensure timeous payment



On receipt the goods must be verified for correctness. Discrepancies should be followed-up



Full records must be maintained for audit



The goods must be coded and stored – awaiting usage



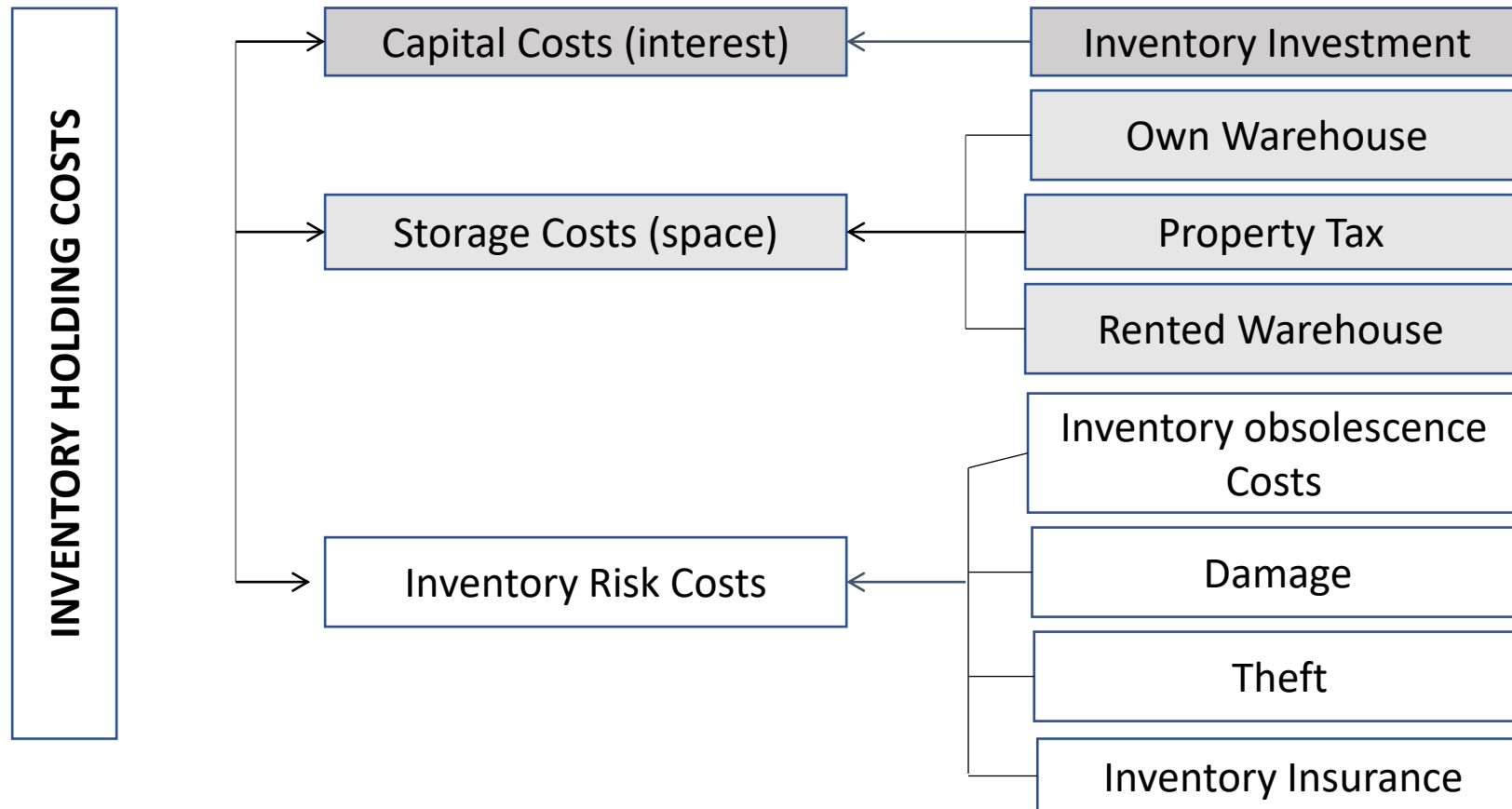
An issue voucher must be produced for every item issued from the stores

Stores, Warehousing and Transport Management (180)

- Until municipalities are ready to introduce modern systems for minimising stock holding it is critical to maintain stocks in an efficient, effective and safe way. These higher than necessary stocks have certain advantages:
 - Creates time utility – making goods available when required
 - Makes bulk transport possible which can reduce costs
 - Gains financial advantages through bulk purchasing discounts
 - Protects an organisation against contingencies such as transport delays, stock shortages, strikes
- Storage has 2 main components:
 - Inventory holding costs
 - warehousing

Inventory holding costs (181)

To reduce the costs of holding inventories the need is to reduce the components which make-up the total holding cost



Warehousing (181)

The following trends/developments are affecting warehouse management:

- JIT and reduced inventory
- Ecommerce and IT advances
- Bar coding and scanning technology
- Efficiency and customer service
- New technologies



Warehousing continued... (182)

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- Design and layout of stores should be done around a forecast of product types and product quantity
- Safety and Security considerations in the warehouse
- Stocktaking
- Transport management