

DATE: 03 APRIL 2018

REPORT TO: EXECUTIVE MAYOR

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**1. ITEM NUMBER**

**SUPPLY CHAIN MANAGEMENT:  
REPORT FOR THE PERIOD 1 JANUARY 2018 TO 31 MARCH 2018**

**VERSKAFFINGSKETTINGBESTUUR:  
VERSLAG VIR DIE TYDPERK 1 JANUARIE 2018 TOT 31 MAART 2018**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA  
IIMPAHLA ZEZIKO:  
INGXELO ESUSELA KWISITHUBA SOMHLA  
WOKU-1 KWE YO MQUNGU 2018 UKUYA KOWAMA-31 KWE YO KWINDLA  
2018  
[LSU: 4878]**

**2. SUBJECT**

**SUPPLY CHAIN MANAGEMENT QUARTERLY REPORT**

**3. DELEGATED AUTHORITY**

In terms of delegation

This report is

- ☐ **Committee name :**
- ☒ The Executive Mayor ito Delegated authority
- ☐ The Executive Mayor together with the Mayoral Committee (MAYCO)
- ☐ Council

**4. DISCUSSION**

Clause 9 of the City's Supply Chain Management Policy (SCM Policy) relates to Section 117 of the Municipal Finance Management Act (MFMA), which provides that a City Councillor may not be a member of a bid committee or any other committee

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evaluating or approving quotations or bids (tenders), nor may a City Councillor attend any such meeting as an observer.

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 the Chief Financial Officer in terms of the MFMA.

Financial implications      ☒ None    ☐ Opex    ☐ Capex

☐ Capex: New Projects

☐ Capex: Existing projects requiring additional funding

☐ Capex: Existing projects with no additional funding requirements

Staff Implications ☐ Yes ☒ No

It is recommended that the contents of the report entitled **SUPPLY CHAIN MANAGEMENT: REPORT FOR THE PERIOD 1 JANUARY 2018 TO 31 MARCH 2018** be noted.


Daar word aanbeveel dat daar kennis geneem word van die inhoud van die verslag getiteld **VERSLAG VIR DIE TYDPERK 1 JANUARIE 2018 TOT 31 MAART 2018**.

## ISINDULULO

Kundululwe ukuba makuqatshelwe ulwazi oluqulethwe kule ngxelo isihloko sithi:  
**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA  
IIMPAHLA ZEZIKO: INGXELO ESUSELA KWISITHUBA SOMHLA WOKU-1 YO  
MQUNGU 2018 UKUYA KOWAMA-31 YO KWINDLA 2018**

## ANNEXURES

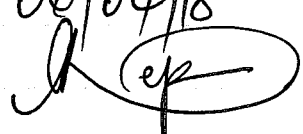
### FOR FURTHER DETAILS CONTACT

NAME	Basil Chinasamy	CONTACT NUMBER	021 400 3190
E-MAIL ADDRESS	<u>Basil.chinasamy@capetown</u> <u>.gov.za</u>		
DIRECTORATE	Finance - SCM	FILE REF No	
SIGNATURE : DIRECTOR			

### EXECUTIVE DIRECTOR

NAME	COMMENT:
DATE	
SIGNATURE	

### EXECUTIVE DIRECTOR: FINANCE (Acting)

NAME	Nothembu Lepheana	COMMENT:
DATE	06/04/18	
SIGNATURE		

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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

Joan-Mari Hote

COMMENT:

DATE

10/04/2018

For information. JMH.

SIGNATURE

*[Signature]*

## EXECUTIVE DIRECTOR: DIRECTORATE OF THE MAYOR - FOR STRATEGIC POLICY

☐ SUPPORTED FOR ONWARD SUBMISSION

NAME

COMMENT:

DATE

SIGNATURE

## ACTING MAYORAL COMMITTEE MEMBER

NAME

BRETT HERON

COMMENT:

DATE

10/04/2018

SIGNATURE

*[Signature]*

## EXECUTIVE MAYOR

☒ SUPPORTED

☐ NOT SUPPORTED

NAME

Patricia de Lille.

COMMENT:

DATE

19.04.2018

SIGNATURE

P. de Lille



## ANNEXURE

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### 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 Policy.

### 3. FOR NOTING BY THE EXECUTIVE MAYOR

For information of the Executive Mayor.

### 4. EXECUTIVE SUMMARY

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

### 5. SALIENT DETAILS OF SUPPLY CHAIN MANAGEMENT ACTIVITIES

Major SCM activities are summarized below, for information.

#### 5.1. Demand, Risk and Disposal Management

##### 5.1.1 Risk Management

A review of the risks was performed during the quarter. One additional risk of supplier engagements was identified. A memorandum on Market Research and Appointment of Consultants was drafted and rolled-out to the organization in order to address the risk. However, there are no changes to the risk profile of SCM.

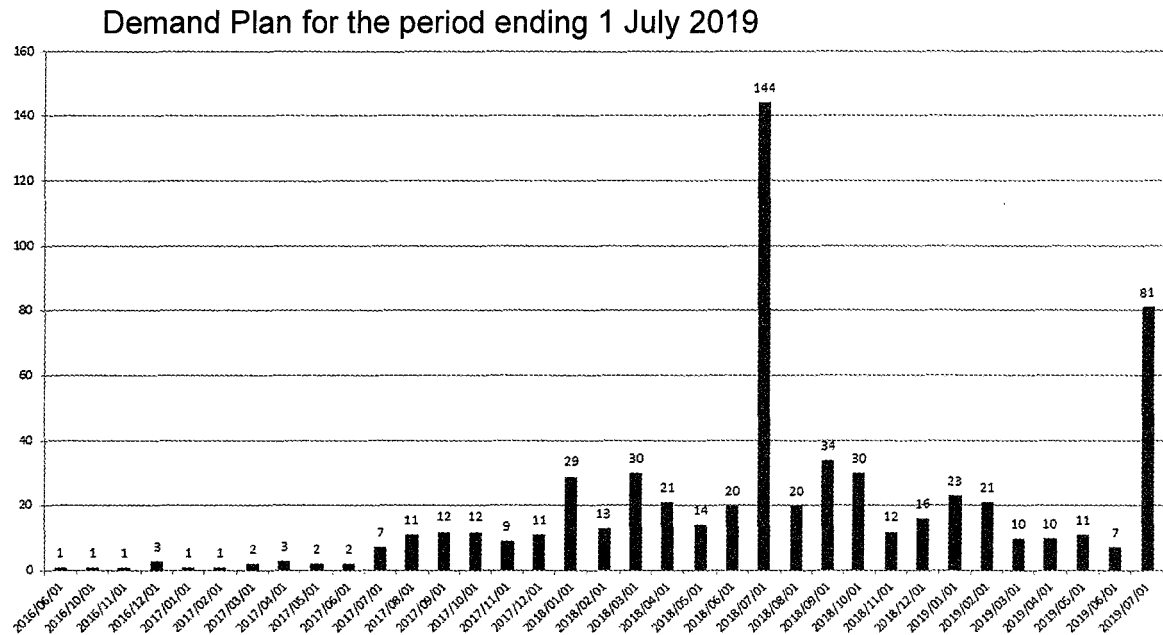
SCM is satisfied that known risks are identified and adequately managed.

### 5.1.2 Demand Management

The graph below illustrates the high-level demand plan of the City for the period ending 1 July 2019.

A substantial number of the long outstanding tenders have been finalized when compared with the previous report.

Graph 1: High Level Demand Plan



### 5.1.3 Disposal Management

The Disposal Unit deals with the disposal of various movable asset items on behalf of council. The table below illustrates the revenue generated from the sale of various categories of items during the financial year thus far.

Table 1: Revenue Generated

Scrap Metals	R	6 224 106.19
Transformers	R	3 444 378.90
Oils	R	866 053.50
Assets sold on auction	R	17 716 626.00
Waste Paper	R	44 135.43
<b>Total</b>	<b>R</b>	<b>28 295 300.02</b>

A detailed list of the movable assets sold by means of public auction is available on request.

## 5.2. Supplier Management

### 5.2.1 Supplier Database of Accredited Suppliers

The purpose of the Supplier Management Database, and as required by the Supply Chain Management policy, is to provide the City with a list of accredited suppliers that must be maintained in order to adhere to the SCM Regulations. This department continues to offer ongoing support to its internal and external customers by ensuring that the information is accurate and that the due diligence checks are done to maintain the compliant status of suppliers.

For the past quarter 552 new applications were received of which 531 compliant applications were approved.

Table 2: Supplier Database of Accredited Suppliers

Supplier Database of Accredited Suppliers	January	February	March	Total
Total new applications received	168	153	231	552
Total new applications loaded and approved on SAP	161	150	220	531
Number of visits to the CSD walk-in office at Civic Centre	315	404	515	1234
Statistics on Community Based Suppliers	12	11	13	36
<b>Total CSD registered suppliers on SAP database</b>				12636
<b>Total active suppliers on SAP (not marked for deletion)</b>				18581

CSD – Central Supplier database of National Treasury

The City of Cape Town's Supplier Database is maintained in parallel with the National Treasury Central Supplier Database (CSD). On the SAP database 12 636 of the suppliers are also registered on the CSD database. This figure changes daily as supplier data and status change.

### 5.2.2 Supplier Due Diligence

Continuous due diligence checks are being performed to ensure compliance with clauses 44 and 45 of the SCM regulations by not doing business with any person in service of the state. The "Red List" has been implemented as an internal monitoring tool for suppliers who are not performing as required. Poor performing suppliers are performance managed by the relevant project managers within line departments. Matters are referred to Legal unit or National Treasury where a supplier has defaulted and must be restricted.

**Table 3: Supplier Default and Performance for the period January – March 2018**

	January	February	March	Total
False Documentation	0	0	2	2
Non- Delivery of Goods/ Services	2	0	1	3
Poor Performance	10	5	11	26
Collusion	0	0	0	0
Abuse of SCM Policy	1	1	0	2
<b>Total</b>	<b>13</b>	<b>6</b>	<b>14</b>	<b>33</b>

Matters sent to Legal	4	0	2	6
Matters sent to National Treasury for restriction	3	0	1	4

For this quarter 33 matters relating to supplier poor performance were dealt with.

### **5.3. Inventory & Stores Management (ISM)**

The main purpose of the Inventory and Stores Management (ISM) branch is to provide the right quality of materials at the right time and in the correct quantities to other user departments in the City. ISM strives to keep the stock levels as low as possible in order to reduce the City's financial investment in stock.

There are currently 38 operational SAP stores in the City and 18 fuel sites. There are 13,467 different materials and 22,830 bins maintained.

There is a continuous focus on the improvement of customer service, material availability, quality, stock accuracy, employee safety, facilities, business processes and training. There is also a drive to increase the percentage of stock materials that are on contract.

#### **5.3.1 Achievements**

Some achievements and focus areas during the quarter under review were:

Returns to stock were less than 0.006% of goods issues during this period. This means that the users are satisfied with the quality of materials that they received and that the quality management system continues to perform well.

Effort is being made to put formal contracts in place for stock items.



### 5.3.2 Results

Some comparative results for the third quarter of the 2016/17 and 2017/18 financial years are indicated in the tables below.

**Table 4: Comparative results of 2016/17 and 2017/18**

<b>3rd Quarter</b>	<b>Stock Value at end of Quarter (R)</b>	<b>Ave Stock Value during Quarter (R)</b>	<b>Usage Value during Quarter (R)</b>	<b>Annualised Stock Turns</b>	<b>No of Transactions during Quarter</b>
2016/17	299 043 464	283 444 682	257 815 573	3.64	213 571
2017/18	399 308 096	360 976 503	288 670 525	3.20	195 364
% Change	34%	27%	12%	-12%	-9%

During the quarter in review the average stock value was approximately R399 308 096 with a stock usage of approximately R288 670 525 and approximately 195 364 goods movement transactions.

#### Revised table for Quarter 2:

**Table 5: Comparative results of 2016/17 and 2017/18**

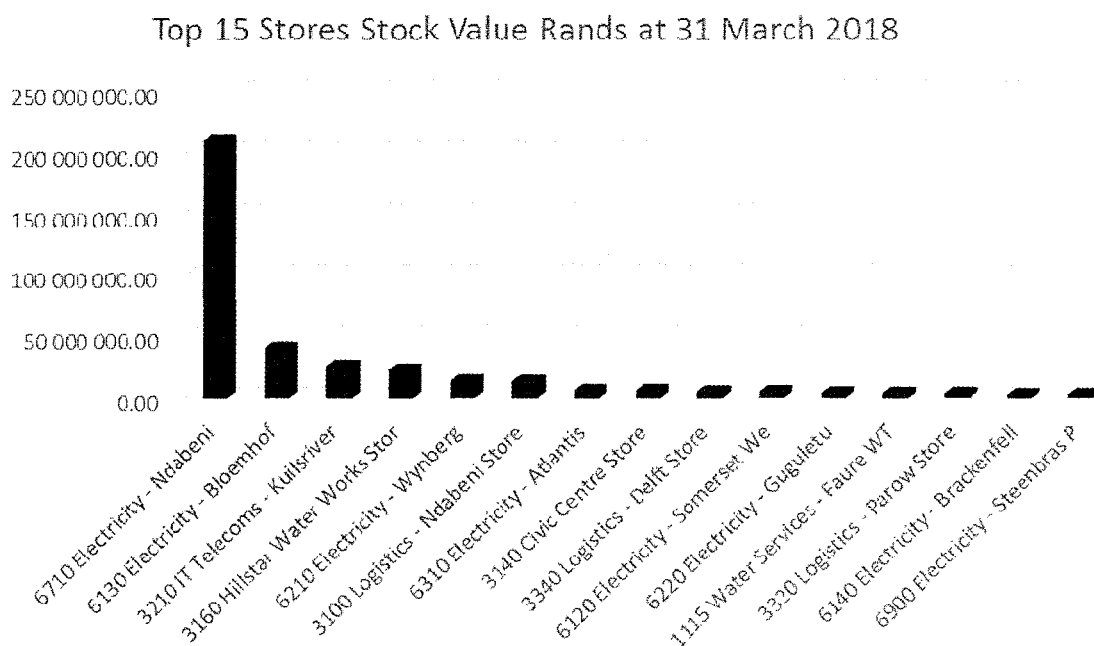
<b>2nd Quarter</b>	<b>Stock Value at end of Quarter (R)</b>	<b>Ave Stock Value during Quarter (R)</b>	<b>Usage Value during Quarter (R)</b>	<b>Annualised Stock Turns</b>	<b>No of Transactions during Quarter</b>
2017/18 Previously Reported	352 582 047	324 181 995	222 720 462	4.10	210 373
2017/18 Updated	352 587 729	331 288 487	358 443 038	4.23	207 616

The above table reflects the stock values of the second quarter. The report was drawn incorrectly due to an omission of certain data. As a quality control measure a sign-off and checking process has been implemented moving forward.

### 5.3.3 Top 15 Stores and Material Groups

The two graphs below provide an analysis of the top 15 stores and stock material groups as at the end of the third quarter of 2017/18.

**Graph 2: Analysis of Stock Value January 2018 – March 2018**



This graph indicates the relative importance of the top 15 SAP stores stock value at the end of the third quarter of 2017/18.

It must be noted that the Faure Water Treatment Plant and IT Telecoms stores are managed by the user departments themselves.

## 5.4. Procurement below R200 000

### 5.4.1 RFQ Advert vs Responses for January 2018 to March 2018

This quarter has seen us place 3787 Requests for quotes on the City's website and received 10675 responses to our advertised requests for quotations and we have produced 50485 Purchase orders to the value of R2 318 855 824.57.

**Table 6: Advert vs Responses for January – March 2018**

	GOODS		Services	
	RFQ Advertised	RFQ Responses	RFQ Advertised	RFQ Responses
Jan'18	722	2182	187	437
Feb'18	1206	3027	306	866
Mar'18	1060	3216	306	947
<b>Total</b>	2988	8425	799	2250

**Table 7: Comparative Analysis**

RFQ Activity	2016/ 2017 Quarter 3	2017/ 2018 Quarter 3	Change %
<b>Total Advertised</b>	4 922	3 787	- 23.06
<b>Total Responses</b>	23 727	10 675	- 55.01

The decrease in RFQ's advertised and received is mainly due to the fact that there has been an increase in the number of tenders awarded whereby formal contracts now replace ad-hoc RFQ's. This is especially for stock items and for items within the Social Services Directorate. The strategy of putting formal tenders in place ultimately reduces the number of RFQ's and ensures better pricing for the City.

#### **5.4.2 Volume and Value of Purchase Orders for B-BBEE Spend**

The number B-BBEE service providers who have conducted business with the City in this quarter (1 January 2018 to 31 March 2018) were 1703 and this equates to 92.60% of the overall number of service providers used.

Table 8: B-BBEE vs PO spend - 1 January 2018 to 31 March 2018

B-BBEE Level	Vendors	% Vendors	PO's	% PO's	R PO Value	% PO Value
1	919	49.97	29827	59.08	1 137 329 888.86	49.05
2	228	12.40	6933	13.73	496 043 831.25	21.39
3	122	6.63	3042	6.03	280 317 693.98	12.09
4	318	17.29	6031	11.95	228 153 970.78	9.84
5	28	1.52	297	0.59	45 362 745.22	1.96
6	22	1.20	935	1.85	30 267 882.02	1.31
7	21	1.14	356	0.71	2 227 298.84	0.10
8	45	2.45	816	1.62	35 411 470.01	1.53
9	5	0.27	172	0.34	862 373.38	0.04
0	131	7.12	2076	4.11	62 878 670.23	2.71
<b>Grand Total</b>	<b>1839</b>	<b>100.00</b>	<b>50485</b>	<b>100.00</b>	<b>2 318 855 824.57</b>	<b>100.00</b>

**B-BBEE      1703      92.60      48237      95.55 R2 255 114 780.96      97.25**

A total of 48237 purchase orders were issued to the B-BBEE vendors which equates to 95.55% of the total and the spend is R 2 255 114 780.96 which is equivalent to 97.25% of our total expenditure for this period.

#### 5.4.3 Community Based Procurement

The Procurement and Supplier Management team has attended a number of meetings and presented on Community Based Procurement to assist with the under R30 000 Procurement process. SCM have allocated a dedicated resource to attend to all requests for community based projects and to assist with the roll out of the standard operating procedure. A total of 461 Community Based Suppliers have been registered to date.

#### 5.4.4 E-procurement Project

With the advent of the eProcurement roll out process to 3 commodities, namely Clothing, PPE and accessories, Structural Building and Hardware, IS & T, hardware, software and telecommunications, to date 1103 Request for quotes have been advertised and 3190 responses have been received, this is in line with the general response ratio of 3 responses per advert placed.

## **5.5. Tenders and Contracts Administration**

### **5.5.1 Quarterly statistics**

A total of 77 tenders were advertised and 38 tenders were awarded during the quarter under review.

**Table 9: Tender Information**

<b>1 January 2018 – 31 March 2018</b>	
Advertised	<b>77</b>
Submissions received	<b>505</b>
Awarded	<b>38</b>
Cancelled	<b>8</b>

### **5.5.2 Turnaround times**

The 2nd Quarterly Report turnaround was 26.9 weeks. The 3rd Quarter turnaround showed a slight improvement to 26.26 weeks. Workshops are planned with project managers and Executive Directors to address the concerns with tender demand planning. An SCM Forum meeting was also held with the City Manager in January.

### **5.5.3 Other Interventions for Tenders**

During the quarter under review, an SCM workshop was held with the Top 100 Project Managers, and a directorate specific training session held with TDA. Other interventions included discussion of tender progress updates, SCM capacitation and reporting at the quarterly Project Management Unit meeting. In addition, several meetings were held with individual directorates to discuss progress made against the demand plan.

## **5.6. Supply Chain Management Bid Adjudication Committee**

The SCM Bid Adjudication Committee (SCM BAC) and the SCM Immovable Property Adjudication Committee (SCM IPAC) continue to consider reports including tender recommendations and final awards. The BAC continues to meet weekly and remains instrumental in achieving maximum awards within a quick turn-around time. The BAC co-operates well as a whole and provides sound advice to the Bid Evaluation Chairpersons and the Office of the City Manager who advises on deviation recommendations from the SCM BAC. The BAC meeting is open to the public as part of good governance.

### **5.6.1 Training and Development**

The SCM department has undertaken a series of training interventions with the National School of Government. Bid Committee Training has been

rolled out to bid committee chairpersons and project managers in Energy, and will continue to be rolled out to all chairpersons and project managers. A series of accredited NSG training interventions are planned for implementation in the months to follow. The training is also available to departments upon such request being made.

### **5.6.2 Management Interventions**

The SCM Department has embarked on a business improvement strategy in order to provide an effective and efficient SCM service to the City. Among others, this strategy includes the staffing of the department with suitable qualified and experienced employees.

For the period of January 2018 to March 2018 six senior level SCM appointments were made following a competitive recruitment process. A Manager: Tenders and Contracts, a Head and Senior SCM Specialist in Tenders and Contract, as well as, two Shared Services Senior SCM Specialists in the Transport and Urban Development Authority and Energy Directorate were appointed. A Materials Requirements Planner was also appointed. Administrative and clerical appointments were made across the department to support operational processes. These appointments continue to complete and build the SCM structure to ensure full capacity which is required to implement improvements, good governance and turnaround in supply chain. The SCM department currently has 316 staff members and 45 vacancies to fill.

An SCM workshop was conducted with the Top 100 project managers during the quarter on demand planning, need for reducing level of deviations and other related SCM matters.

A directive on City staff conducting market research and engaging suppliers was issued to promote good governance within the bid committee system.

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