

Report submitted to Godfrey Josephs
on the 31 October 2017 and will go 12920
to council in December 2017

DATE: 02 OCTOBER 2017

REPORT TO: EXECUTIVE MAYOR

DOM1807
LC19256

1. ITEM NUMBER

**SUPPLY CHAIN MANAGEMENT:
REPORT FOR THE PERIOD 1 JULY 2017 TO 30 SEPTEMBER 2017**

**VERSKAFFINGSKETTINGBESTUUR:
VERSLAG VIR DIE TYDPERK 1 JULIE 2017 TOT 30 SEPTEMBER 2017**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IIMPAHLA ZEZIKO:
INGXELO ESUSELA KWISITHUBA SOMHLA
WOKU-1 JULAYI 2017 UKUYA KOWAMA-30 SEPTEMBER 2017
[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 evaluating or approving quotations or bids (tenders), nor may a City Councillor attend any such meeting as an observer.

ISINDULULO

Kundululwe ukuba makuqatshelwe ulwazi oluqulethwe kule ngxelo isihloko sithi:
~~ULAWULO LOBONELILO NGENKONZO YOKUTHENGA NOKUTHENGISA~~
IIMPAHLA ZEZIKO: INGXELO ESUSELA KWISITHUBA SOMHLA WOKU-1
JULAYI 2017 UKUYA KOWAMA-30 SEPTEMBER 2017

ANNEXURES

FOR FURTHER DETAILS CONTACT

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DIRECTORATE	Finance - SCM	FILE REF No	
SIGNATURE : DIRECTOR			

EXECUTIVE DIRECTOR

NAME	<u>Kevin Jacoby</u>	COMMENT:
DATE	<u>05.10.2017</u>	
SIGNATURE		

EXECUTIVE DIRECTOR: FINANCE

NAME	<u>Kevin Jacoby</u>	COMMENT:
DATE	<u>05.10.2017</u>	
SIGNATURE		

Making progress possible. Together.

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 ZAREEF KASER
DATE 09 OCTOBER 2017
SIGNATURE *ZK*

COMMENT: For information. *Z*

Acting

EXECUTIVE DIRECTOR: DIRECTORATE OF THE MAYOR - FOR STRATEGIC POLICY

SUPPORTED FOR ONWARD SUBMISSION

NAME Lindiwe Ndaba
DATE 20/10/2017
SIGNATURE *LNdaba*

COMMENT: The Annexure is in old report format. Use latest template.

MAYORAL COMMITTEE MEMBER

NAME JFH v/o MERWE
DATE 12/10/2017
SIGNATURE *JFH*

COMMENT:

EXECUTIVE MAYOR

SUPPORTED

NOT SUPPORTED

NAME _____
DATE 27.10.2017
SIGNATURE *P de Lille*

COMMENT:



ANNEXURE

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 and Risk Management

5.1.1 Risk Management

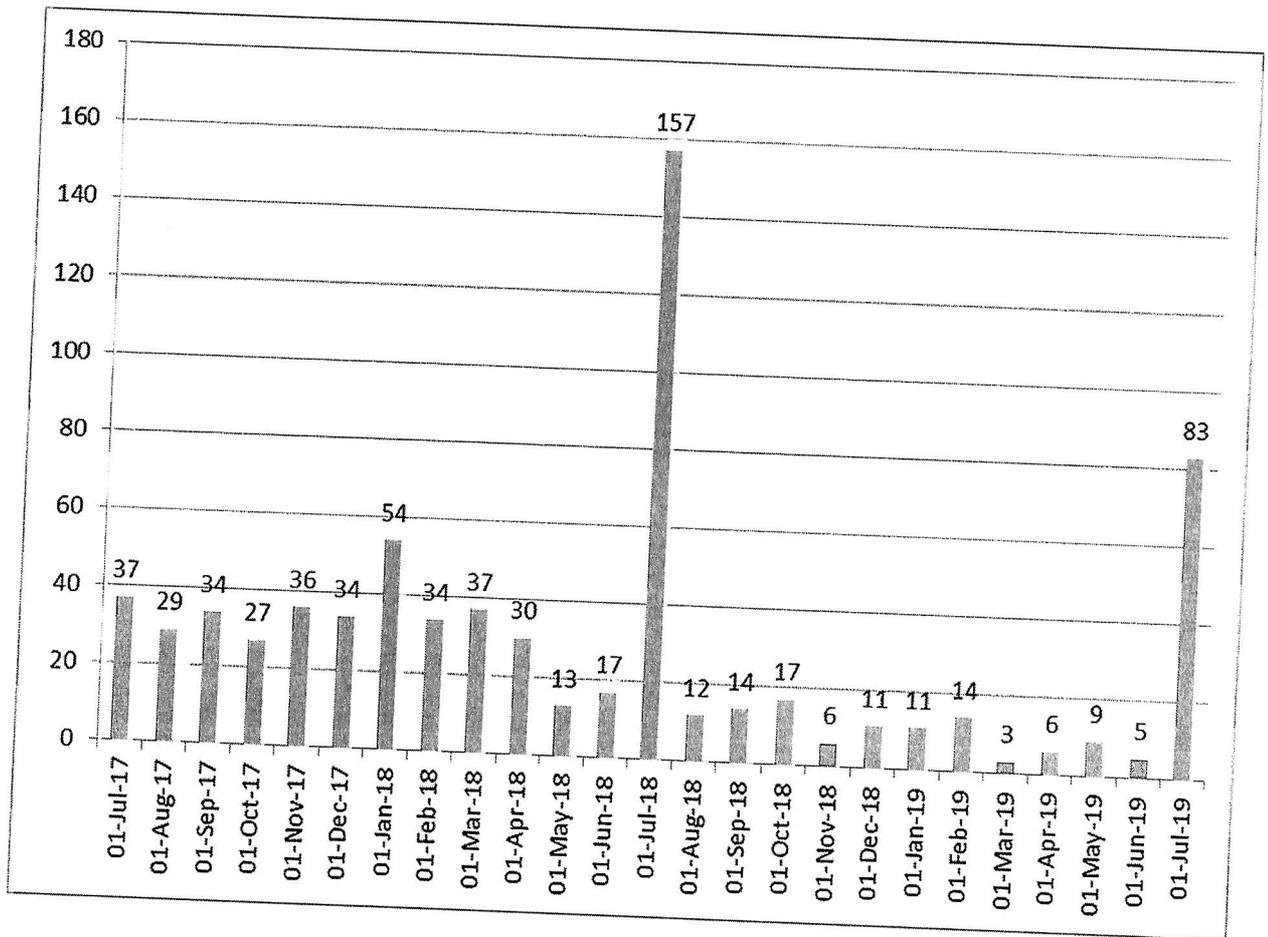
There have been no changes to the risk profile of SCM during the past quarter.

5.1.2 Demand Management

The graph below illustrates the high-level demand plan of the City for the period 1 July 2017 to 1 July 2019. The tenders planned for each month of

the current financial year are fairly constant and manageable, however the spike in the number of tenders for July 2018 needs to be addressed and flattened. The capital budget and the demand plan are currently being compared in order to ascertain if there are any other requirements which have not been added to the demand plan for the MTREF period.

Graph 1: High Level Demand Plan July – September 2017



5.2. Supplier Management

5.2.1 Supplier Database of Accredited Suppliers

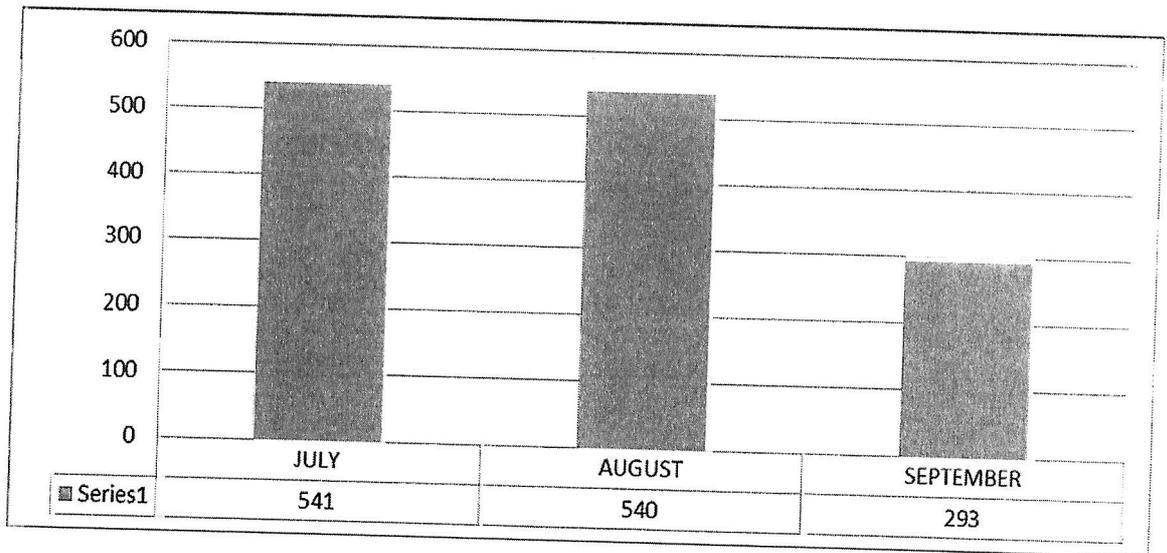
The purpose of the Supplier Database, and as required by the Supply Chain Management policy, is to provide the City with a list of accredited suppliers that must be maintained in order to adhere to the SCM Regulations. This department continues to offer ongoing support to its internal and external customers 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 732 new applications were received of which 674 compliant applications were approved.

Table 1: Registration of Suppliers for the period July 2017 – September 2017

	Jul-17	Aug-17	Sept-17	Total
Applications received	237	235	260	732
Rejected applications due to:				
- incorrect/incomplete documentation		22	26	48
- fraudulent tax clearance certificate	0	0	0	0
- person's in service of the state	2	4	4	10
Applications confirmed and approved	235	209	230	674

Graph 2: Central Supplier Database Registration “Walk-in CSD Office”



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 fully as required. Poor performing suppliers are performance managed by the relevant project managers. Matters are referred to Legal unit or National Treasury where a supplier has defaulted and must be restricted.

Table 2: Poor Performance and Legal Matters

	Jul	Aug	Sept	Total
Poor Performance	0	0	5	5
Legal Matters Pending	32	6	0	38

38 matters were referred to the Legal Services Department and 5 Poor Performance notices were issued to suppliers who were not performing satisfactorily on contracts awarded to them.

Table 3: Supplier Default and Performance for the period July – September 2017

	July	August	September	Total
False Information	0	0	1	1
Non-Delivery of Goods/Services	4	7	3	14
Poor Performance	9	6	21	36
Collusion	2	0	2	4
Total	15	13	27	55
Matters sent to Legal	4	0	2	6
Matters sent to National Treasury for restriction	3	2	0	5

For this quarter 55 matters of suppliers' poor performance were dealt with.

5.2.3 List of Accredited Prospective Suppliers

The City of Cape Town's Supplier Database is maintained in parallel with the National Treasury Central Supplier Database (CSD). On the SAP database 11 427 of the suppliers have been registered on the CSD database.

5.3. Inventory & Stores Management (ISM)

The main purpose of the Inventory and Stores section is to provide the right quality of stock and consumable materials at the right time and in the correct quantities to the City. This is done to enable all departments to deliver services effectively and efficiently to the citizens of Cape Town. At the same time the section strives to keep the stock levels as low as possible in order to reduce the City's financial investment in stock.

There are currently 41 operational SAP stores in the city and 19 fuel sites.

There is a continuous focus on the improvement of customer service, material availability, quality, stock accuracy, employee safety, facilities, business process and training. There is also a huge drive to increase the percentage of stock materials that are on contract though putting tenders in place. This will also ensure better prices are obtained for stock items.

5.3.1 Achievements

- The alterations and renovations of the Hillstar Store has now been completed.
- The Senior Accountant for Inventory has assumed duty since 01 September 2017.
- The average target stock turnaround of 3.5 has been achieved.

Table 4: Some comparative results for the first quarter of the 2016/17 and 2017/18 financial years are indicated in the tables below.

1st Quarter	Ave Stock Value during Quarter (Rands)	Usage Value during Quarter (Rands)	Annualised Stock Turns	No of Transactions during Quarter
2016/17	246846127.35	242704704.81	3.85	217419
2017/18	292764605.80	261536377.06	3.5	219303
% Change	14%	8%	-9%	1%

During the first quarter the average stock value was approximately R292 million with a stock usage value of approximately R261 million and approximately 219 300 goods movement transactions.

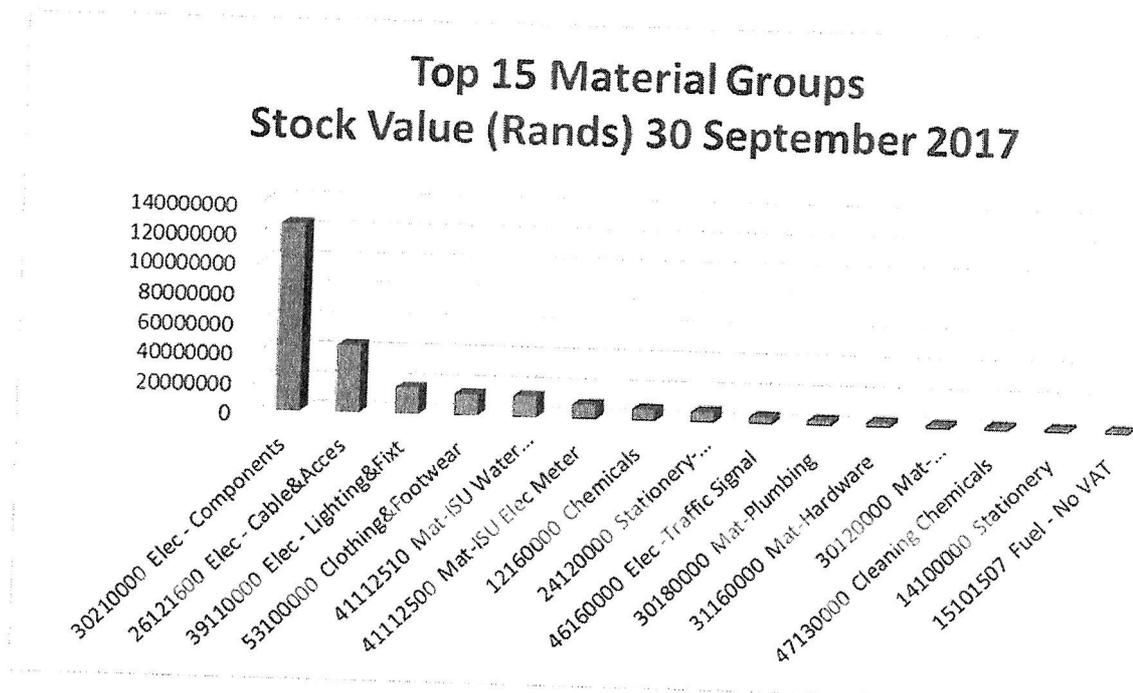
5.3.2 Income from Assets Sold

Table 5: The breakdown by asset class and source of the income from the sale of redundant, obsolete and scrapped movable assets is indicated in the table below.

ASSET CLASS	INCOME 1ST QUARTER (RANDS)
Movable Assets	-
Scrap Metal	R2 723 337.00
Scrap Transformers	R1 978 006.00
Used Transformer Oil	R213 000.00
Used Lubricant Oil	R39 600.00
Waste Paper	R10 362.00
TOTAL	R4 964 305.00

Graph 5: Top 15 Material Groups (Stock Value)

This graph indicates the relative importance of the top 15 material groups for stock materials in terms of stock value at the end of the third quarter of 2016/17.



5.4. Procurement

5.4.1 RFQ Advert vs Responses for July to September 2017

This quarter has seen us place **4827** Requests for quotes on the City's website and received **17 900** responses to our advertised requests for

quotations and we have produced **54 888** Purchase orders to the value of **R4 059 411 077.41**

Table 6: Advert vs Responses for July 17 to Sept 17

	GOODS		Services	
	RFQ Advertised	RFQ Responses	RFQ Advertised	RFQ Responses
Jul'17	941	3366	262	1343
Aug'17	1479	4651	462	2116
Sep'17	1143	4410	540	2014
Total	3563	12427	1264	5473

Table 7: Comparative Analysis

RFQ Activity	2016/ 2017 Quarter 3	2017/ 2018 Quarter 3	Change %
Total Advertised	4949	4827	- 2.47
Total Responses	22275	17 900	- 19.64

The decrease in RFQ's advertised and received is mainly on the services side and this can be attributed to tenders being implemented for the grass cutting and horticultural maintenance which resulted in less request for quotations received.

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 July 2017 to 30 September 2017) were **1812** and this equates to **88.43%** of the overall number of service providers used.

A total of **52 257** purchase orders were issued to the B-BBEE vendors which equates to **95.21%** of the total and, the spend is **R3 512 175 487.34** which is equivalent to **86.52%** of our total expenditure for this period.

Table 8: B-BBEE vs PO spend for the Quarter July 2017 to September 2017

B-BBEE Level	Vendors	% Vendors	PO's	% PO's	PO Value	% PO Value
1	870	42.46	31184	56.81	1 016 852 662.61	25.05
2	258	12.59	8250	15.03	941 360 845.29	23.19
3	200	9.76	4656	8.48	807 592 452.77	19.89
4	355	17.33	6101	11.12	408 878 862.67	10.07
5	36	1.76	262	0.48	157 752 957.89	3.89
6	27	1.32	472	0.86	52 238 282.08	1.29
7	19	0.93	388	0.71	64 009 721.06	1.58
8	47	2.29	944	1.72	63 489 702.97	1.56
9	5	0.24	54	0.10	2 250 288.46	0.06
0	232	11.32	2577	4.70	544 985 301.61	13.43
Grand Total	2049	100%	54888	100%	4 059 411 077.41	100.00
B-BBEE	1812	88.43	52257	95.21	R3 512 175 487.34	86.52

5.4.3 Community Based Procurement

The Procurement and Supplier Management team has attended a number of Area Based Roadshows to support the registration of Community Based Suppliers and the RFQ process.

5.4.4 E-procurement Project

The final blueprint for the e-procurement process has been approved. The online registration and electronic request for quotation has reached final testing and is expected to go-live in the next quarter.

5.5. Tenders and Contracts Administration

5.5.1 Quarterly statistics

A total of 97 tenders were advertised and 68 tenders were awarded during the quarter under review.

Table 9: Tender Statistics for 1 July 2017 – 30 September 2017

1 July 2017 – 30 September 2017	
Advertised	97
Submissions received	623
Awarded	68
Cancelled	11

5.5.2 Turnaround times

The average period from advertise to award for the 2016/17 financial year (as at the end of this quarter) is 18.97 weeks is an improvement to the average weeks to award recorded for the 2015/16 financial year.

5.5.3 Other

The monthly compulsory training for bid chairperson has been extended to all interested parties to address the shortcomings in the roles and responsibilities of committee members.

The Tender Tracking System and demand plan are being monitored by the Director SCM, with individual reporting done regularly with each SCM Specialist. Performance and work output is measured and reported on in relation to the expected deliverables.

In-house Tender and Contract specific training for the entire Tender and Contracts Management team to address the gaps in understanding in relation to aspect such as Legislative/SCM framework, roles of the BSC, BEC, Deviations, Increase, Scheduling etc. has commenced. This will ensure better comprehension and appreciation of the SCM environment and the ability to perform functions optimally.

5.6. Supply Chain Management Bid Adjudication Committee & Support Services

The SCM Bid Adjudication Committee (SCMBAC) 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 meeting is open to the public as part of good governance.

5.6.1 Current Interventions

5.6.1.1 Training and Development

The SCM department has undertaken a series of training interventions with the National School of Government. Training interventions such as Advanced Acquisition management, MFMA Bid Committees, Contract Management, Promoting Anti-Corruption in the Public Service, Ethics Management in Local Government and Municipal SCM are some of the training interventions already undertaken. Bid Committee Training has also been rolled out to bid committee chairpersons and project managers in Informal Settlements, Water and Waste, Safety and Security, Transport and Development Authority and will continue to be rolled out to all chairpersons. 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.

5.6.1.2 Contract Performance Reporting

~~Compliance reporting on Contract Performance was introduced. The Tender Tracking System (TTS) in SharePoint was enhanced to provide for contract monitoring by line management Contract/Project Managers (PMs). Active contracts extracted from the TTS are catered for in the Contract Monitoring System (CMS), and PMs have access rights to modify a number of fields in the system for purposes of monitoring a contract.~~

5.6.1.3 Tender Tracking System

The Tender Tracking System is being enhanced to track bids in terms of planned vs actual timeframes for each activity.

5.6.1.4 Management Interventions

An assessment of SCM was undertaken and an improvement plan has been developed to address areas of capacity, upskilling, turnaround times, technology, compliance, policy and processes as well as staff morale. This improvement plan has been unpacked with all the staff and is currently being implemented. The Director held meetings with all SCM staff post financial year end to unpack and address a number of challenges.

5.6.2 SCM Capacitation

An assessment of the SCM structure was done and capacity constraints in Demand Management, Tenders & Contracts, Procurement and Supplier Management were identified. A new organogram was developed to reflect the much needed technical SCM capacity requirements.

The capacitation of suitable staff has continued with the appointment of three (3) Shared Service Senior SCM Specialists for Safety and Security, Social Services and Assets and Facility Management. This is aimed to ease the bottlenecks in the current system and realise efficiencies. An Inventory Accountant has been appointed to assist with the management and control of the inventory stock.

FOR FURTHER DETAILS CONTACT:

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DIRECTORATE	Finance: Supply Chain Management
File Ref No	

COMMENT:

~~EXECUTIVE DIRECTOR~~
Kevin Jacoby

NAME _____

DATE _____

REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

NON-COMPLIANT

LEGAL COMPLIANCE

NAME _____

TEL _____

DATE _____

COMMENT:

EXECUTIVE DIRECTOR: COMPLIANCE AND AUXILIARY SERVICES (ED: CAS)

SUPPORTED FOR ONWARD SUBMISSION TO MAYOR / MAYCO / COUNCIL

NOT SUPPORTED

REFERRED BACK

DATE _____

COMMENT:

MAYORAL COMMITTEE MEMBER
(Author to obtain signature before submission to Executive Support)

COMMENT:

NAME _____

DATE _____

EXECUTIVE MAYOR

- SUPPORTED FOR ONWARD SUBMISSION TO MAYCO / COUNCIL
- PC RECOMMENDATION
- RECOMMENDATION AS CONTAINED IN ORIGINAL REPORT
- ALTERNATIVE RECOMMENDATION TO BE REFLECTED BELOW
- APPROVED I.T.O. DELEGATED AUTHORITY
- REFERRED BACK

DATE _____

COMMENT:

