



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

CM52572A  
OFFICE OF THE CITY MANAGER

Lungelo Mbandazayo  
City Manager

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## MEMORANDUM

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**DATE** 10 October 2018

**To** Executive Director: Finance - Kevin Jacoby  
Director SCM - Basil Chinasamy

**SUBJECT** **Supply Chain Management report – period 1 July 2018 to 30 September 2018**

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The abovementioned report attached as "Annexure A" refers.

Cognisance is taken of section 11 of the Supply Chain Management Policy ("the Policy") and the requirements thereof.

No motivation has been submitted to me for the delay in the submission of the report. I hereby request that in future better oversight be placed over the Policy in ensuring that the required timeframes are met in reporting to Council.

For your action and attention.

Many thanks,

LUNGELO MBANDAZAYO

Gum CITY MANAGER: E.F. SAKI



DATE: 04 OCTOBER 2018

REPORT TO: COUNCIL

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1. ITEM NUMBER

2. SUBJECT

**SUPPLY CHAIN MANAGEMENT:  
REPORT FOR THE PERIOD 1 JULY 2018 TO 30 SEPTEMBER 2018**

**VERSKAFFINGSKETTINGBESTUUR:  
VERSLAG VIR DIE TYDPERK 1 JULIE 2018 TOT 30 SEPTEMBER 2018**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA  
IIMPAHLA ZEZIKO:  
INGXELO ESUSELA KWISSITHUBA SOMHLA  
WOKU-1 JULAYI 2018 UKUYA KOWAMA-30 SEPTEMBER 2018**

3. DELEGATED AUTHORITY

In terms of delegation

This report is

☐ **Committee name :**

☐ The Executive Mayor together with the Mayoral Committee (MAYCO)

☒ Council

4. DISCUSSION

Clause 9 of the City's Supply Chain Management Policy (SCM Policy) related 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 such a meeting as an observer.

However, Clause 10 of this policy mentions that Council has an oversight role to ensure that the City Manager implement the City's SCM Policy.

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

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exercise of responsibilities assigned to the City Manager and Chief Financial Officer in terms of the MFMA.

In accordance with Clause 12 of our SCM Policy, the City Manager must submit quarterly reports to the Executive Mayor and, within 30 days of the end of each financial year submit a report to Council, on the implementation of this policy.

4.1. Financial Implications ☒ None ☐ Opex ☐ Capex

☐ Capex: New Projects

☐ Capex: Existing projects requiring additional funding

☐ Capex: Existing projects with no additional funding requirements

Legal Compliance ☐

4.2. Staff Implications ☐ Yes ☒ No

4.3. Risk Implications ☐ Yes ☒ No

## 5. RECOMMENDATIONS

**IT IS RECOMMENDED THAT THE CONTENTS OF THE REPORT ENTITLED SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 JULY 2018 TO 30 SEPTEMBER 2018 BE NOTED.**

### AANBEVELING

**DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG GETITELD VERSKAFFINGSKETTINGBESTUUR: VERSLAG VIR DIE TYDPERK 1 JULIE 2018 TOT 30 SEPTEMBER 2018**

### ISINDULULO

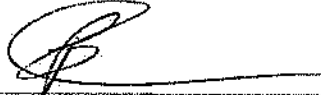
**KUNDULLULWE UKABA MAKUQATSHELWE ULWAZI OLUQULETHEW KULE ISIHLOKO SITHI ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA IIMPAHLA ZEZIKO: INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 JULAYI 2018 UKUYA KOWAMA-30 SEPTEMBER 2018**

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SMH

## ANNEXURES

### FOR FURTHER DETAILS CONTACT

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E-MAIL ADDRESS	basil.chinasamy@capetown.gov.za		
DIRECTORATE	FINANCE SCM	FILE REF NO	
SIGNATURE: DIRECTOR			

Acting

### EXECUTIVE DIRECTOR

NAME KEVIN JACOBY L. Muller COMMENT:

DATE 06.10.2018

SIGNATURE L. Muller

### CITY MANAGER

NAME LUNGelo MBANDAZAYO COMMENT:

DATE 11/10/18


SIGNATURE 

### 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 Holt COMMENT:

DATE 09/10/2018

SIGNATURE 

For information.  
Note: in terms of section 12 of the SCM Policy, the report ought to be submitted within 30 days of the end of each financial year.  
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## ANNEXURE 1

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### 1. STRATEGIC INTENT

- ☐ Opportunity City    Opportunity City
- ☐ Safe City    Safe City
- ☐ Caring City    Caring City
- ☐ Inclusive City    Inclusive City
- ☒ Well-run City    Well-run City

### 2. PURPOSE

Compliance with clause 12 of the City's Supply Chain Management Policy

### 3. FOR NOTING BY COUNCIL

For information of Council

### 4. EXECUTIVE SUMMARY

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

#### 4.1. Other Services Consulted

Not applicable

## 5. Salient Details of Supply Chain Management Activities

Major SCM activities are summarised below, for information.

### 5.1 Demand and Risk Management

#### 5.1.1 Risk Management

A review of the risks was performed during the quarter however there are no changes to the risk profile of SCM.

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

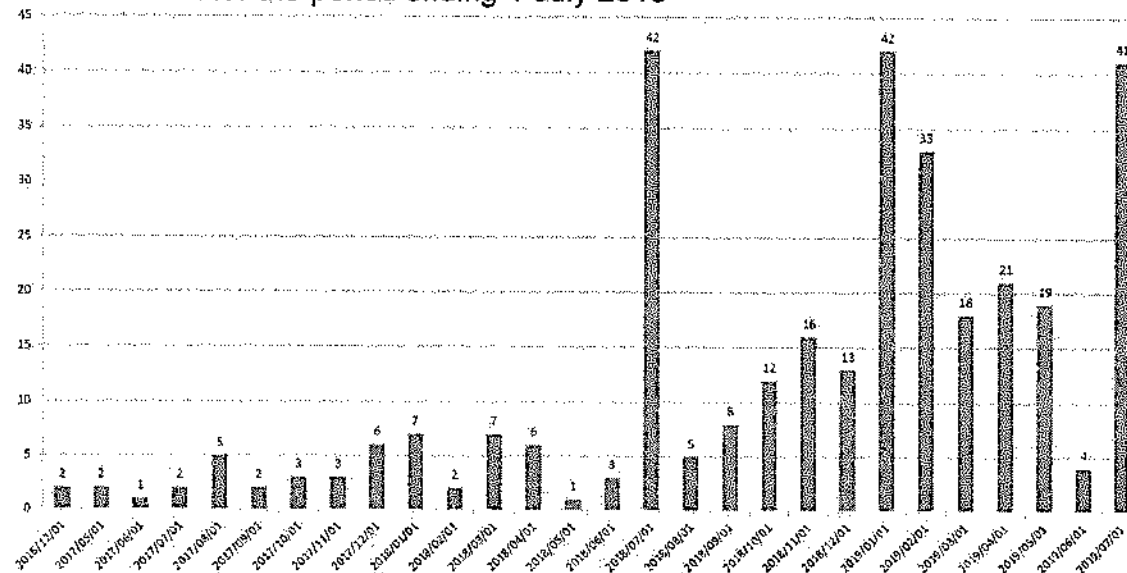
#### 5.1.2 Demand Management

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

The previous report for the period ending 30 June 2018 indicated that the demand plan will no longer include requests for which SCM has not received a specification which is already 60% complete. This has now been implemented in the graph below.

**Graph 1: Demand Plan**

**Demand Plan for the period ending 1 July 2019**



### 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 and Cable	R	1 689 926.34
Transformers	R	993 358.50
Oils	R	32 592.15
Assets sold on auction	R	3 000 000.00
Waste Paper	R	12 974.93
Total	R	5 728 851.92

It should be noted that a special auction for vehicles was held during September 2018 which generated approximately R12.5m revenue. All the income has not been received and reconciled and therefore only the Auctioneer's deposit is included in the table 1 data. The balance of the revenue will be included in the next report as it is only due to be received in October 2018.

The next major auction is planned for 28 November 2018.

A detailed list of the movable assets sold is available on request.

## 5.2 Supplier Management

### 5.2.1 Supplier Database

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 capable of doing business with the City that must be maintained in order to adhere to SCM regulations. This department continues to offer ongoing support to its internal and external customers by ensuring the information is accurate as supplied by the supplier and that due diligence is done to maintain the compliant status of the supplier.

**Table 2: Supplier Registration Information**

<b>Registrations approved Quarter 1, 2018</b>	
<b>APRIL</b>	150
<b>MAY</b>	151
<b>JUNE</b>	122
<b>Total number of registrations for Q1</b>	423

For the first quarter 423 new supplier applications were considered and approved and are a positive indication that suppliers want to engage the City to access procurement opportunities.

The City of Cape Town's Supplier Database is maintained in parallel with the National Treasury Central Supplier Database (CSD). A walk-in CSD support office was established on the second floor of the Cape Town Civic Centre to assist suppliers face-to-face with their CSD registration. As a result, visitors and registrations have increased dramatically.

**Table 3: CSD Registration of Suppliers**

<b>CSD Registrations approved for Quarter 1 - 2018</b>	
<b>APRIL</b>	150
<b>MAY</b>	149
<b>JUNE</b>	117
<b>Total number of CSD registrations for Q1 2018</b>	416

There are 12529 active suppliers on the database of which 10567 have been successfully registered on the National Treasury CSD database. This is a great achievement as the City remains the only municipality which have a CSD walk-in-centre in the Western Cape and the highest number of registered suppliers. Because of a two yearly review of suppliers on the database we have marked a number of suppliers who have not been active for 2 years, for deletion. For this reason, both active and CSD registered suppliers have reduced in count.



### **5.2.2 e-Procurement**

The City's new e-Procurement portal is an automated online service making it easier for suppliers to submit their bids online. Some of the features of the new portal includes:

- A once off registration process on the portal to gain access to all City procurement options
- A simplified application process to be linked to the RFQ
- Submission of bids online anytime and anywhere, reducing the time it takes a supplier to complete and submit a bid
- Suppliers capture directly onto the system their pricing and compliance information reducing the risk of capturing errors.

Since the successful pilot of e-Procurement, the following commodities have been rolled for this quarter:

#### **1 August 2018 roll-out:**

- Plumbing
- Chemicals
- Medical
- Refreshments
- Furniture
- Stationery
- Automotive spares
- Vehicle Hiring Services

All Goods commodities have now been rolled out. 636 suppliers have been registered on the e-Procurement portal and shown activity on the system since 1 November 2017. 3177 Request for Quotations (RFQ's) have been advertised for the first quarter (1 July 2018 – 30 September 2018) and 13 595 responses have been received making the average response ratio of 4.28 responses per advert placed. This is higher than the average response ratio of 3.08 on the manual system.

### **5.2.3 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 4: Supplier Default and Performance for the period 2017 – 2018**

<b>Quarter 1 - 2018</b>	
<b>Defaulting and Poor Performing Suppliers</b>	
	<b>Quarter 1</b>
False Declaration of Interest	0
Non- Delivery of Goods/ Services	17
Poor Performance	52
Collusion	0
Abuse of SCM Policy	0
Matters sent to Legal	1
Matters sent to National Treasury for restriction	3
<b>Total</b>	<b>73</b>

### 5.3 Inventory and 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 quantities to user departments in the City. This is done to enable effective service delivery to the citizens of Cape Town. ISM strives to keep the right balance between stock levels and working capital investment.

There are currently 38 operational SAP stores and 18 fuel sites in the City. There are 13 509 different materials and 23 208 bins maintained. During the 1<sup>st</sup> quarter of 2018/19 the average stock value was R382 273 609 with a quarterly stock usage of R286 386 871. There were 211 462 goods movement transactions during the quarter.

#### 5.3.1 Results

Some comparative results for the first quarter of 2017/18 and 2018/19 financial years are indicated in the tables below.

**Table 5: First Quarter Results**

<b>1st 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	296 949 139	292 764 606	261 536 377	3.50	219 303
2018/19	369 160 360	382 273 609	286 386 871	2.93	211 462
% Change	24%	31%	10%	-16%	-4%

The comparable stock value increased by 24% (01 July 2018 to 30 September 2018 compared to 01 July 2017 to 30 September 2017).

The reason for this increase can be attributed to an increase in the usage of high value materials which had to be ordered and kept in stock to meet the increased demand.

The comparable stock usage value increased by 10% (01 July 2018 to 30 September 2018 compared to 01 July 2017 to 30 September 2017).

This was mainly due to an increase in high value materials:

- Water demand management meters to the value of R41 million (implementation of water resilience measures to mitigate effects of the drought)
- Mini subs to the value of R26 million
- Electricity Meters and Kiosk to the value of R24 million
- LED Luminaires to the value of R14 million
- Switchgear to the value of R2 million
- Ring Main Units to the value of R2 million

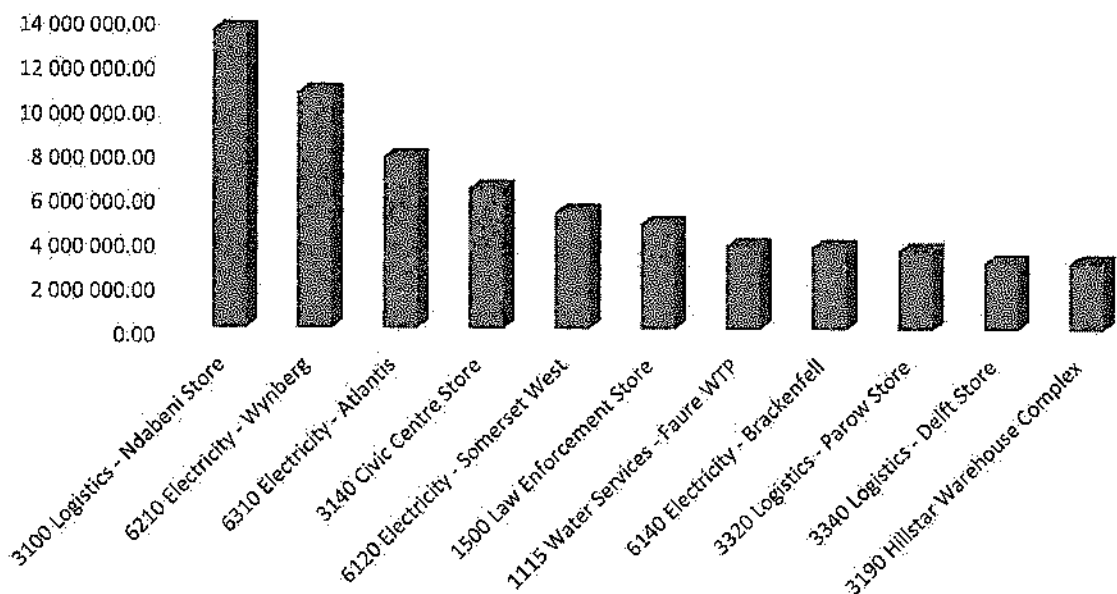
### 5.3.2 Top 15 Stores and Material Groups

#### Top 15 Stores

The graph below reflects the top 15 stores by estimated value.

**Graph 2: Analysis of Stock Value July 2018 – September 2018**

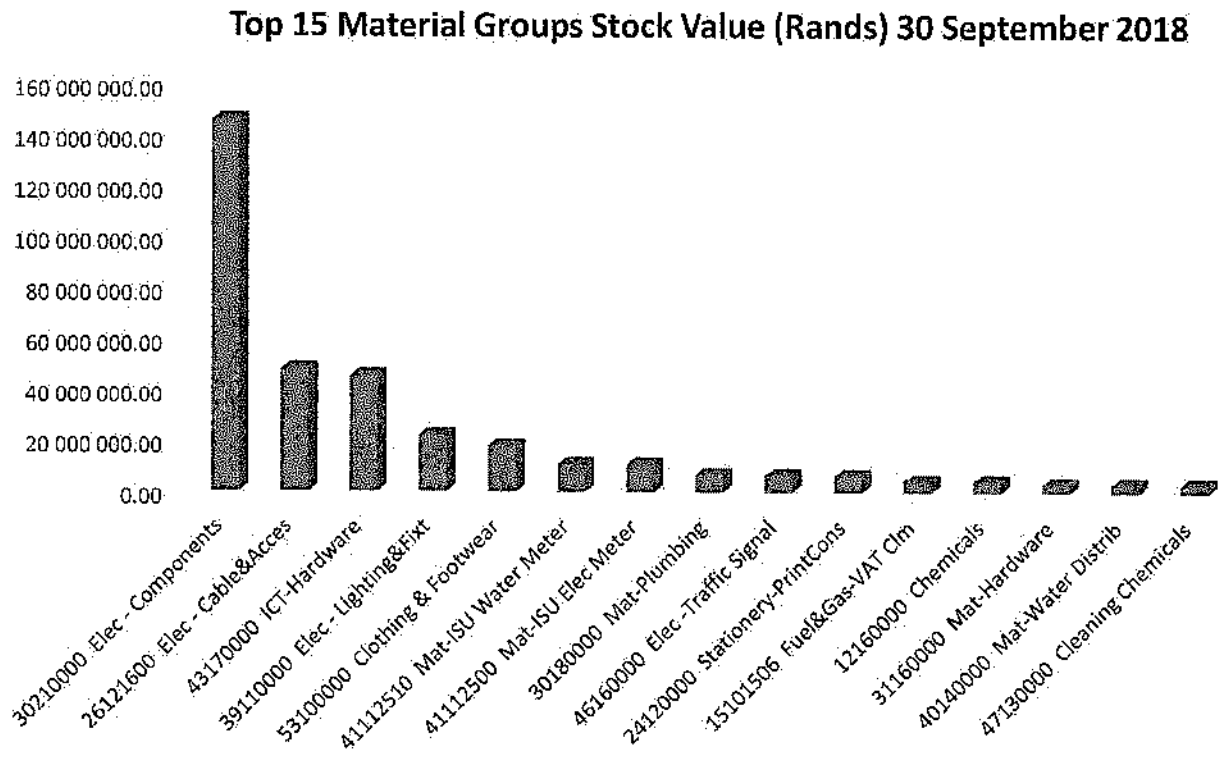
Top 15 Stores Stock Value Rands at 30 September 2018



### Top 15 Material Groups

The graph below reflects the top 15 Material Groups by estimated value.

**Graph 3: Analysis of Stock Value July 2018 – September 2018**



## **5.4 Procurement**

### **5.4.1 Community Based Procurement**

One of the strategic focus areas of the City of Cape Town's Integrated Development Plan is to "drive economic inclusion in order to improve quality of life, promote greater levels of self-determination, and create an enabling environment for economic growth" through the encouragement of small business development. One of the measures identified by the City to achieve these goals was the development and implementation of community based procurement in various Wards and Sub-councils. At the end of the first quarter of 2018/19 Financial year (30 September 2018) there were 641 registered community based suppliers on the City's supplier database.

#### 5.4.2 RFQ Advertisements vs Responses Received for the Quarter 1 July 2018 to 30 September 2018

In order to procure goods or services which involves a transaction value over R2000 and up to R200 000, written price quotations must be obtained. SCM tracks the ratio between RFQs that have been advertised and the number of responses received in order to establish the supplier activity in our procurement processes.

This Quarter has seen us place 5519 RFQs on the City's website, receiving 20 231 responses to these RFQs resulting in the issuing of 50 091 purchase orders to the value of R4 179 804 563.86.

<b>Table 6: QIF Advert vs Responses for the Quarter July 2018 to September 2018</b>						
	<b>GOODS</b>				<b>Services</b>	
<b>Month</b>	<b>RFQ Advertised</b>	<b>RFQ Responses</b>	<b>Ratio</b>	<b>RFQ Advertised</b>	<b>RFQ Responses</b>	<b>Ratio</b>
Jul'18	1168	5533	4.74	456	1228	2.69
Aug'18	1148	4605	4.01	665	1361	2.05
Sep'18	1234	4952	4.01	848	2552	3.01
	<b>Total RFQs Advertised</b>	<b>5 519</b>		<b>Response Ratio</b>		<b>3.67</b>
	<b>Total Responses</b>	<b>20 231</b>				

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

The tables below illustrate the number of purchase orders, and their values, processed by the City for each B-BBEE status level of contributor.

<b>Table 7: B-BBEE vs PO spend for the Quarter July 2018 to September 2018</b>						
<b>B-BBEE Level</b>	<b>Suppliers</b>	<b>% Suppliers</b>	<b>PO's</b>	<b>% PO's</b>	<b>PO Value (R)</b>	<b>% PO Value</b>
<b>1</b>	782	38.71	27654	55.21	1 152 656 563.28	27.58
<b>2</b>	220	10.89	6827	13.63	772 241 848.49	18.48
<b>3</b>	85	4.21	2003	4.00	348 615 913.50	8.34
<b>4</b>	263	13.02	5060	10.10	395 623 148.82	9.47
<b>5</b>	17	0.84	478	0.95	115 440 909.67	2.76
<b>6</b>	17	0.84	241	0.48	15 813 916.53	0.38
<b>7</b>	13	0.64	157	0.31	1 292 699.65	0.03
<b>8</b>	36	1.78	449	0.90	51 398 528.72	1.23
<b>0</b>	587	29.06	7222	14.42	1 326 721 035.20	31.74
<b>Grand Total</b>	<b>2020</b>	<b>100.00</b>	<b>50091</b>	<b>100.00</b>	<b>4 179 804 563.86</b>	<b>100.00</b>
<b>B-BBEE</b>	<b>1433</b>	<b>70.94</b>	<b>42869</b>	<b>85.58</b>	<b>2 853 083 528.66</b>	<b>68.26</b>

The number B-BBEE suppliers who have conducted business with the City in this quarter (1 July 2018 to 30 September 2018) were 1433 and this

equates to 70.94% of the overall number of suppliers who have conducted business with the City for the period.

A total of 42869 purchase orders were issued to the B-BBEE suppliers which equates to 85.58% of the total and, the spend was R2 853 083 528.66 which is equivalent to 68.26% of our total expenditure for this period.

## **5.5 Tenders and Contract Administration**

### **5.5.1 Tender Statistics**

**Table 8: Tender Statistics**

<b>Overall Statistics</b>	<b>2018/19 1<sup>st</sup> Quarter</b>
Advertised	89
Submissions received	811
Awarded	51
Cancelled	14

The awards and cancellations relate to tenders advertised in prior years. During the first quarter 5 new tenders were advertised.

### **5.5.2 Turnaround times**

All 89 awards made, were of tenders advertised in 2017/18. The average turnaround time measured over a rolling, 3-year period is 27.55 weeks. The turnaround time will reduce as older tenders are awarded and no longer affect the measurement period.

The timeline planner has been adjusted to drive completion of new tenders over a shorter period. Additional process enhancements have been made to conduct aspects of bid evaluation parallel and reduce inordinately long time periods previously allowed for clarification of routine queries.

In addition, a number of compulsory briefing sessions are now being prescribed in an attempt to improve the quality of bid submissions received. The aim is to reduce the number of clarifications required to obtain bid submissions capable of fair evaluation.

### **5.5.3 Moving Forward**

Completion of a tender timeline has been made a compulsory pre-requisite for an acquisition process to be initiated. Officials will be held accountable to achieving these tender "project plans". The Demand Plan for the remainder of the 2018/19 financial year will be fixed at 30 September 2018. This will avoid new tender requirements being introduced late in the year and/or crowding out resources allocated to tender processes properly planned in advance.

Three new appointees (two Senior Professional Officers and a second, Head: Tenders and Contract Administration) will assume duty on 1 October

2018. Five senior clerks were appointed during September and it is expected that offers will be made to five additional Assistant Professional Officers early in October 2018.

## **5.6 Training and Development**

The SCM department has undertaken a series of training interventions with the National School of Government (NSG). Bid Committee and Contract Management Training has been rolled out to 40 committee chairpersons and project managers in the various directorates and will continue to be rolled out to reach all role players within the supply chain management system.

The focus will be on accredited SCM training interventions such as Bid Committee, Demand Management, Contract Management, Municipal SCM program and Promoting Anti-Corruption amongst others. The training is also available to departments upon such request being made.

### **FOR FURTHER DETAILS, CONTACT:**

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<b>DIRECTORATE</b>	Finance – Supply Chain Management
<b>File Ref No</b>	