



DATE: 12 JULY 2019

REPORT TO: COUNCIL

LC22902

1. ITEM NUMBER

2. SUBJECT

SUPPLY CHAIN MANAGEMENT:

REPORT FOR THE PERIOD 1 APRIL 2019 TO 30 JUNE 2019
AND ANNUAL REPORT FOR 2018/19

VERSKAFFINGSKETTINGBESTUUR:

VERSLAG VIR DIE TYDPERK 1 APRIL 2019 TOT 30 JUNIE 2019
EN JAARVERSLAG VIR 2018/2019

ULAWULO LOBONELELO NGEMPAHLA EKWIZIKO:

INGXELO YESITHUBA ESISUSELA KWO-1 KUTSHAZIIMPUZI UKUYA
KOWAMA-30 KWEYESILIMELA 2019
NEYONYAKA KA-2018/19

LSU L0183

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.

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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 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.

Financial Implications

☒ None ☐ Opex ☐ Capex

☐ Capex: New Projects

☐ Capex: Existing projects requiring additional funding

☐ Capex: Existing projects with no additional funding requirements

Legal Compliance

☐

4.1. Staff Implications

☐ Yes ☒ No

4.2. Risk Implications

☐ Yes ☒ No

5. RECOMMENDATIONS

IT IS RECOMMENDED THAT THE CONTENTS OF THE REPORT ENTITLED 'SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 APRIL 2019 TO 30 JUNE 2019 AND ANNUAL REPORT 2018/19' BE NOTED.

AANBEVELING

DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG GETITELD 'VOORSIENINGSKANAALBESTUUR: VERSLAG VIR DIE TYDPERK 1 APRIL 2019 TOT 30 JUNIE 2019 EN JAARVERSLAG VIR 2018/19'.

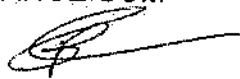
Making progress possible. Together.

IZINDULULO


KUNDULULWE UKUBA MAKUQWALASELWE IZIQULATHO ZENGXELO
ESIHLOKO 'INGXELO ENGOLAWULO LOBONELELO NGEMPAHLA EKWIZIKO'
YESITHUBA ESISUSELA KOWO-1 KUTSHAZIIMPUI UKUYA KOWAMA-30
KWEYESILIMELA 2018/19.

ANNEXURES

ANNEXURE 1


NAME	BASIL CHINASAMY	CONTACT NUMBER	021 400 3190
E-MAIL ADDRESS	basil.chinasamy@capetown.gov.za		
DIRECTORATE	FINANCE SCM	FILE REF NO	
SIGNATURE : DIRECTOR			

CHIEF FINANCIAL OFFICER

NAME	KEVIN JACOBY	COMMENT:
DATE	16.07.2019	
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

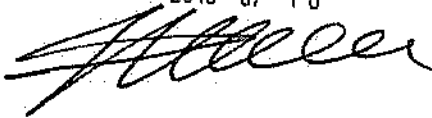
NAME	Jean-Mari Holt	COMMENT:
DATE	17/07/2019	For information. JMH
SIGNATURE		

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CITY MANAGER

NAME LUNGELO MBANDAZAYO COMMENT:

DATE 2019 -07- 18

SIGNATURE 

EXECUTIVE MAYOR

NAME ALDERMAN DAN PLATO COMMENT:

DATE 19/07/2019

SIGNATURE 



ANNEXURE 1

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 (SCM) 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

The risk register for SCM remained largely constant for the year. The risk register was reviewed and updated in April 2019.

SCM is satisfied that known risks are adequately managed.

5.1.2 Demand Management

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

The award rate of tenders shows a marked improvement following a concerted effort by all role players in the SCM system to award the bulk of these tenders before the end of the financial year in order to minimize the impact of the roll-over into the 2019/20 financial year.

Table 1: High Level Demand Plan 2018/19

Demand Plan for the period ending 1 July 2019

Directorate	Specification	Advertised	Evaluation	Awarded	Cancelled	Grand Total	Successful Award Rate	Completion Rate
Community Services & Health		1	13	33	10	57	57.89%	75.44%
Corporate Services	4		7	36	4	51	70.59%	78.43%
Economic Opportunities & Asset Management		1	6	16	5	28	57.14%	75.00%
Energy & Climate Change		1	16	46	10	73	63.01%	76.71%
Finance			3	13	6	22	59.09%	86.36%
Human Settlements			8	15	3	26	57.69%	69.23%
Office of the City Manager			1	2		3	66.67%	66.67%
Safety & Security			5	23	4	32	71.88%	84.38%
Spatial Planning & Environment				6	2	8	75.00%	100.00%
Transport	1		12	30	12	55	54.55%	76.36%
Urban Management			1	2		3	66.67%	66.67%
Water & Waste	15	3	23	107	30	178	60.11%	76.97%
Grand Total	20	6	95	329	86	536	61.38%	77.43%

The tenders in the Specification, Advertised and Evaluation columns in table 1 were not concluded during the financial year, therefore a total of 121 tenders will be carried over into the 2019/20 financial year.

A total of 415 tenders were processed during the financial year. The completion rate was higher than the previous years given extra effort by SCM. However, the number of cancelled bids remains a concern. This is attributable to inadequate specifications, contracts no longer required, no responsive bids received, compliance issues and/ or non-availability of budget.

Table 2: High Level Demand Plan 2019/20

Demand Plan for the period ending 1 July 2020

Directorate	Awaiting BIF+60% Spec	Specification	Advertised	Evaluation	Awarded	Cancelled	Grand Total
Community Services & Health	13	4	1	14			32
Corporate Services	36	17	1	9	2		65
Economic Opportunities & Asset Management	15	10	1	8			35
Energy & Climate Change	8	24	3	21	2		58
Finance	16	7		11			34
Human Settlements	3	5		10	1		19
Office of the City Manager	1			1			2
Safety & Security	3	10	1	6	3		23
Spatial Planning & Environment	3	1	1	1			6
Transport	9	17		22	2		50
Urban Management	1			1			2
Water & Waste	25	48	14	30		4	121
Grand Total	133	143	22	136	10	4	447

The demand plan for 2019/20 has been compiled and is in process of implementation. Table 2 above illustrates the high-level demand plan for the City for the period ending 1 July 2020 to which the carry-over of 121 tenders not awarded during the financial year is added. The total number of tenders for the 2019/20 financial year is there for 447 tenders.

The SCM unit initiated the "brick wall / stage gate review" model in order to align budgets, projects and the demand plan. This is required to achieve a realistic demand plan for the City. This resulted that the 2019/20 demand plan is the first ever which is fixed and approved. Any tenders/ bids required by line departments which were not included in this plan can only be added by means of substitution.

During the year the Demand Management unit has made considerable effort to improve the data quality and reporting capabilities of the tender tracking system so as to generate appropriate reports for tracking and managing tenders.

5.1.2.1 Strategic Sourcing Initiatives

A strategic sourcing initiative began in January 2019 to consolidate approximately 120 bids over the MTREF period into 38 transversal bids. This, over time, will result in uniformity, leveraging on economies of scale, better pricing and reduced tender effort.

5.1.3 Disposal Management

The Disposal unit manage and coordinate the disposal of various movable asset items on behalf of the City of Cape Town (CCT). Table 3 below illustrates the income generated from the sale of various categories of items during the financial year thus far.

The table below illustrates the income generated for the financial year.

Table 3: Income Generated

Commodity	Value
Scrap Metals and Cable	R 6 228 033.09
Transformers	R 4 695 317.75
Oils	R 688 940.90
Assets sold on auction	R 41 308 439.66
Waste Paper	R 88 706.24
Total	R 53 009 437.64

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

The Asset and Disposal Management unit is also responsible for the verification of SCM assets at year end. The SCM department achieved a 100% asset verification for the 2018/19 financial year, meaning that all assets are accounted for with SCM.

In the 2018/19 financial year a new security wall was erected to protect assets against theft and vandalism. The Asset and Disposal unit has also secured additional budget for maintenance and will be performing comprehensive maintenance on the facility during the 2019/20 financial year.

5.2 Tenders and Contract Administration

5.2.1 Tender Trend Analysis

Table 4: Tender Statistics

Year on Year Comparison	2016/17	2017/18	2018/19	% Change from previous year
Advertised	386	320	430	34%
Submissions received	2704	3545	3626	2%
Awarded	314	291	329	13%
Cancelled	29	58	86	48%

The number of tenders advertised increased by 34 % in 2018/19:

- The number of tenders awarded declined by 7% between 2016/17 and 2017/18 but increased by 13% in the 2018/19 financial year with an estimated value of R8 190 985 049.
- The number of bids cancelled increased by 48% in 2018/19.

The backlog in tenders not awarded by the end of the financial year has reduced and should be eliminated by the end of the 2019/20 financial year.

5.2.2 Turnaround times

A total of 329 bids were awarded of the 430 bids which were advertised. As at 30 June 2019, the turnaround time for regular tenders was 27.50 weeks against a target of 16 weeks. The turnaround time for complex tenders was 40.96 weeks against a target of 20 weeks.

SCM has increased its capacity in the monitoring of tenders. However, it is notable to indicate that the challenges within the system includes project management competency and skills, the level of maturity in terms of planning and new onerous regulatory requirements. Given the context of SCM system maturity, management is currently reviewing these targets through a benchmarking exercise.

5.2.3 Appeals

A total of 94 appeals were lodged, 17 appeals were upheld, 62 dismissed and 15 appeals is still in process.

5.2.4 Improvements Undertaken

The following improvements were implemented during the year:

- All outstanding vacancies were finalised for the Tenders & Contract Administration branch.
- A dedicated Scheduling unit was established to improve efficiency and effectiveness.
- A dedicated Contract Price Adjustment (CPA) unit was created to focus on price escalations of contracts.
- A streamlined bid evaluation process was implemented to reduce the number of bids in evaluation. Only bids that pass functionality will be evaluated in detail in accordance with the legislation.
- To mitigate cancellation of bids, compulsory briefing sessions are strongly encouraged where technical and administrative requirements are presented to bidders.
- Tender teams worked overtime during the year to improve the tender completion rate.
- Tender templates were revised.
- Training of line department and SCM officials.
- Regular meetings and follow-ups were conducted with line departments and executive directors.
- Regular meetings with tender staff and Director SCM to track progress, quality of bid reports and to identify challenges.

5.2.5 Tenders & Contract Administration Capacitation

The human capital resources comprise of 12 Senior Professional Officers (SPO) and 6 Shared Services Senior Professional Officers. The post of a Junior Accountant was advertised to support the CPA team. In addition, interviews were held for the vacant positions of Administrative Officer and Senior Clerk posts. An appointment was made to fill the Manager: Tenders & Contracts vacancy and the vacant post of the Head: Tenders & Contracts was advertised.

5.3 Procurement

5.3.1 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.

The following initiatives were implemented to achieve these aims:

- The development and implementation of community based procurement in various Wards and Sub-councils. At the end of the 2018/19 financial year there were 742 registered community based suppliers on the City's supplier database.
- The CCT reduced the Public Liability Insurance Limit for Community suppliers from R20 million to R2 million.
- The City provides the required insurance cover on an annual basis for all Community Based Suppliers.

5.3.2 Request for Quotations (RFQ) Advertisements Vs Responses received for the 4th Quarter (1 April 2019 to 30 June 2019)

In order to procure goods or services which involves a transaction value over R2 000 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 financial year has seen us place 23 520 RFQs on the City's website, receiving 82 786 responses resulting in the issuing of 203 447 purchase orders to the value of R12 580 528 490.58

Table 5: QIF Advert vs Responses for July 18 to June 19

Month	GOODS			Services		
	RFQ Advertised	RFQ Responses	Ratio	RFQ Advertised	RFQ Responses	Ratio
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
Oct'18	1287	6340	4.93	936	2734	2.92
Nov'18	1419	5620	3.96	1024	2530	2.47
Dec'18	517	2043	3.95	418	635	1.52
Jan'19	737	3461	4.70	715	1390	1.94
Feb'19	1123	4708	4.19	985	1415	1.44
Mar'19	1183	5038	4.26	920	1790	1.95
Apr'19	1330	6157	4.63	989	1991	2.01
May'19	1598	7296	4.57	1096	3230	2.95
Jun'19	1059	4876	4.60	665	1301	1.96
Totals	13 803	60 629	4.39	9717	22 157	2.28
Total RFQs Advertised		23 520		Response Ratio	3.52	
Total Responses		82 786				

The table above illustrate the response ratio of RFQ responses to advertised RFQ's.

5.3.3 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.

Table 6: B-BBEE vs PO spend for the financial year July 2018 to June 2019

B-BBEE Level	Suppliers	% Suppliers	PO's	% PO's	PO Value	% PO Value
1	1 246	38.37%	110 179	54.16%	4 093 425 623.88	32.54%
2	403	12.41%	26 961	13.25%	3 334 932 263.01	26.51%
3	200	6.16%	12 271	6.03%	1 335 980 688.50	10.62%
4	458	14.11%	21 403	10.52%	1 353 422 405.01	10.76%
5	23	0.71%	587	0.29%	136 880 566.03	1.09%
6	21	0.65%	726	0.36%	186 303 401.03	1.48%
7	23	0.71%	343	0.17%	35 478 513.20	0.28%
8	48	1.48%	700	0.34%	88 972 808.55	0.71%
0	825	25.41%	30 277	14.88%	2 015 132 221.37	16.02%
Grand Total	3 247	100.00%	203 447	100.00%	12 580 528 490.58	100.00%
B-BBEE	2 422	74.59%	173 170	85.12%	R10 565 396 269	83.98%

The number of B-BBEE suppliers were 2422.

A total of 173 170 purchase orders were issued to the B-BBEE suppliers, to the value R10 565 396 269 which was 83.98% of the total which was higher than the target of 60%.

Table 7: B-BBEE vs PO spend for the 4th Quarter

B-BBEE Level	Supplier	% Suppliers	PO's	% PO's	PO Value	% PO Value
1	870	45.34%	30 539	54.24%	1 061 844 695.88	36.82%
2	260	13.55%	6 831	12.13%	702 069 360.92	24.34%
3	111	5.78%	3 134	5.57%	333 025 035.16	11.55%
4	266	13.86%	6 772	12.03%	357 636 591.46	12.40%
5	12	0.63%	161	0.29%	11 802 812.95	0.41%
6	9	0.47%	57	0.10%	18 985 191.82	0.66%
7	12	0.63%	36	0.06%	26 312 918.94	0.91%
8	23	1.20%	110	0.20%	15 903 693.50	0.55%
0	356	18.55%	8 661	15.38%	356 348 606.00	12.36%
Grand Total	1 919	100.00%	56 301	100.00%	2 883 928 906.63	100.00%
B-BBEE	1 563	81.45%	47 640	84.62%	R2 527 580 301	87.64%

The number B-BBEE suppliers who have conducted business with the City in this quarter (1 April 2019 to 30 June 2019) were 1563.

A total of 47 640 purchase orders were issued to the B-BBEE suppliers with a spend is R2 527 580 for this period.

5.3.4 Deviations below R200 000

There has been a concerted effort from SCM to reduce the volume and value of deviations. Initiatives included consultations with National Treasury, the implementation of a formal process for submission and approval of deviations and facilitating a process with all the line departments involved with fleet related services to draft and implement tenders for the various types of services required for the repair and maintenance of their vehicles and plant. The first of these tenders, Tender 343S/2018/19, has been advertised and will be closing during July 2019 and is expected to have a very meaningful impact on further reducing deviation volumes and values. In addition, a tender for library books has been advertised which will reduce deviations further.

The value of deviations has dropped substantially as a result of the above initiatives:

- Value of Deviations for 2017/18 was R461 566 904.30
- Value of Deviations for 2018/19 was R342 882 727.87

This demonstrates a reduction of R118 684 176.49 or 25% in the value of deviations during the 2018/19 financial year.

5.3.5 e-Procurement

The CCT SCM department embarked on the first phase of an eProcurement initiative in 2016 in which it sought to build an automated procurement platform for suppliers.

eProcurement phase I went live in November 2017 with 3 commodities as a pilot. Following the success of phase I, the solution was rolled out more broadly.

eProcurement phase II which commenced on 1 October 2018 focusing on an improvement of the eProcurement project that saw the addition of the functions below:

Accounts Payable (AP):

- Online Invoice Status tracking
- Online Statement Uploading

SCM:

- Online Purchase Order Tracking
- Online Purchase Order Acknowledgement
- Supplier Rotation Program [Algorithm]
- Online Services RFQ Submissions

Encouragingly, 2065 suppliers have been registered on the e-Procurement portal with 1562 suppliers showing regular activity on the system. 16 913 RFQ's have been advertised since the roll out of e-Procurement and 72 656 responses have been received. This equates to a positive response rate of 4.3 responses per advert placed.

530 officials across the City were trained during June 2019 in order to be ready for the roll out on 1 July 2019.

An support office has been established on the 2nd floor in the Cape Town Civic Centre to assist suppliers on a daily basis. As part of supplier empowerment' group training is provided at the Media City Building every Wednesday.

Table 8: RFQs advertised on e-Procurement System

Years	Quotation date	Number of Adverts	Number of Quotes	Average no. of quotes
2018	Jul	699	3345	4.79
	Aug	795	4038	5.08
	Sep	1148	4608	4.01
	Oct	1231	4983	4.05
	Nov	1286	6340	4.93
	Dec	1417	5620	3.97
2019	Jan	551	2153	3.91
	Feb	738	3461	4.69
	Mar	1122	4713	4.20
	Apr	1183	5038	4.26
	May	1323	6157	4.65
	Jun	1595	7296	4.57
Grand Total		16913	72656	4.30

The above depicts the increase utilisation of the system, particularly in the number of quotations received. This indicates that the supplier training and information interventions have been successful.

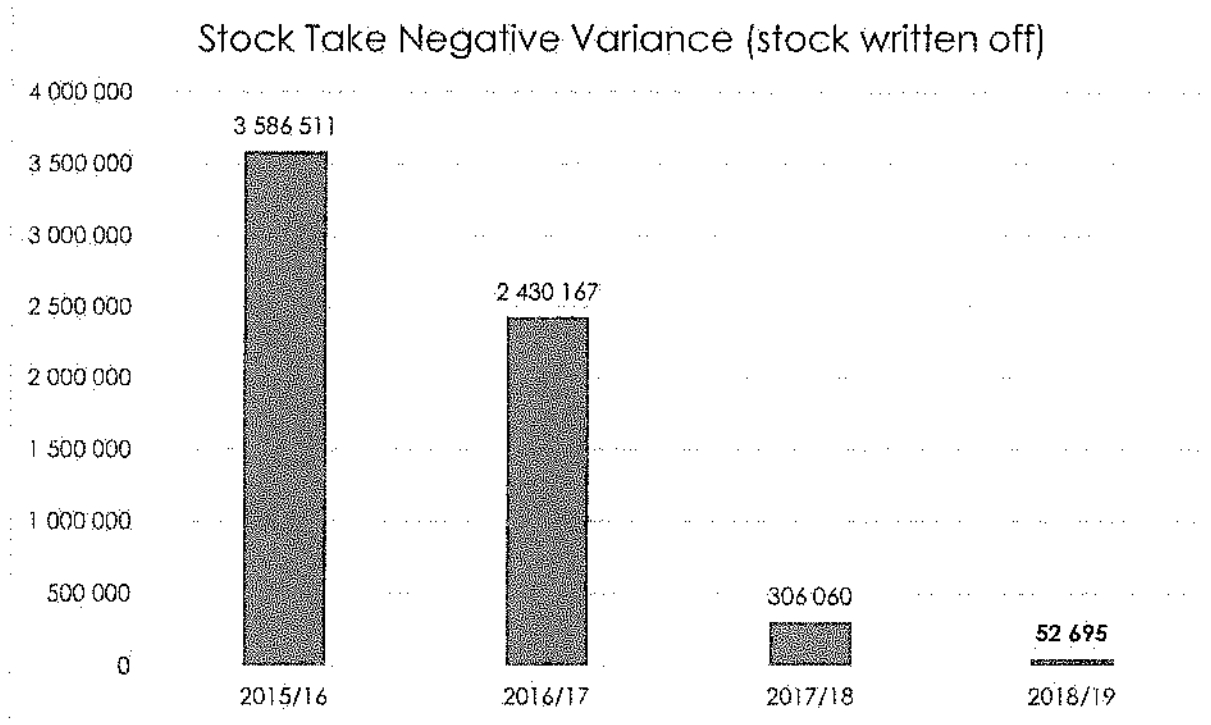
An Impact analysis was done on the e-Procurement system and the outcome is as follows:

- Supplier survey was conducted where 75% of suppliers found it easy to utilise the new e-Procurement quoting system.
- 79% of suppliers found it easier to submit quotations on the new e-Procurement quoting system.
- Reduction of consumables in printing i.e. paper and toner.
- Suppliers no longer have to physically drop RFQ responses at the Civic Centre saving them time and fuel costs.
- 81% reduction in paper usage (November 2017 versus November 2018).

5.4 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 other 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 is a continuous focus on the improvement of stock turn, material availability, customer service, quality of materials received, stock accuracy, employee safety, facilities maintenance, business processes and training & development.

There are currently 35 operational SAP stores in the City and 15 fuel sites. There are 13 319 different materials and 23 394 bins maintained. During 2018/19 the average stock value was R398 814 907 with an annual stock usage of R1 139 000 740. There were 812 486 goods movement transactions during the financial year.



The graph depicts the concerted effort of SCM to implement control, processes, security enhancements and culture change to reduce stock losses. The current value of stock losses is 68 times lower than three (3) years ago

5.4.1 Improvements and Focus Areas

The following improvements were realized within ISM during this financial year:

- All ISM business processes were updated to enhance internal control and promote sound governance.

- All ISM staff were trained on the updated business processes.
- 100% of the ISM assets were verified during the annual asset verification.
- The Durbanville store was closed as part of a rationalisation process to better utilise the City's financial resources.
- Appointment of Manager: Inventory and Stores Management as at 01 February 2019.
- Five (5) stock contracts were awarded in the financial year 2018/19.

5.4.2 Results

Some comparative results for the last two financial years are indicated in the tables below.

Table 9: 4th Quarter Results

4th Quarter	Stock Value at end of Quarter	Ave Stock Value during Quarter	Usage Value during Quarter	Annualised Stock Turns	No. of Transactions during Quarter
2017/18	R393 797 662, 00	R396 754 935, 00	R398 761 155, 00	3.98	213 037
2018/19	R363 407 014, 00	R404 335 394, 00	R313 449 300, 00	3.07	214 367
% Change	- 8%	2%	- 21%	- 0.9	1%

The quarterly comparable stock value reduced by 8% (01 April 2019 to 30 June 2019 compared to 01 April 2018 to 30 June 2018). The reason for the reduction can be attributable to a reduction of mini-sub and transformers.

The usage value reduced by 21% (01 April 2019 to 30 June 2019 compared to 01 April 2018 to 30 June 2018). The reason was mainly attributable to a reduction of the usage on water meters pending a legal process.

Table 10: Annual Results

Financial Year	Stock Value at end of Year(R)	Ave Stock Value during Year(R)	Usage Value during Year(R)	Annualised Stock Turns	No of Transactions during Year
2017/18	393 797 662	344 491 030	1 307 411 095	3.74	835 320
2018/19	363 407 014	398 814 907	1 139 000 740	2.82	812 486
% Change	-8%	16%	-13%	-0.9	-3%

The comparable stock turn reduced by 0.9 year on year. The stock turn for the 2018/19 financial year was unfavourable at 2.82 compared to the target of 3.5.

This was mainly due to:

- Reduction of the usage on water meters pending a legal process.
- Electricity materials required for the fire season that differed from the requirements for last year's fire season.
- Stock that was ordered for the broadband project that was subsequently placed on hold.

The situation will be continuously monitored with the line departments.

5.5 Supplier Management and Administration Services

5.5.1 SCM Bid Adjudication Committee

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.

5.5.2 Supplier Management

5.5.2.1 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 11: Supplier Registration Information

Registrations approved 4 th Quarter 2019	
APRIL	94
MAY	109
JUNE	95
Total number of registrations	298

During the financial year 1273 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.

Table 12: CSD Registration of Suppliers

CSD Registrations approved for 4th Quarter 2019	
APRIL	95
MAY	66
JUNE	70
Total number of CSD registrations	231

The total number of applications received from April until June 2019 is 231 of which 11 632 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-center in the Western Cape and the highest number of registered suppliers.

5.5.3 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 13: Supplier Default and Performance for the period 2018 – 2019

Quarter and Annual 2018 - 2019 Defaulting and Poor Performing Suppliers					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
False Documentation	0	1	0	0	1
Non- Delivery of Goods/ Services	17	6	4	3	30
Poor Performance	52	5	10	6	73
Collusion	0	0	2	0	2
Abuse of SCM Policy	2	1	1	1	5
Matters sent to Forensic	0	2	7	0	7
Matters sent to Legal	1	0	2	3	8
Matters sent to National Treasury for restriction	4	0	0	2	8
Total	76	17	26	15	134

5.5.4 Training and Development

The SCM department has undertaken a series of training interventions with the National School of Government (NSG). To date, Bid Committee, Contract Management and Demand Management training has been rolled out to **212** 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.

5.5.5 SCM Capacitation

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 April 2019 to June 2019 the SCM department made 8 appointments. For the financial year ending June 2019 the department made a total of 52 permanent appointments comprising 19 professional appointments, 33 junior appointments and a further 21 student appointments.

The SCM Department has experienced difficulty in attracting and appointing suitably skilled and specialised staff and will continue to engage Human Resources to find alternative recruiting strategies for this scarce skill.

5.6 Procurement Excellence and Governance

A Procurement Excellence and Governance unit has been established as a monitoring and evaluation function for the performance and governance of the supply chain system. The recruitment process for the manager and SPO posts for this unit is currently underway. The job evaluation process is also underway for a legally focussed position in the unit that will assist and guide SCM on compliance matters.

Some of the outcomes from the unit includes the following:

- Reviewed and finalised the SCM Policy which was approved by Council in May 2019.
- Management and finalisation of the audit action plan for SCM.
- eTender project.
- Reviewed and finalised the Rules of Order for Bid Committees.
- Review of sections 33 and 116(3) directives / guidelines.
- Training on centre of excellence.
- Facilitating SCM strategy sessions.
- Implementation of monthly management compliance certificates.
- In-house training of SCM staff.
- Facilitating meetings of Top 300 City project managers.

- Coaching and mentoring the Senior SCM Shared Services practitioners to support line departments.
- Business improvement action plans of the six SCM units

5.7 Management and Change Interventions

Six SCM shared services resources have been appointed to address bottlenecks in the line departments and provide guidance on supply chain management issues including forward planning for tenders. The work load of these resources were also assessed during the year and amended to ensure that each directorate in the City is assisted by a SCM shared services resource. The appointment of an additional SCM shared services practitioner is being finalised to provide these services to the Corporate Services Directorate.

An SCM Strategy Session was held in July 2018 at which management robustly reflected on challenges and expectations for the financial year. The business units within SCM developed action plans to enable SCM to achieve these outcomes. Another strategic session is planned for September 2019 which is aimed to review and plan for further improvements within SCM.

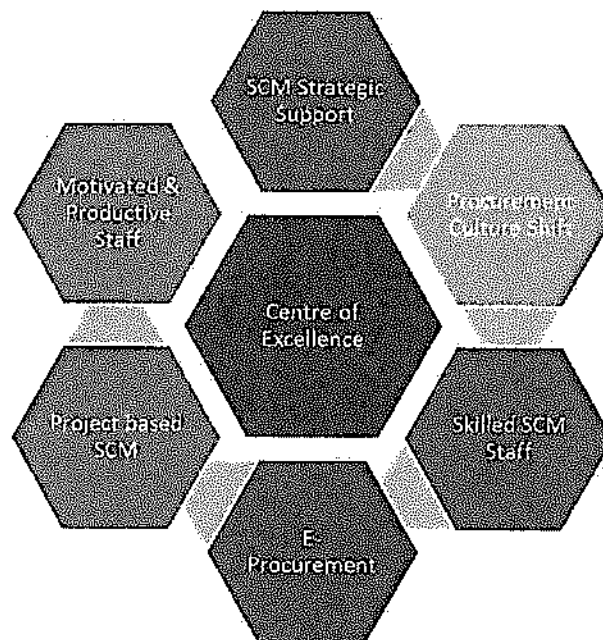
Management coaching interventions have been procured during the latter part of the year and will be rolled out during the next financial year. SCM has also engaged with the City's Organisational Effectiveness unit and have commenced with change management sessions focussing on organisational values and culture. These sessions will continue into the next financial year.

Meetings with the City Manager on various supply chain issues and interventions have taken place through a monthly dedicated SCM Forum meeting.

New procedures to enhance controls and improve efficiency were developed, approved and implemented by the ISM and Procurement units within SCM. The Tenders and Contract and Supplier Management units have commenced similar reviews and the expectation is that revised procedures will be implemented early in the new financial year.

5.8 SCM Achievements

SCM business improvement plan was developed and adopted in July 2016 to achieve the following model:



Upon reflection the SCM management team have identified a list of achievements over the past three years including the following:

Achievements	Approximate value*
Reduction of deviations below R200 000	R 118 million
Brick wall / stage gate model reduced the budget	R2 billion
Reduced stock losses	R3,5 million
New positions created and filled for Demand Management, Tenders, Procurement, ISM towards the professionalization of SCM	
Conceptualised model for managing contingency funds	R800 million
Strategic sourcing (transversal contracting 421 contracts)	
Security enhancements to stores premises	
Conceptualised the engineering services unit	
Successfully resolved AGSA findings	
Developed schedules for managing contract variations, expansions and amendments	
Implementation of business intelligence tool for demand management and tender tracking	
Improved monitoring resulting in reduced standby allowance costs	R320'000
Regular supplier roadshows	

*Approximate value is the potential impact of the control or value of reduction

FOR FURTHER DETAILS, CONTACT:

NAME	Basil Chinasamy
CONTACT NUMBERS	021 400 3190
E-MAIL ADDRESS	basil.chinasamy@capetown.gov.za
DIRECTORATE	Finance – Supply Chain Management
File Ref No	