



DATE: 03 APRIL 2019

REPORT TO: EXECUTIVE MAYOR

LC12362

1. ITEM NUMBER

2. SUBJECT

**SUPPLY CHAIN MANAGEMENT:
REPORT FOR THE PERIOD 1 JANUARY 2019 TO 31 MARCH 2019**

**VERSKAFFINGSKETTINGBESTUUR:
VERSLAG VIR DIE TYDPERK 1 JANUARIE 2019 TOT 31 MAART 2019**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IIMPAHLA ZEZIKO:
INGXELO ESUSELA KWISSITHUBA SOMHLA
WOKU-1 KWE YEDWARHA 2019 UKUYA KOWAMA-31 KWE YO MNGA 2019**

3. DELEGATED AUTHORITY

In terms of delegation

This report is

- ☐ Committee name :
☒ The Executive Mayor
☐ 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.

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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.

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 JANUARY 2019 TO 31 MARCH 2019 BE NOTED.

AANBEVELING

DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG GETITELD VERSKAFFINGSKETTINGBESTUUR: VERSLAG VIR DIE TYDPERK 1 JANUARIE 2019 TOT 31 MAART 2019

ISINDULULO

KUNDULLULWE UKABA MAKUQATSHELWE ULWAZI OLUQULETHEW KULE ISIHLOKO SITHI ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA IIMPAHLA ZEZIKO: INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 KWE YEDWARHA 2019 UKUYA KOWAMA-31 KWE YO MNGA 2019


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ANNEXURES

ANNEXURE 1


FOR FURTHER DETAILS CONTACT

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E-MAIL ADDRESS	Basil.chinasamy@capetown.gov.za		
DIRECTORATE	Finance SCM	FILE REF No	
SIGNATURE : DIRECTOR			

CHIEF FINANCIAL OFFICER

NAME Kevin Jacoby COMMENT:

DATE 08.04.2019

SIGNATURE 

MANAGER: STRATEGIC POLICY

☐ SUPPORTED FOR ONWARD SUBMISSION

NAME COMMENT:

DATE

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 12/04/2019 For information. JMH

SIGNATURE 

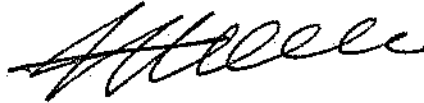
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CITY MANAGER

NAME LUNGELO MBANDAZAYO COMMENT:

DATE 2019 -04- 12

SIGNATURE

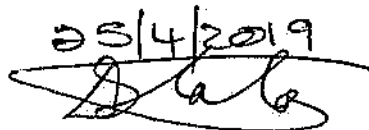


EXECUTIVE MAYOR

NAME ALD DAN PLATO COMMENT:

DATE 25/4/2019

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 Policy

3. FOR NOTING BY THE MAYOR

For information of the Mayor

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 latest risk register for SCM was signed on 23 November 2018. SCM is satisfied that known risks are identified and 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 is slow and requires 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 minimise the impact of the roll-over into the 2019/20 financial year.

Executive Management is in the process of approving the demand plan for the 2019/20 financial year. The details hereof will be provided in the report for the period ending June 2019.

Table 1: High Level Demand Plan

Demand Plan for the period ending 1 July 2019

Directorate / Department	Specification	Advertised	Evaluation	Awarded	Cancelled	Total	Award Rate
Community Services & Health	6	12	26	11	4	59	19.64%
Corporate Services	2	1	29	14	1	47	28.57%
Economic Opportunities & Assets	4	7	16	12	0	39	30.77%
Energy & Climate Change	4	1	27	34	6	72	51.52%
Finance	2	0	2	12	4	20	75.00%
Human Settlements	3	1	11	11	2	28	42.31%
Office of the City Manager	0	0	2	1	0	3	33.33%
Safety & Security	0	0	17	13	1	31	43.33%
Spatial Planning & Environment	1	0	2	4	1	8	57.14%
Transport	2	0	22	21	6	51	46.67%
Urban Management	0	0	2	1	0	3	33.33%
Water & Waste Services	17	9	62	53	18	159	37.32%
Total	41	31	218	187	43	520	38.80%
		290		230			

5.1.3 Disposal Management

The Disposal Unit deals with the disposal of various movable asset items on behalf of council. Table 2 below illustrates the revenue generated from the sale of various categories of items during the financial year thus far.

The table below illustrates the revenue generated for the financial year thus far.

Table 2: Revenue Generated

Scrap Metals and Cable	R	4 760 426.411
Transformers	R	3 441 168.00
Oils	R	465 875.07
Assets sold on auction	R	27 548 439.66
Waste Paper	R	65 207.71
Total	R	36 281 116.85

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 3: Supplier Registration Information

Registrations approved Quarter 3, 2019	
January	56
February	90
March	88
Total number of registrations for Q3	234

For the third quarter 234 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 4: CSD Registration of Suppliers

CSD Registrations approved for Quarter 3 - 2019	
January	80
February	86
March	86
Total number of CSD registrations for Q3 2019	252

There are 13102 active suppliers on the City's database of which 11139 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 City 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 quote
-
- Suppliers capture their pricing and compliance information directly onto the system reducing the risk of capturing errors and increasing speed.

Since the successful pilot of e-Procurement, all goods commodities have been rolled out. A phased out roll out of Service departments are to follow from 1 May 2019.

1342 suppliers have been registered on the e-Procurement portal and shown activity on the system since 1 November 2017. 3 221 Request for Quotations (RFQ's) have been advertised for the quarter to which 14 003 responses have been received. This has an average response ratio of 4.28 responses per advert placed.

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. This ensures that the City does not do business with any persons in service of the state. The "Red List" has been implemented as an internal monitoring tool for suppliers who are not performing as required or where said committed improper conduct and abuse of the supply chain management system. Poor performing suppliers are performance managed by the relevant project managers within line departments. Matters are referred to Legal unit, Forensics services and/or National Treasury where a supplier has defaulted or committed abuse and must be restricted.

Table 5: Supplier Default and Performance for the period January – March 2019

Quarter 3 - 2019	
Defaulting and Poor Performing Suppliers	
	Quarter 3
False Declaration of Interest	0
Non- Delivery of Goods/ Services	4
Poor Performance	10
Collusion	2
Abuse of SCM Policy	1
Matters sent to Legal	2
Matters sent to Forensics	7
Matters sent to National Treasury for restriction	0
Total	26

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 13 395 different materials and 23 170 bins maintained. During the third quarter of 2018/19 the average stock value was R425 395 747 with a quarterly stock usage value of R256 509 816. There were 182 558 goods movement transactions during the quarter.

5.3.1 Results

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

Table 6: Third Quarter Results

3rd Quarter	Stock Value at end of Quarter (R)	Ave Stock Value during Quarter (R)	Usage Value during Quarter (R)	Annualised Stock Turns	No of Transactions during Quarter
2017/18	399 308 096	360 976 503	288 670 525	3.20	195 364
2018/19	429 992 096	425 395 677	256 509 816	2.41	182 558
% Change	8%	18%	-11%	-0.79	-7%

The comparable stock turn reduced by 0.79 year on year. The stock turn for Quarter3 was unfavourable at 2.4 compared to the target of 3.5

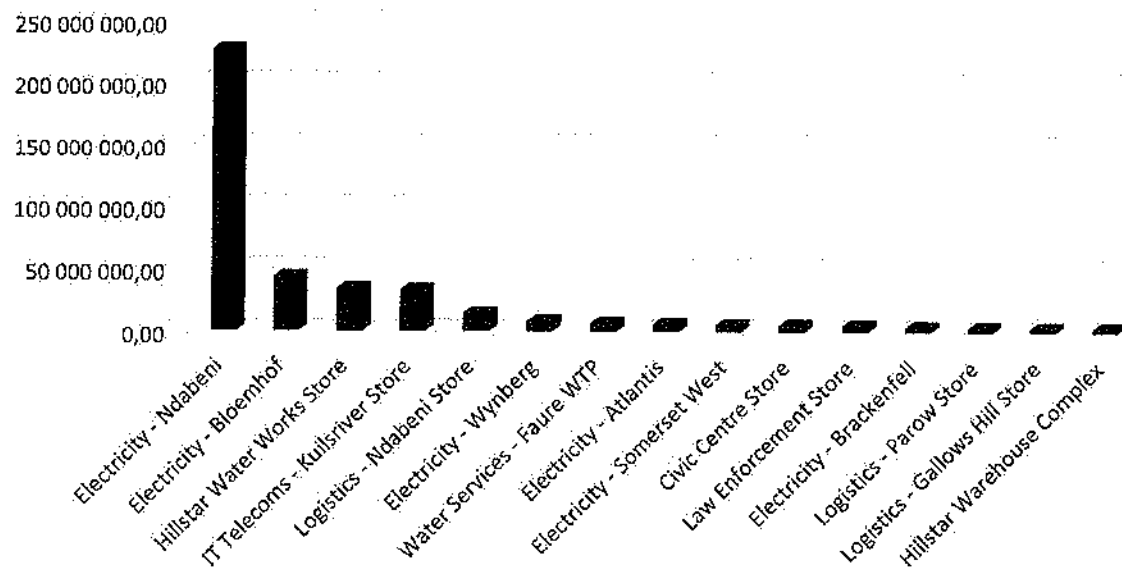
This was mainly due to:

- An on-going legal matter on water meters, that is currently being addressed by the line department.
- A stock pile up of 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 department.

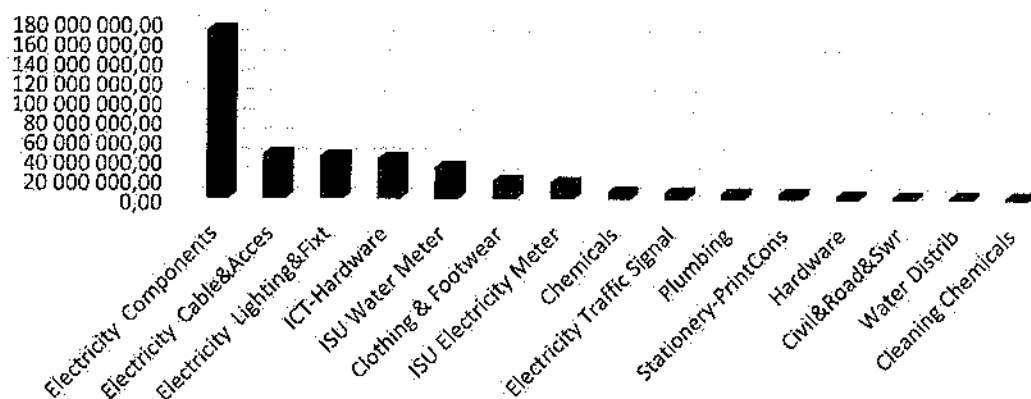
5.3.2 Top 15 Stores and Material Groups

The graphs below reflect the top 15 stores and material groups by estimated value.

Graph 1: Top 15 Stores Stock Value Rands at 31 March 2019



Graph 2: Top 15 Material Groups Stock Value (Rands) 31 March 2019



5.3.3 Achievements

The following achievements were realized within ISM during the third quarter of the financial year 2018/19:

- Returns to stock averaged 0.011% of goods issued.
 - Returns to suppliers averaged 0.277% of goods received.
- The figures are an indication of user satisfaction of the quality of stock items.

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 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 third quarter of 2018/19 Financial year (31 March 2019) there were 694 registered community based suppliers on the City's supplier database with a total spend of R3 086 671.44.

5.4.2 RFQ Advertisements vs Responses received for the 3rd Quarter (1 January 2019 to 31 March 2019)

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 5663 RFQs on the City's website, receiving 17 802 responses to these RFQs resulting in the issuing of 67 383 purchase orders to the value of R2 222 107 797.63.

Table 7: QIF Advert vs Responses for the 3rd Quarter (1 January 2019 to 31 March 2019)						
	GOODS				Services	
Month	RFQ Advertised	RFQ Responses	Ratio	RFQ Advertised	RFQ Responses	Ratio
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
	Total RFQs Advertised	5663		Response Ratio		3.14
	Total Responses	17802				

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.

Table 8: B-BBEE vs PO spend for the 3rd Quarter (1 January 2019 to 31 March 2019)						
B-BBEE Level	PO's	% PO's	Vendors	% Vendors	PO Value (R)	% PO Value
1	35053	52.02	163	8.97	813 638 302.01	36.62
2	9359	13.89	46	2.53	613 343 319.30	27.60
3	3750	5.57	155	8.53	183 719 405.52	8.27
4	8429	12.51	12	0.66	239 480 742.67	10.78
5	145	0.22	7	0.39	8 228 286.97	0.37
6	238	0.35	12	0.66	56 120 661.08	2.53
7	103	0.15	21	1.16	297 850.75	0.01
8	203	0.30	726	39.96	41 311 458.15	1.86
0	10103	14.99	675	37.15	265 967 771.18	11.97
Grand Total	67383	100.00%	1817	100.00%	2 222 107 797.63	100.00%
B-BBEE	57280	85.01%	1142	62.85%	R1 956 140 026.45	88.03%

The number B-BBEE suppliers who have conducted business with the City in this quarter (1 January 2019 to 31 March 2019) were 1142 and this equates to 62.85% of the overall number of suppliers who have conducted business with the City for the period.

A total of 57 280 purchase orders were issued to the B-BBEE suppliers which equates to 85.01% of the total and, the spend was R1 956 140 026.45 which is equivalent to 88.03% of our total expenditure for this period.

5.5 Tenders and Contract Administration

5.5.1 Tender Statistics

Table 9: Tender Statistics

Overall Statistics	2018/19
Advertised	327
Submissions received	2414
Awarded	187
Cancelled	43

The awards and cancellations include tenders advertised in prior years. Advertisements include contracts required in 2019/20 financial year.

5.5.2 Turnaround times

The average turnaround time measured over a rolling 3-year period is 28.20 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 in parallel and reduce inordinately long time periods previously allowed for clarification of routine queries. Staff have worked overtime to catch up on backlogs. Information on the Demand Plan is sent to Executive Directors regularly for actioning. This information is also reported to the City Manager's SCM Forum as required.

In addition, a number of compulsory briefing sessions are now being prescribed in an attempt to improve the quality of bid submissions received. It is now required of the Senior SCM Practitioners to attend briefing sessions to explain the tender documents to bidders.

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 was fixed at 30 September 2018 and the Demand Plan has remained stable.

Tenders section have been finalised and will begin to impact the performance of the team. The Manager: Tenders & Contracts has resigned with effect from 28 December 2018 and the recruitment process for a replacement has begun.

In addition, The Contract Price Adjustment team has been established to focus only on CPA matters. The Job Evaluation for a Junior Accountant has been completed and is awaiting REMCO's approval.

The structure for a scheduling unit in tenders and contracts has been approved. This unit will focus on scheduling of bids only which will then enable the other teams to concentrate on bid evaluations.

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 116 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.

5.7 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 January 2019 to March 2019 the SCM department made 8 appointments. This includes the appointment of a Manager Inventory and Stores, a Senior Professional Officer for Shared services WWS, 2 Assistant Store Keepers, 2 Senior Clerks, 1 Senior Secretary and Assistant Buyer.

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

FOR FURTHER DETAILS, CONTACT:

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