



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

CM576914

**FINANCE  
SUPPLY CHAIN MANAGEMENT**

**Basil Chinasamy**  
Director: Supply Chain Management

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**MEMORANDUM**

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Date: 10 January 2020

To: Executive Mayor  
City Manager

Subject: **SCM QUARTERLY REPORT FOR THE PERIOD FROM 01 OCTOBER 2019 UNTIL 31 DECEMBER 2019**

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The SCM Quarterly Report for the period 1 October 2019 to 31 December 2019 had to be revised and updated with new information. The revised report is attached for your consideration and sign-off.

Apologies for any inconvenience caused.

Yours faithfully

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**Basil Chinasamy**  
Director: Supply Chain Management



DATE: 10 JANUARY 2020

REPORT TO: EXECUTIVE MAYOR

LC24171

**1. ITEM NUMBER**

**2. SUBJECT**

**SUPPLY CHAIN MANAGEMENT:**

**REPORT FOR THE PERIOD 1 OCTOBER 2019 TO 31 DECEMBER 2019**

**VERSKAFFINGSKETTINGBESTUUR:**

**VERSLAG VIR DIE TYDPERK 1 OKTOBER 2019 TOT 31 DESEMBER 2019**

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA  
IIMPAHLAZEZIKO:**

**INGXELO ESUSELA KWISSITHUBA SOMHLA**

**WOKU-1KWE 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 implements 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

4.2. Policy and Strategy ☐ Yes ☒ No

4.3. Legislative Vetting ☐ Yes ☒ No

Legal Compliance ☐

4.4. Staff Implications ☐ Yes ☒ No

4.5. Risk Implications ☐ Yes ☒ No

## 5. RECOMMENDATIONS

**IT IS RECOMMENDED THAT THE CONTENTS OF THE REPORT ENTITLED SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 OCTOBER 2019 TO 31 DECEMBER 2019 BE NOTED**

### AANBEVELING

**DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG GETITLED VERSKAFFINGSKETTINGBESTUUR: VERSLAG VIR DIE TYDPERK 1 OKTOBER 2019 TOT 31 DESEMBER 2019**


*JMH*

## ISINDULULO

KUNDULLULWE UKABA MAKUQATSHELWE ULWAZI OLUQULETHEW KULE ISIHLOKO SITHI ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA IIMPAHLA ZEZIKO: INGXELO ESUSELA KWISSITHUBA SOMHLA WOKU-1 KWE YEDWARHA 2018 UKUYA KOWAMA-31 KWE YO MNGA 2019

### ANNEXURES

#### FOR FURTHER DETAILS CONTACT

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DIRECTORATE	Finance	FILE REF No	
SIGNATURE : DIRECTOR			

#### CHIEF FINANCIAL OFFICER

*Ading*

NAME KEVIN JACOBY *J. Steyl* COMMENT:

DATE 10 January 2020

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 *10/01/2020*

*For information. JMH.*


SIGNATURE 

Making progress possible. Together.

ACTIVE CITY MANAGER

NAME Kevin Jacoby  
LUNGELO MBANDAZAYO COMMENT:  
DATE 13.01.2020  
SIGNATURE 

EXECUTIVE MAYOR

NAME ALD DAN PLATO COMMENT:  
DATE 15/01/2020  
SIGNATURE 



## ANNEXURE 1

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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 (SCM) Policy

### 3. FOR NOTING BY 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 SCM risk register was approved on 16 October 2019. SCM is satisfied that known risks are being adequately managed and monitored.

### 5.1.2 Demand Management

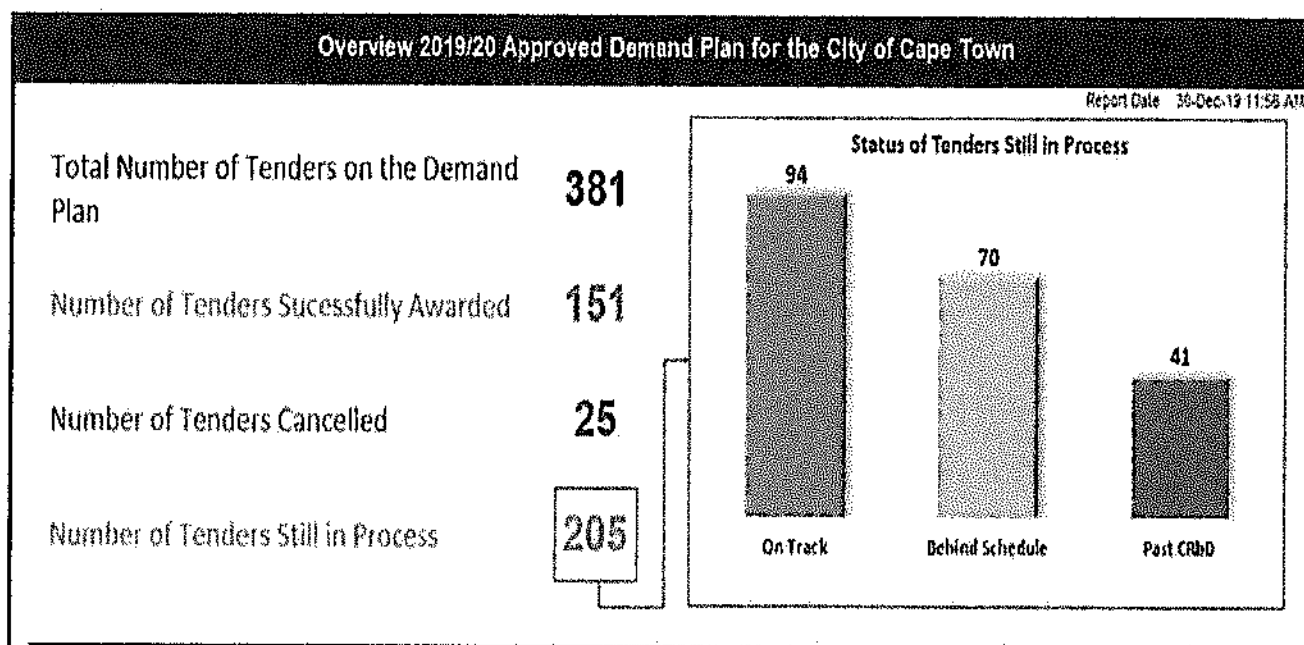
#### 5.1.2.1 Implementation of the 2019/20 Demand Plan

The information below (Table 1) illustrates an overview of the demand plan for the City for the current financial year. A total of 176 tenders totalling R7,75 billion have been processed through the SCM Bid Committee system as at the end of quarter 2. This translates to 46% of the tenders processed which is an improvement from quarter one (Q1).

Although the numbers of tenders behind schedule and past contract required by date (CRbD) have reduced since the previous quarter's report, 70 tenders are still behind (Q1: 93) and 41 tenders are past the Contract Required by Date CRbD (Q1: 93).

The SCM unit is working tirelessly to ensure that the remaining 205 tenders are awarded before the end of May 2020.

**Table 1: Approved Demand Plan 2019/20**



The information below (Table 2) provides details of the tenders behind schedule and past CRbD per Directorate. This information is provided to Executive management on a monthly basis for action.

**Table 2: Demand Plan 2019/20: Slippage Analysis per Directorate**

Directorate	Behind Schedule	Past CRbD
Community Services & Health	-	1
Corporate Services	9	5
Economic Opportunities & Asset Management	7	4
Energy & Climate Change	14	3
Finance	6	2
Human Settlements	4	6
Office of the City Manager	-	1
Safety & Security	6	-
Spatial Planning & Environment	2	-
Transport	5	5
Urban Management	-	-
Water & Waste	17	14
<b>Total</b>	<b>70</b>	<b>41</b>

Details of tenders cancelled and reason for cancellation are included below (Table 3).

**Table 3: Cancelled Tenders 2019/20**

Reason for cancellation	Reference to Preferential Procurement Regulations, 2017	Number
Due to changed circumstances, there is no longer a need for the goods or services specified in the invitation	13.1.a	3
Funding are no longer available to cover the total envisaged expenditure	13.1.b	-
No acceptable tender received	13.1.c	16
There is a material irregularity in the tender process	13.1.d	3
Market related price not achieved	6 and 7	3
<b>Total</b>		<b>25</b>

### 5.1.2.2 Strategic Sourcing (Transversal Contracts) Initiatives

The Demand Management unit is in the early stages of implementing strategic sourcing (transversal contracts) initiatives in the City. This involves the identification of opportunities to consolidate multiple individual tenders into single tenders for City-wide use. This is a long-term project, the desired outcome of which is to not only reduce the number of tenders processed by the administration through the SCM system, but to better leverage the buying power of the City.

The CFO published a memorandum to the organisation dated 3 October 2019 which describes the process for strategic sourcing.



### 5.1.3 2020/21 Demand Plan (DP)

The next financial year's DP is being finalized, however it is worth noting that some tenders have already entered the SCM process i.e. is in the specification and / or the advertisement stages.

### 5.1.4 Disposal Management

The Disposal unit is responsible for the sale of redundant movable assets as well as scrap material. This is done through a public auction process or contracts with scrap dealers. Details are reflected in Table 4 below.

The unit has generated R 30 787 915.62 revenue in the financial year thus far.

**Table 4: Disposal of Movable Assets**

Disposal of Assets	2019 - 2020	
Auction of Movable Assets	R	24 385 448.27
Transformers	R	2 263 411.45
Scrap Metals	R	3 362 171.63
Waste Paper	R	45 937.46
Transformer Oils	R	684 926.25
Lubricant Oils	R	46 020.56
<b>Grand Total</b>	<b>R</b>	<b>30 787 915.62</b>

## 5.2 Tenders and Contract Administration

### 5.2.1 Tender Turnaround times for the quarter

The average tender turnaround time measured over the last 36 months is 27,7 weeks for regular tenders and 37,1 weeks for complex tenders.

The average tender turnaround time for tenders awarded within quarter 2 is 22,7 weeks for regular tenders. This represents a 97% achievement of the target of 22 weeks. For complex tenders the turnaround time was 38,7 weeks against a target of 35 weeks. Some delays were attributed to tender clarifications, high number of line items to evaluate and complex specifications. (The tender turnaround time is measured from the date that the tender advertisement close to the date of the BAC award).

### 5.2.2 Appeals for the 2019/20 financial year to date

There were 71 appeals (Q1: 44). 54 of these cases were dismissed (Q1: 18), 8 upheld (Q1: 6) and 9 cases are pending finalization (Q1: 20). This demonstrates that tenders are processed in a compliant manner.

The cases where tender awards were upheld will be scrutinized in order to identify areas requiring improvement and / or lessons learnt.

### **5.2.3 Improvements Undertaken**

- Incorporated the Shared Services Senior Professional Officers (SPO's) into the Tender / Bid committee system which has increased capacity within SCM to process tenders.
- Balancing the tender requirement workload amongst 17 SPO's to ensure efficiency.
- Implemented a dedicated Consumer Price Adjustment (CPA) unit to specifically focus on price adjustments in order to minimize risk in relation to contract price adjustments.
- Implemented a separate Scheduling unit to deal specifically with the capturing and checking of tender rates and information schedules. This has led to efficiencies in the administration of tenders.
- Improvements to due diligence processes and procedures including the centralization of the contract management.
- Tender Tracking System (TTS) enhancements in performance tracking and measuring tools for daily, weekly and monthly monitoring and reporting on the Demand Plan.

## **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. 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 quarter 2 there is 717 registered community based suppliers (Q1: 716) on the City's supplier database.

Through engagement with Treasury and the Insurance unit of the City, the City is covering the insurance premium of community vendors up to R10 million per claim, thus making the submission of proof of public liability insurance no longer a requirement when bidding. This lifts the financial burden off Community Based Suppliers who were previously paying monthly premiums towards insurance.

In providing this vital support to the Community Based Suppliers, the City of Cape Town would achieve the following positive benefits:

- Increase in Community Based Supplier base
- Increase in Supplier RFQ responses
- Development of Community Based suppliers

- Increased competition in Community based request for quotations

There has been a drive to get line departments on board to advertise requirements below R30 000 to community vendors. A staff e-form has been sent out on 2 September 2019 and all requisitions with an estimated procurement value of below R30 000 will have to follow this process unless supported by a motivation detailing the reason for an exception to be made.

### 5.3.2 Request for Quotations (RFQ's)

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 RFQ's that have been advertised and the number of responses received in order to establish the supplier activity in our procurement processes.

For the quarter under review, 6 823 RFQ's were advertised on the City's website and 31 377 responses were received.

**Table 5: RFQ Advertisements vs Responses received**

Month	Goods			Services		
	RFQ's Advertised	RFQ Responses	Ratio	RFQ's Advertised	RFQ Responses	Ratio
Oct 2019	1 985	10 675	5.38	652	2 018	3.10
Nov 2019	2 047	10 547	5.15	621	1 625	2.62
Dec 2019	1 004	5 496	5.47	514	1 016	1.98
<b>Total</b>	<b>5 036</b>	<b>26 718</b>	<b>5.31</b>	<b>1 787</b>	<b>4 659</b>	<b>2.61</b>
<b>Total RFQ's Advertised:</b>		<b>6823</b>	<b>Total Ratio:</b>			<b>4.60</b>
<b>Total RFQ Responses:</b>		<b>31377</b>				

### 5.3.3 B-BBEE Purchase orders

Information included below (Table 6) illustrate the number and value of purchase orders (PO's) processed during the quarter under review for each B-BBEE status level contributor.

**Table 6: B-BBEE PO volumes and values**

B-BBEE level	Vendors	% Vendors	PO's	% PO's	PO Value	% PO Value
1	775	40,31%	28 293	55,67%	R1 333 730 109.60	39,96%
2	225	11,86%	6 457	12,70%	R864 101 716.03	25,89%
3	86	4,53%	3 034	5,97%	R309 866 095.08	9,28%
4	218	11,49%	5 798	11,41%	R377 156 245.40	11,30%
5	7	0,37%	322	0,63%	R34 104 196.45	1,02%
6	10	0,53%	39	0,08%	R79 925 225.89	2,39%
7	8	0,42%	28	0,06%	R5 374 410.17	0,16%
8	12	0,63%	137	0,27%	R20 052 650.27	0,60%
0	556	29,31%	6 715	13,21%	R313 369 205.16	9,36%
<b>Total</b>	<b>1 897</b>	<b>100%</b>	<b>50 823</b>	<b>100%</b>	<b>R3 337 679 854.05</b>	<b>100%</b>
<b>B-BBEE</b>	<b>1 341</b>	<b>70,69%</b>	<b>44 108</b>	<b>86,79%</b>	<b>R3 024 310 648.89</b>	<b>90,61%</b>

The number B-BBEE suppliers who have conducted business with the City during quarter 2 were 1 341 (Q1: 1 341) and this equates to 70.69% (Q1: 67,08%) of the overall number of suppliers used.

A total of 44 108 purchase orders totalling R3 024 310 648,05 were issued to the B-BBEE suppliers which equates to 86,79% of the total purchase orders and 90,61% of the total expenditure for this period.

#### **5.3.4 e-Procurement**

The SCM unit, during 2016, embarked on the first phase of an e-Procurement initiative in which it sought to build a custom, self-service foundation for suppliers to engage electronically with the City.

e-Procurement phase I went live in November 2017 targeting specific suppliers for self-service but it was limited to the Goods commodities. SCM was satisfied with the sustainability of the phase I solution and has implemented e-Procurement phase II on 1 July 2019. This phase, *inter alia*, includes the implementation of the solution to the Services commodities of which 4 commodities are currently piloted.

e-Procurement phase II is focused on an improvement of the e-Procurement project that further saw the addition of the below functions:

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

A total of 2 799 suppliers have been registered on the e-Procurement portal to date with 2 294 suppliers showing activity on the system since 1 November 2017. A total of 25 650 Request for Quotations (RFQ's) have been advertised since the roll-out of e-Procurement and 115 911 responses have been received. This equates to a response ratio of 4.52 responses per advert placed which is in line with the response ratio indicated in table 5, paragraph 5.3.2 above.

Table 7 below includes statistics of RFQ's advertised on the e-Procurement system and number of responses received for the quarter under review.

**Table 7: RFQ's advertisements vs Responses received on e-Procurement System**

Month	RFQ's Advertised	RFQ Responses	Ratio
Oct 2019	1 985	10 675	5.38
Nov 2019	2 047	10 547	5.15
Dec 2019	1 334	5 496	5.12
<b>Total</b>	<b>5 366</b>	<b>26 718</b>	<b>4.98</b>

In addition, an office equipped with computers is available on the 2<sup>nd</sup> floor in the Cape Town Civic Centre for suppliers to be assisted on a daily basis and group assistance is also provided at the Media Building every Wednesday.

## 5.4 Inventory and Stores Management (ISM)

### 5.4.1 Improvements and Focus Areas

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 13 415 different materials and 23 460 bins maintained. During the second quarter of 2019/20 the average stock value was R369 027 112 (Q1: R374 330 465) and the closing balance of stock for the quarter was R378 054 016 (Q1: R373 786 749). There were 203 138 goods movement transactions (Q1: 213 746) during the quarter.

### 5.4.2 Comparative results – Quarter 2: 2018/19 and 2019/20

Some comparative results for the second quarters of 2018/19 and 2019/20 financial years are indicated below (Table 8).

**Table 8: Comparative results**

2nd 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
2018/19	425 927 695	390 413 806	282 787 080	2.83	204 097
2019/20	378 054 016	369 027 112	273 522 533	2.90	203 138
% Change	-11.24%	-5.48%	-3.28%	0.07	-0.47%

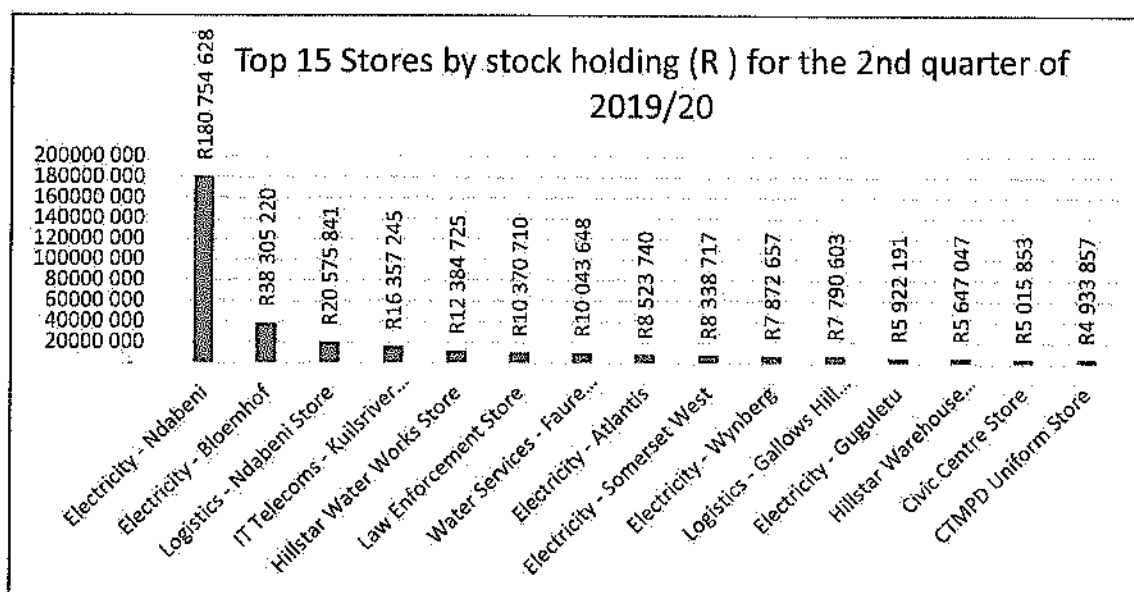
The usage value reduced by 3.28% (01 October 2019 to 31 December 2019 compared to 01 October 2018 to 31 December 2018) mainly due to a reduction of the usage on electricity switchgear and panels that were procured, but not collected by users due to a project being halted.

The quarterly comparable stock turn increased by 0.07 (01 October 2019 to 31 December 2019 compared to 01 October 2018 to 31 December 2018) mainly due to a high usage of Ferric and aluminium sulphate utilised by Water Treatment plants.

#### 5.4.3 Top 15 Stores and Material Groups

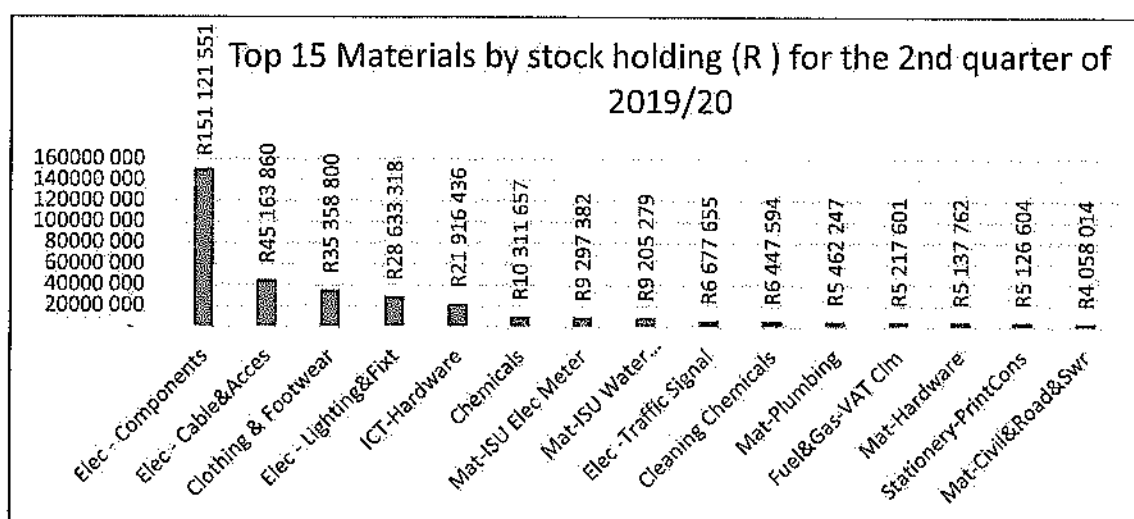
Graph 1 below provides an analysis of the SAP stores material groups in terms of stock value as at the end of the second quarter.

**Graph 1: Analysis of Stock Value – Top 15 Stores**



Graph 2 below indicates the relative importance of the top 15 SAP stores stock in terms of stock value as at the end of the second quarter.

**Graph 2: Analysis of Stock Material Groups – Top 15 Materials**



## 5.5 Supplier Management and Administration Services

### 5.5.1 SCM Bid Adjudication Committee

The SCM Bid Adjudication Committee (SCMBAC) continues 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 turnaround time. The BAC meeting is open to the public as part of transparency.

### 5.5.2 Supplier Management

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. Continued support is provided to internal and external stakeholders. Database integrity is maintained through stringent due diligence processes.

**Table 8: Suppliers registered during the quarter**

Month	Number
October 2019	178
November 2019	134
December 2019	60
<b>Total</b>	<b>372</b>

For the quarter under review 372 new supplier applications were reviewed and approved (Q1: 349). This is an increase from the previous quarter and 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 operates on the second floor of the Cape Town Civic Centre to assist suppliers face-to-face with their CSD registrations. A total of 206 of suppliers visited the walk-in center and were provided support see Table 9 below.

**Table 9: CSD assistance during the quarter**

Month	Number
Registration assistance - October 2019	98
Registration assistance - November 2019	74
Registration assistance - December 2019	34
<b>Total</b>	<b>206</b>

There are 13 934 active suppliers on the SAP supplier database of which 12 379 (89%) have been successfully registered on the National Treasury CSD.

### 5.5.3 Supplier Due Diligence

Continuous due diligence reviews are being performed to ensure compliance with clauses 44 and 45 of the Municipal SCM Regulations. There have been continuous enhancements of detection tools to ensure the City does not do business with any person in service of the state.

The "Red List" continues to provide additional assurance and acts as an internal monitoring tool for suppliers who are not performing satisfactory or who has committed abuse of the SCM system. Poor performing suppliers are performance managed by the relevant project managers within line departments. Where deemed necessary non-performance or abuse matters are referred to Legal for further action. Such suppliers may be reported to National Treasury in instances where the supplier has defaulted and must be restricted.

For the second quarter 25 matters of SCM abuse, default or poor performance has been recorded and actioned accordingly.

**Table 10: Supplier Default and Performance for the quarter**

Defaulting and Poor Performing Suppliers	
Nature	Number
False declaration of interest	1
Non-delivery of goods / services	5
Poor performance	12
Repeated withdrawal of offer by supplier	1
Abuse of SCM Policy	1
Matters sent to Forensics	1
Matters sent to Legal	4
Matters sent to National Treasury for restriction	0
<b>Total</b>	<b>25</b>

### 5.5.4 Training and Development

The SCM department has undertaken a series of training interventions with the National School of Government (NSG).

A total of 111 Committee Chairpersons and Project Managers in the various directorates have been trained during the second quarter and training included the following subject matters:

- Bid Committees;
- Strategic Sourcing; and
- Detecting and Combatting Bid Rigging.

Training initiatives are ongoing and will reach all role players within the supply chain management system.



### 5.5.5 SCM Capacitation

The SCM business improvement strategy, *inter alia*, provides for the staffing of the SCM unit with suitably qualified and experienced employees.

The SCM department made 19 permanent appointments during quarter 2. Among these appointments is the appointment of the Head: Procurement Excellence and Governance and 1 x Senior Professional Officer for Tenders and Contracts. SCM further appointed 1 x Assistant Professional Officer for Tenders & Contracts, 1 x Administrative Officer for Supplier Management & Administration Services, 5 x Senior Clerks for Tenders & Contracts, 6 x Assistant Storekeepers for ISM and 4 x Clerks for Tenders & Contracts.

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

### 5.6 Procurement Excellence and Governance

During the quarter SCM was largely focused on the external audit by the Auditor General South Africa (AGSA). All efforts were made to ensure that the administration of the audit within SCM was efficient and responsive to the AGSA requirements.

The newly appointed Head: Procurement Excellence and Governance has been tasked to develop and monitor the audit action plan for the recent external audit once the final audit report is received.

The Procurement Excellence and Governance unit will focus on reviewing the SCM Policy, internal control reviews within SCM and embedding the Centre of Excellence.

#### FOR FURTHER DETAILS, CONTACT:

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