



DATE: 05 JANUARY 2018

REPORT TO: EXECUTIVE MAYOR

LL14887

1. ITEM NUMBER

SUPPLY CHAIN MANAGEMENT:

REPORT FOR THE PERIOD 1 OCTOBER 2017 TO 31 DECEMBER 2017

VERSKAFFINGSKETTINGBESTUUR:

VERSLAG VIR DIE TYDPERK 1 OKTOBER 2017 TOT 31 DECEMBER 2017

ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IIMPAHLA ZEZIKO:

INGXELO ESUSELA KWISITHUBA SOMHLA

WOKU-1 KWE YEDWARHA 2017 UKUYA KOWAMA-31 KWE YO MNGA 2017

[LSU: 4878]

2. SUBJECT

SUPPLY CHAIN MANAGEMENT QUARTERLY REPORT

3. DELEGATED AUTHORITY

In terms of delegation

This report is

☐ Committee name :

☒ The Executive Mayor Ito Delegated authority

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

☐ Council

4. DISCUSSION

Clause 9 of the City's Supply Chain Management Policy (SCM Policy) relates to Section 117 of the Municipal Finance Management Act (MFMA), which provides that a City Councillor may not be a member of a bid committee or any other committee evaluating or approving quotations or bids (tenders), nor may a City Councillor attend any such meeting as an observer.

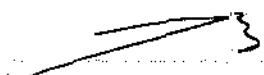
JMA

ISINDULULO


Kundululwe ukuba makuqatshelwe ulwazi oluqulethwe kule ngxelo isihloko sithi:
**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IMPAPHA ZEZEKO: INGXELO ESUSELA KWISITHUBA SOMHLA WOKU-1
OCTOBER 2017 UKUYA KOWAMA-31 DECEMBER 2017**

ANNEXURES

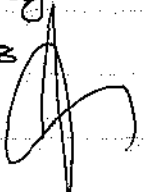
FOR FURTHER DETAILS CONTACT

NAME	Basil Chinasamy	CONTACT NUMBER	021 400 4761
E-MAIL ADDRESS	<u>basil.chinasamy@capetown.gov.za</u>	<i>PREVIOUS (Account)</i>	
DIRECTORATE	Finance - SCM	FILE REF NO	
SIGNATURE : DIRECTOR		<i>5/1/2018</i>	

EXECUTIVE DIRECTOR

NAME	<i>Kevin Jacoby</i>	COMMENT:	
DATE	<i>08.01.2018</i>		
SIGNATURE			

EXECUTIVE DIRECTOR: FINANCE

NAME	<i>Kevin Jacoby</i>	COMMENT:	
DATE	<i>08.01.2018</i>		
SIGNATURE			

MAH

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 08/01/2018

For information. JMH.

SIGNATURE [Signature]

EXECUTIVE DIRECTOR: DIRECTORATE OF THE MAYOR - FOR STRATEGIC POLICY

☐ SUPPORTED FOR ONWARD SUBMISSION

NAME

COMMENT:

DATE

SIGNATURE

MAYORAL COMMITTEE MEMBER

NAME JFH v/d MEWDE

COMMENT:

DATE 09/01/2018

SIGNATURE [Signature]

EXECUTIVE MAYOR

☒ SUPPORTED

☐ NOT SUPPORTED

NAME

COMMENT:

DATE 11.01.2018

SIGNATURE P. de Lille.

Making progress possible. Together.



ANNEXURE

1. STRATEGIC INTENT

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

2. PURPOSE

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

3. FOR NOTING BY THE EXECUTIVE MAYOR

For information of the Executive Mayor.

4. EXECUTIVE SUMMARY

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

5. SALIENT DETAILS OF SUPPLY CHAIN MANAGEMENT ACTIVITIES

Major SCM activities are summarized below, for information.

5.1. Demand, Risk and Disposal Management

5.1.1 Risk Management

There have been no changes to the SCM risk register during the quarter.

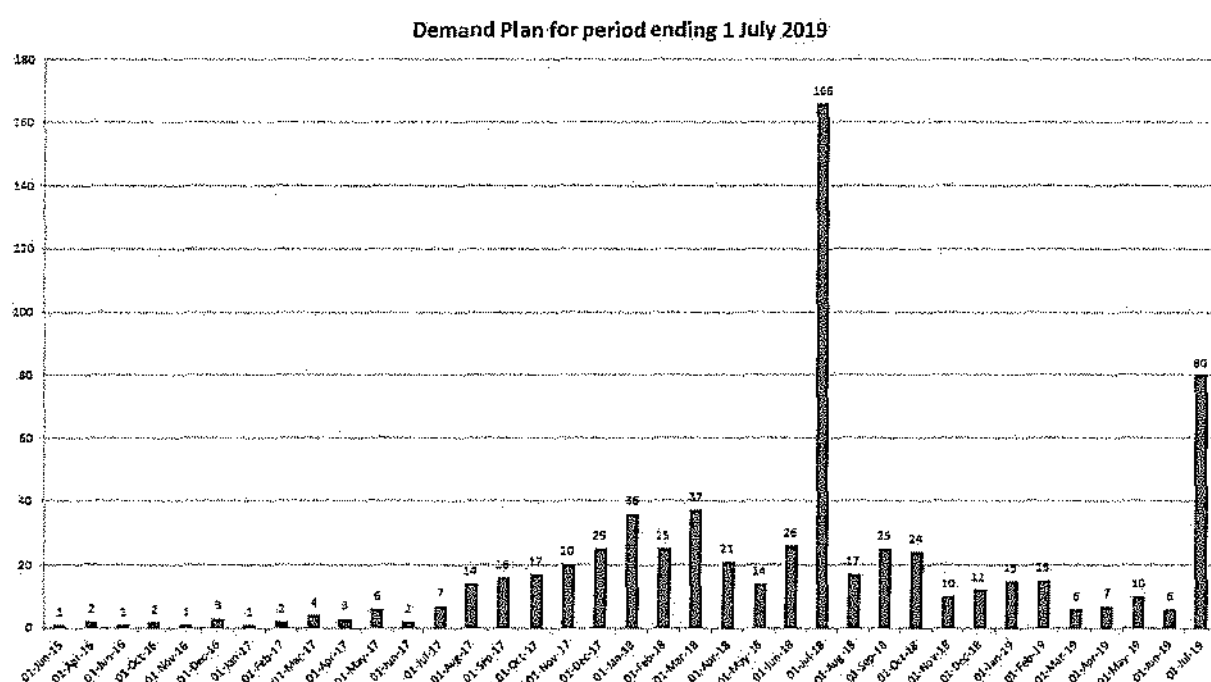
SCM is satisfied that known risks are identified and adequately managed.

5.1.2 Demand Management

The graph below illustrates the high-level demand plan of the City for the period ending 1 July 2019. Tenders which have been in the system for a long time are being monitored in order to finalize them as quickly as possible. These tenders contribute to the lengthened timelines of tender processing.

Two additional new resources have been appointed in Demand Management Unit in order to focus on the accuracy and completion of the demand plan as well as other functions related to demand management. These resources will assist in monitoring tender timelines.

Graph 1: High Level Demand Plan



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	R	4 684 276.01
Transformers	R	3 070 754.16
Oils	R	537 646.00
Assets sold on auction	R	17 716 626.00
Waste Paper	R	26 744.27
Total	R	26 036 046.44

A detailed list of the movable assets sold by means of public auction is available on request.

5.2. Supplier Management

5.2.1 Supplier Database of Accredited Suppliers

The purpose of the Supplier Management Database, and as required by the Supply Chain Management policy, is to provide the City with a list of accredited suppliers that must be maintained in order to adhere to the SCM Regulations. This department continues to offer ongoing support to its internal and external customers by ensuring that the information is accurate and that the due diligence checks are done to maintain the compliant status of suppliers.

For the past quarter 677 new applications were received of which 616 compliant applications were approved.

5.2.2 Supplier Due Diligence

Continuous due diligence checks are being performed to ensure compliance with clauses 44 and 45 of the SCM regulations by not doing business with any person in service of the state. The "Red List" has been implemented as an internal monitoring tool for suppliers who are not performing 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 2: Supplier Default and Performance for the period October – December 2017

	October	November	December	Total
False Documentation	0	1	1	2
Non- Delivery of Goods/ Services	2	2	0	4
Poor Performance	5	1	2	8
Repeat of Withdrawal of RFQ	0	0	0	0
Collusion	0	2	0	2
Abuse of SCM Policy	1	2	1	4
Total	8	8	4	20

Matters sent to Legal	1	6	2	9
Matters sent to National Treasury for restriction	0	0	1	1

For this quarter 20 matters of supplier poor performance were dealt with.

5.2.3 List of Accredited Prospective Suppliers

The City of Cape Town's Supplier Database is maintained in parallel with the National Treasury Central Supplier Database (CSD). On the SAP database 18 080 of the suppliers have been registered on the CSD database. This figure changes daily as supplier data and status change.

5.3. Inventory & 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 in the correct quantities to other user departments in the City. ISM strives to keep the stock levels as low as possible in order to reduce the City's financial investment in stock.

There are currently 38 operational SAP stores in the City and 18 fuel sites.

During the quarter in review the average stock value was approximately R265 000 000, 00 with a stock usage of approximately R231 000 000, 00 and approximately 208 000 goods movement transactions.

There are more than 12 000 different materials and 21 500 bins maintained within these 38 stores.

There is a continuous focus on the improvement of customer service, material availability, quality, stock accuracy, employee safety, facilities, business processes and training. There is also a drive to increase the percentage of stock materials that are on contract.

Recent management challenges were identified with the ISM branch and is being appropriately addressed by the Director: SCM.

5.3.1 Achievements

Some achievements and focus areas during the quarter under review were:

There were no reported incidents of stock theft across any of the stores in the City during the period under review.

Returns to stock were less than 0.028% of goods issues during this period. This means that the users are satisfied with the quality of materials that they received and that the quality management system continues to perform well.

Renovations to the Hillstar store were completed and occupancy taken thereof during August. This has significantly improved service delivery to users in the Southern Peninsula.

It is pleasing to note that stock availability has shown a slight increase from 94% in November/ December 2016 to 95.3% in November/ December 2017.

Increasing the percentage of stock materials that are on contract continues to be a challenge; however again with the additional resources assisting in the Tenders & Contracts branch a steady improvement is evident. Six stock tenders have been advertised since July 2017.

A Senior Inventory Accountant has been appointed and will be responsible for driving a compliant inventory management system for the City to ensure proper control and accounting of stock.

5.3.2 Results

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

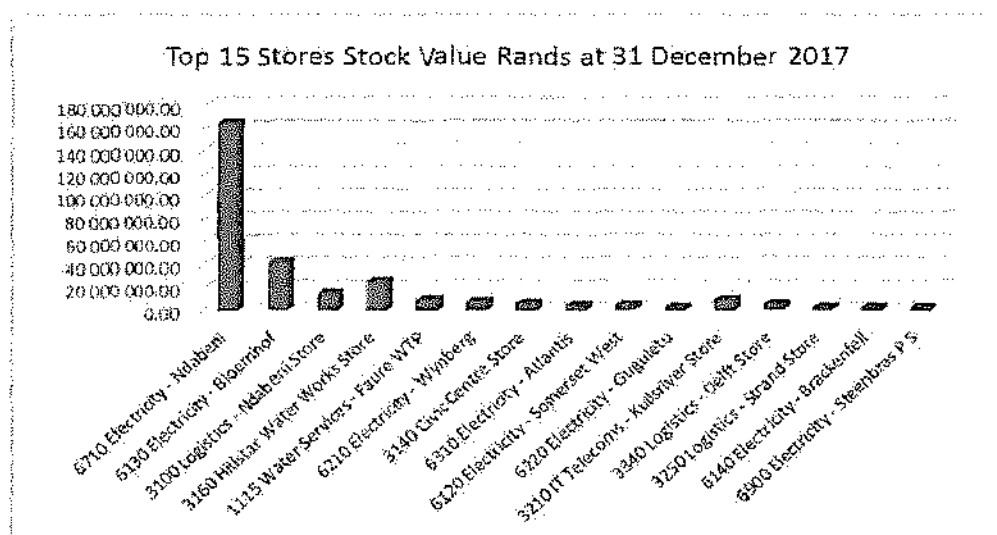
Table 3: Comparative results of 2016/17 and 2017/18

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
2016/17	284 026 032	267 332 712	205 660 440	4.0	204 052
2017/18	352 582 047	324 181 995	222 720 462	4.1	210 373
% Change	24%	22%	8%	3%	3%

5.3.3 Top 15 Stores and Material Groups

The two graphs below provide an analysis of the top 15 stores and stock material groups as at the end of the second quarter of 2017/18.

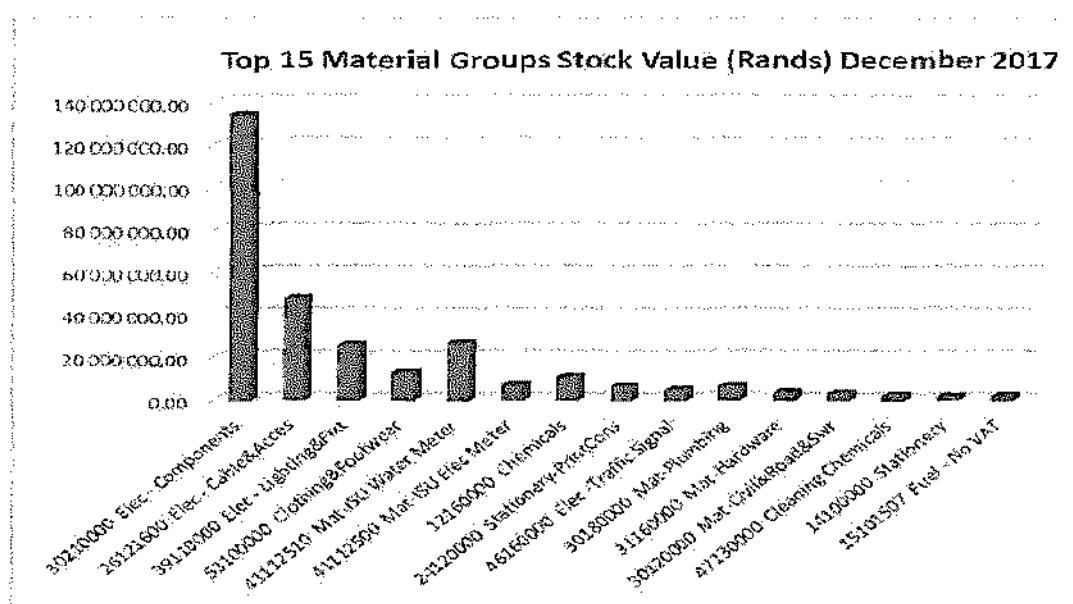
Graph 2: Analysis of Stock Value October – December 2017



This graph indicates the relative importance of the top 15 SAP stores stock value at the end of the second quarter of 2017/18. Management's attention is focused on the top four (4) stores.

It must be noted that the Faure Water Treatment Plant and IT Telecoms stores are managed by the user departments themselves.

Graph 3: Analysis of Stock Material Groups October – December 2017



This graph indicates the relative importance of the top 15 Material Groups for stock materials in terms of stock value at the end of the second quarter of 2017/18. Management's attention is focused on the top 4 Material Groups.

5.4. Procurement

5.4.1 RFQ Advert vs Responses for July to September 2017

This quarter has seen us place 4639 Requests for quotes on the City's website and received 15163 responses to our advertised requests for quotations and we have produced 58188 Purchase orders to the value of R3 562 321 701.76 (This figure does not tally with the table 6 below – same problem as in the past – please correct it)

Table 4: Advert vs Responses for October - December 2017

	GOODS		Services	
	RFQ Advertised	RFQ Responses	RFQ Advertised	RFQ Responses
Oct'17	1302	4673	567	1668
Nov'17	1345	4345	504	1528
Dec'17	748	2355	173	594
Total	3395	11373	1244	3790

Table 5: Comparative Analysis

RFQ Activity	2016/ 2017 Quarter 2	2017/ 2018 Quarter 2	Change %
Total Advertised	4400	4639	5.15
Total Responses	24841	15163	- 38.96

The decrease in RFQ's advertised and received is mainly on the services side and this can be attributed to tenders being implemented for the grass cutting, horticultural maintenance and general maintenance which resulted in less request for quotations received. The strategy of putting formal tenders in place ultimately reduces the number of RFQ's and ensures better pricing for the City.

5.4.2 Volume and Value of Purchase Orders for B-BBEE Spend

The number B-BBEE service providers who have conducted business with the City in this quarter (1 October 2017 to 30 December 2017) were 1839 and this equates to 91.81% of the overall number of service providers used.

A total of 52 496 purchase orders were issued to the B-BBEE vendors which equates to 95.72% of the total and, the spend is R 2 689 477 676.98 which is equivalent to 96.31% of our total expenditure for this period.

Table 6: B-BBEE vs PO spend for the Quarter October 2017 to December 2017

B-BBEE Level	Vendors	% Vendors	PO's	% PO's	PO Value	% PO Value
1	952	47,53	31663	57,74%	977 145 187,18	34,99
2	251	12,53	8103	14,78%	602 808 504,06	21,59
3	170	8,49	4413	8,05%	545 400 450,82	19,53
4	340	16,97	6090	11,10%	428 253 457,82	15,34
5	36	1,80	214	0,39%	50 659 277,32	1,81
6	30	1,50	796	1,45%	39 920 992,83	1,43
7	20	1,00	407	0,74%	5 840 793,25	0,21
8	40	2,00	810	1,48%	39 449 013,70	1,41
9	4	0,20	123	0,22%	1 179 417,26	0,04
0	160	7,99	2222	4,05%	101 946 878,44	3,65
Grand Total	2003	100%	54841	100%	2 792 603 972,68	100%
B-BBEE	1839	91,81	52496	95,7	R2 689 477 676,98	96,31

5.4.3 Community Based Procurement

The Procurement and Supplier Management team continues to support this program whenever area based services conducts workshops to communities.

5.4.4 E-procurement Project

The e-Procurement Portal went live on the 01 November 2017. The project will be phased in over a period of 24 months in order to allow suppliers to successfully develop themselves and adapt to the new system. The pilot phase will see suppliers in the Building and Hardware, Clothing and Information & Technology industries utilise the e-Procurement Tool to:

- apply for contracts with a value of up to R200 000;
- apply for multiple contracts;
- keep track of the progress of applications;
- receive notifications

5.5. Tenders and Contracts Administration

5.5.1 Quarterly statistics

A total of 103 tenders were advertised and 65 tenders were awarded during the quarter under review.

Table 7: Tender Statistics for October – December 2017

1 October 2017 – 31 December 2017	
Advertised	103
Submissions received	880
Awarded	65
Cancelled	6

5.5.2 Turnaround times

The average period from advertise to award for the 2017/18 financial year (as at the end of this quarter) is 26.91 weeks is an improvement to the average weeks to award recorded for the 2016/17 financial year.

SCM has played a vital role in supporting the approximately 27 water resilience tenders which are meant to procure service providers to support the augmentation of water for the City. A dedicated team has been assigned within SCM to support the water projects to ensure that tenders are done speedily and delays are avoided as far as possible. The team has recorded some remarkable turnaround times in finalising water related tenders and will continue to do so in the new year.

5.5.3 Other

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

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

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

5.6. Supply Chain Management Bid Adjudication Committee & Support Services

The SCM Bid Adjudication Committee (SCMBAC) and the SCM Immovable Property Adjudication Committee (SCM-IPAC) continue to consider reports including tender recommendations and final awards. The BAC continues to meet weekly and remains instrumental in achieving

maximum awards within a quick turn-around time. The BAC meeting is open to the public as part of good governance.

5.6.1 Current Interventions

5.6.1.1 Training and Development

The SCM department has undertaken a series of training interventions with the National School of Government. Bid Committee Training has been rolled out to bid committee chairpersons and project managers in Informal Settlements, Water and Waste, Safety and Security, Transport and Development Authority and will continue to be rolled out to all chairpersons. A series of accredited NSG training interventions are planned for implementation in the months to follow. The training is also available to departments upon such request being made.

5.6.1.2 Contract Performance Reporting

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

This function is however no longer performed by SCM as it was handed over to the Contracts Management Unit during this quarter.

5.6.1.3 Tender Tracking System

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

5.6.1.4 Management Interventions

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

5.6.2 SCM Capacitation

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

The capacitation of suitable staff has continued with the appointment of two (2) Senior SCM Specialists for the Demand & Risk Management System and one (1) Head: Procurement. Interviews for the Manager: Tenders and Contracts, Manager: Procurement Excellence and Governance, Head: Tenders and Contracts and Head: Procurement Excellence and Governance have taken place. Adverts for SCM Specialists have closed and shortlisting is underway. Two new Shared Services SCM Specialists offers have been finalised and they will start in the new year to support directorates. These new positions will augment the SCM structure and improve efficiency, compliance and delivery.
