



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

DATE: 04 JANUARY 2019

REPORT TO: EXECUTIVE MAYOR

LC21701

1. ITEM NUMBER

2. SUBJECT

SUPPLY CHAIN MANAGEMENT:

REPORT FOR THE PERIOD 1 OCTOBER 2018 TO 31 DECEMBER 2018

VERSKAFFINGSKETTINGBESTUUR:

VERSLAG VIR DIE TYDPERK 1 OKTOBER 2018 TOT 31 DESEMBER 2018

**ULAWULO LOBONELELO NGENKONZO YOKUTHENGA NOKUTHENGISA
IIMPAHLA ZEZIKO:**

INGXELO ESUSELA KWISSITHUBA SOMHLA

WOKU-1 KWE YEDWARHA 2018 UKUYA KOWAMA-31 KWE YO MNGA 2018

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.

Clause 11 records that the Executive Mayor must provide general political guidance over the fiscal and financial affairs of the City and must monitor and oversee the

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

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

4.1. Financial Implications ☒ None ☐ Opex ☐ Capex

☐ Capex: New Projects

☐ Capex: Existing projects requiring additional funding

☐ Capex: Existing projects with no additional funding requirements

Legal Compliance ☐

4.2. Staff Implications ☐ Yes ☒ No

4.3. Risk Implications ☐ Yes ☒ No

5. RECOMMENDATIONS

IT IS RECOMMENDED THAT THE CONTENTS OF THE REPORT ENTITLED SUPPLY CHAIN MANAGEMENT REPORT FOR THE PERIOD 1 OCTOBER 2018 TO 31 DECEMBER 2018 BE NOTED.

AANBEVELING

DAAR WORD AANBEVEEL DAT DAAR KENNIS GENEEM WORD VAN DIE INHOUD VAN DIE VERSLAG GETITELD VERSKAFFINGSKETINGBESTUUR: VERSLAG VIR DIE TYDPERK 1 OKTOBER 2018 TOT 31 DESEMBER 2018

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 2018


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ANNEXURES:

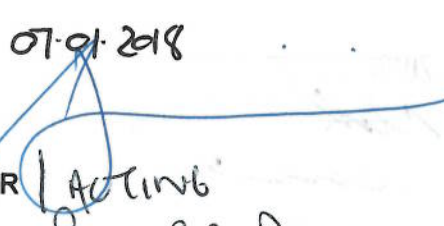
ANNEXURE 1

FOR FURTHER DETAILS CONTACT

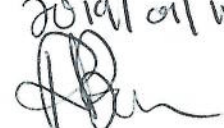
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E-MAIL ADDRESS	basil.chinasamy@capetown.gov.za		
DIRECTORATE	FINANCE SCM	FILE REF NO	
SIGNATURE : DIRECTOR			

Acting

EXECUTIVE DIRECTOR


NAME David Valentine
~~KEVIN JACOBY~~ COMMENT:
DATE 07-01-2018
SIGNATURE 

CITY MANAGER

Acting
Richard Bosman
NAME LUNGELO MBANDAZAYO COMMENT:
DATE 2019/01/11
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 Patricia Davis COMMENT:
DATE 09.01.2019 For information.
SIGNATURE 

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EXECUTIVE MAYOR

NAME ALD DAN PLATO COMMENT:

DATE 16-01-2019

SIGNATURE 



ANNEXURE 1

1. STRATEGIC INTENT

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

2. PURPOSE

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

3. FOR NOTING BY EXECUTIVE MAYOR

For information of Executive 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

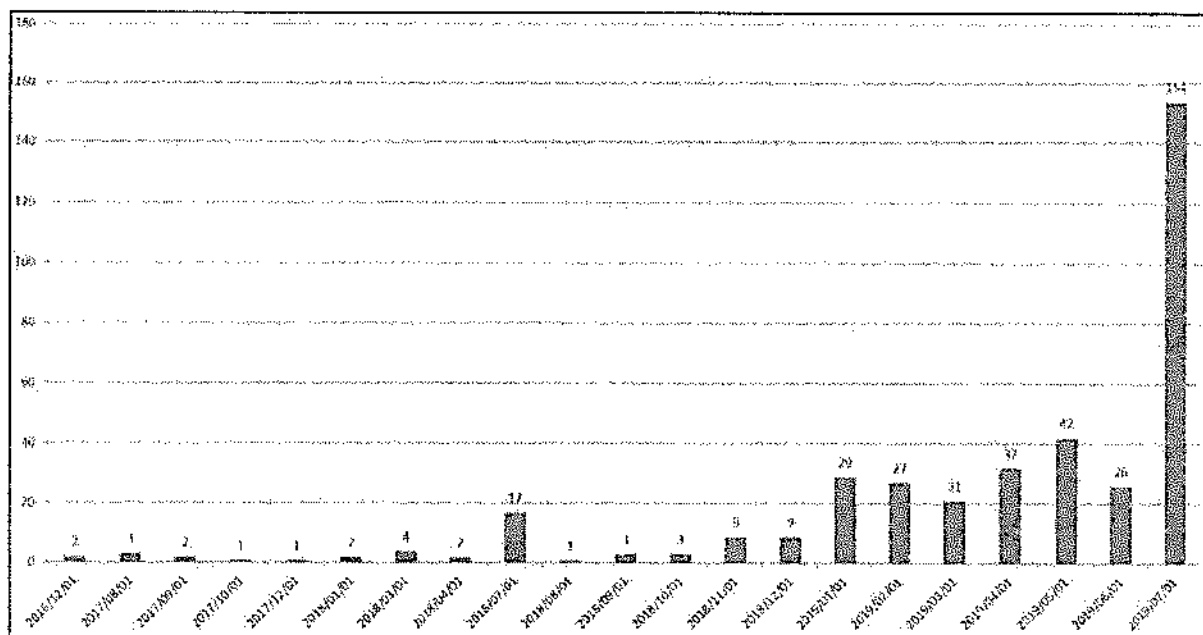
The latest risk register for SCM was signed on 23 November 2018. SCM is satisfied that known risks are identified and adequately managed.

5.1.2 Demand Management

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

The spike in contracts required in July is high. This is due to the change in implementation of Section 33 of the MFMA pertaining to contract durations which must be related to the MTREF period. In order to address this, the SCM department is prescribing to line departments which tenders must follow the formal Section 33 process and be implemented for longer than 3 years.

Graph 1: High Level Demand Plan the period ending 1 July 2019



5.1.3 Disposal Management

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

Table 1: Revenue Generated

Scrap Metals and Cable	R	3 934 972.41
Transformers	R	993 358.50
Oils	R	236 681.92
Assets sold on auction	R	27 548 439.66
Waste Paper	R	45 929.45
TOTAL	R	32 759 381.94

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

5.2 Supplier Management

5.2.1 Supplier Database

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

Table 2: Supplier Registration Information

REGISTRATIONS APPROVED 2nd QUARTER, 2018	
October	129
November	124
December	65
TOTAL FOR 2nd QUARTER, 2018	318

For the second quarter, 318 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.

Table 3: CSD Registration of Suppliers

CSD REGISTRATIONS APPROVED FOR 2nd QUARTER - 2018	
October	121
November	69
December	41
TOTAL FOR 2nd QUARTER 2018	231

There are 12860 active suppliers on the database of which 10904 have been successfully registered on the National Treasury CSD database. This is a great achievement as the City remains the only municipality which has a CSD walk-in-centre in the Western Cape and the highest number of registered suppliers.

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. A phased out roll out of Service departments are to follow from 1 May 2019.

1051 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 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 by not doing business with any person in service of the state.

A "Red List" has been implemented as an internal monitoring tool for suppliers who are not performing as required. Poor performing suppliers are performance managed by the relevant project managers within line departments. Matters are referred to Legal unit or National Treasury where a supplier has defaulted and must be restricted.

Table 4: Supplier Default and Performance for the period 2018 – 2019

2nd Quarter - 2018	
Defaulting and Poor Performing Suppliers	
	2nd Quarter
False Declaration of Interest	0
Non- Delivery of Goods/ Services	6
Poor Performance	6
Collusion	0
Abuse of SCM Policy	1
Matters sent to Legal	2
Matters sent to National Treasury for restriction	2
Total	17

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 23 358 bins maintained. During the second quarter of 2018/19 the average stock value was R390 413 806 with a quarterly stock usage value of R282 787 080. There were 204 097 goods movement transactions during the quarter.

5.3.1 Results

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

Table 5: Second Quarter Results

2 nd 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	352 582 047	324 181 995	222 720 462	4.10	210 373
2018/19	425 927 695	390 413 806	282 787 080	2.83	204 097
% Change	21%	20%	27%	-1.27	-3%

The comparable stock value increased by 21% year on year.

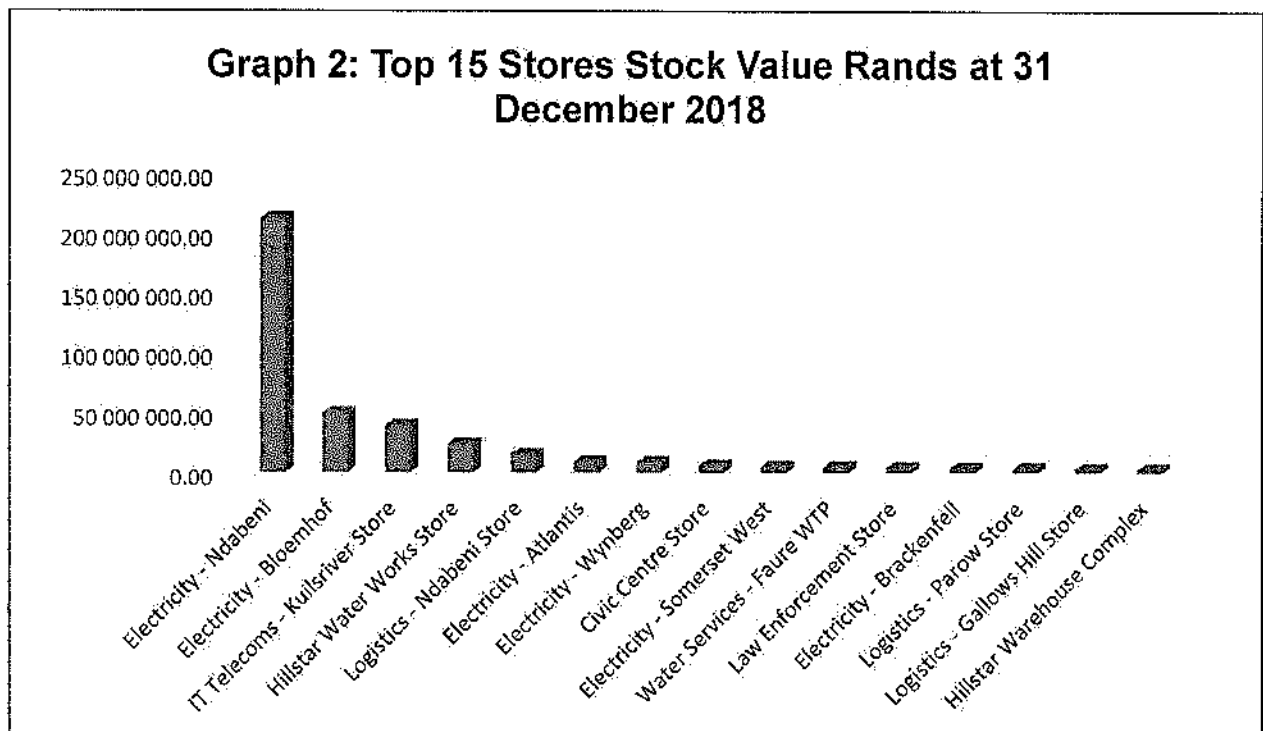
The reason for this increase can be attributed to an increase in the usage of high value materials which had to be ordered and kept in stock to meet the increased demand.

The comparable stock usage value increased by 27% year on year.

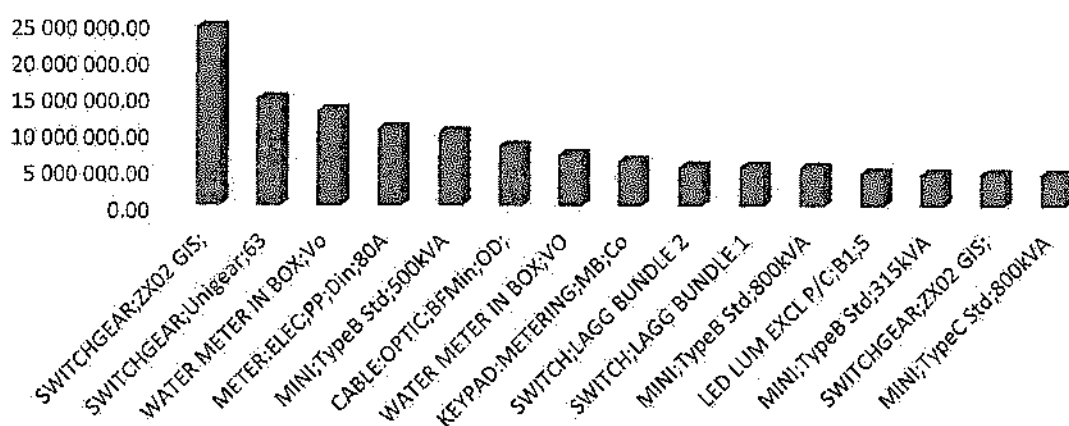
This was mainly due to an increase in high value materials such as switchgear, mini subs, water demand management meters, electricity meters, switch lag bundles, optic fibre and LED luminaires.

5.3.2 Top 15 Stores and Material Groups

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



**Graph 3: Top 15 Material Groups Stock Value (Rands)
31 December 2018**



5.3.3 Achievements and Focus Areas

5.3.3.1 Achievements

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

- Returns to stock averaged 0.0001% of goods issued.
- Returns to suppliers averaged 0.0066% 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 second quarter of 2018/19 Financial year (31 December 2018) 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 2nd Quarter (1 October 2018 to 31 December 2018)

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

This quarter has seen us place 5601 RFQs on the City's website, receiving 19 902 responses to these RFQs resulting in the issuing of 45 494 purchase orders to the value of R2 115 789 076.10.

Table 6: QIF Advert vs Responses for the 2nd Quarter (1 October 2018 to 31 December 2018)						
	GOODS				Services	
Month	RFQ Advertised	RFQ Responses	Ratio	RFQ Advertised	RFQ Responses	Ratio
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
	Total RFQs Advertised	5601		Response Ratio		3.55
	Total Responses	19902				

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 7: B-BBEE vs PO spend for the 2nd Quarter (1 October 2018 to 31 December 2018)						
B-BBEE Level	Suppliers	% Suppliers	PO's	% PO's	PO Value (R)	% PO Value
1	689	38.13%	21518	47.83%	R668,890,234.43	31.61%
2	169	9.35%	5643	12.54%	R315,373,884.32	14.91%
3	27	1.49%	679	1.51%	R61,728,983.96	2.92%
4	186	10.29%	3931	8.74%	R125,573,895.94	5.94%
5	10	0.55%	232	0.52%	R34,881,220.74	1.65%
6	5	0.28%	85	0.19%	R4,429,767.55	0.21%
7	9	0.50%	74	0.16%	R5,452,324.13	0.26%
8	19	1.05%	235	0.52%	R27,693,031.83	1.31%
0	693	38.35%	12587	27.98%	R871,765,733.20	41.20%
Grand Total	1807	100.00%	44984	100.00%	R2,115,789,076.10	100.00%
B-BBEE	1114	61.65%	32397	72.02%	R1,244,023,342.90	58.80%

The number B-BBEE suppliers who have conducted business with the City in this quarter (1 October 2018 to 31 December 2018) were 1114 and this equates to 61.65% of the overall number of suppliers who have conducted business with the City for the period.

A total of 32397 purchase orders were issued to the B-BBEE suppliers which equates to 72.02% of the total and, the spend was R1 244 023 342.90 which is equivalent to 58.80% of our total expenditure for this period.

5.5 Tenders and Contract Administration

5.5.1 Tender Statistics

Table 8: Tender Statistics

Overall Statistics	2018/19
Advertised	206
Submissions received	1799
Awarded	128
Cancelled	34

The awards and cancellations include tenders advertised in prior years.

5.5.2 Turnaround times

The average turnaround time measured over a rolling 3-year period is 28.07 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. The aim is to reduce the number of clarifications required to obtain bid submissions capable of fair evaluation.

5.5.3 Moving Forward

Completion of a tender timeline has been made a compulsory pre-requisite for an acquisition process to be initiated. Officials will be held accountable to achieving these tender "project plans". The Demand Plan for the remainder of the 2018/19 financial year was fixed at 30 September 2018 and the Demand Plan has remained stable.

Twenty-four appointments were made for period 01 October 2018- 31 December 201 (1 Head, 5 Senior SCM Specialists, 5 Assistant Professional Officers, 2 Specialist Clerks and 11 Clerks). The new appointments in the 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.

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 93 committee chairpersons and project managers in the various directorates and will continue to be rolled out to reach all role players within the supply chain management system.

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

FOR FURTHER DETAILS, CONTACT:

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