

ITEM C/2/.../04/17

Mayoral Committee for recommendation to Council

REPORT ON THE IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY FOR THE QUARTER 01 APRIL TO 30 JUNE 2017

Department: Finance **Demarcation:** All Wards

File Ref: 8/1/5/5/2

Attachment: Annexure A: Tenders and Quotations Awarded for the period April to June 2017
Annexure B: Comparative Tender Opening Schedule
Annexure C: Deviations approved by delegated officials
Annexure D: Schedule of Procurement Process Timeline

Report from: Chief Financial Officer

Author Manager: Supply Chain Management

Date: 06 July 2017

1. Purpose of the Report

1.1. Report on the Implementation of the Supply Chain Management Policy, for the 4th Quarter, 01 April to 30 June 2017 of the 2016/17 financial year.

2. Background

2.1. The Local Government: Municipal Finance Management Act, No 56 of 2003, requires the municipality to have and implement a Supply Chain Management Policy, which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'.

2.2. On the 30th May 2005 the Municipal Supply Chain Management Regulations were promulgated. Council on December 14, 2005 at a legally constituted Council meeting approved the Bitou Municipality Supply Chain Management Policy in terms of these Regulations. The SCM Policy have been reviewed regularly with the last review approved on 31 May 2016.

2.3. Section 117 of the MFMA prohibits a Councillor from being a member of a bid committee or any other committee evaluating or approving quotations or tenders. The SCM Policy requires per Section 6 that Council have an oversight role to ensure that the Accounting Officer implements all supply chain management activities in accordance with the SCM Regulations and the Bitou Municipality Supply Chain Management Policy Incorporating Preferential Procurement (SCM Policy).

2.4. Section 6(3) of the SCM Policy requires that the Accounting Officer submits a quarterly report on the implementation of the Supply Chain Management Policy to the Executive Mayor.

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2.5. The report contains information about operational activities within the Supply Chain Management Section. In order to comply with this requirement, we attach as Annexure A schedules of Tenders and Formal Written Price Quotations Awarded, as well as Deviations from the SCM Policy, considered and approved by the delegated officials, per Annexure C for the 4th Quarter of the 2016/17 financial year.

3. **Tenders Awarded: Competitive Bidding for all Contracts valued more than R30 000**

3.1. The competitive bidding process and bid committee structures are functioning effectively. The Bid Committees are composed of the following members:

| # | Committee | Composition & Function |
|----|----------------------------------|---|
| 1. | Bid Specification Committee- BSC | The project manager and a Senior SCM Practitioner- Considers tender specifications and approve or recommend for approval to the HOD |
| 2. | Bid Evaluation Committee- BEC | The project manager, a Senior SCM Practitioner and any other Manager- Considers tender evaluation reports and makes recommendations to the BAC |
| 3. | Bid Adjudication Committee- BAC | At least 3 Heads of Department and a Senior SCM Practitioner, with the CFO as Chairperson. (Not the same SCM Practitioner as BEC)- Considers recommendations from the BEC and make awards or recommend to the MM to award if R 10 million and more. |

3.2. Members of the bid committees are required to declare to undertake the following:

3.2.1. That all information, documentation and decisions regarding any matter before the committee is confidential and undertakes not to make known anything in this regard;

3.2.2. To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody; and

3.2.3. To make known details of any private or business interest he or she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.

3.3. The members of the Bid Committees have duly undertaken to uphold the confidentiality, to be fair in all dealings and to declare their personal interests, if any. None of the members had conflicts of interest to declare.

4. **Tender Awards**

4.1. The awards made by bid committees or the delegated officials, attached per **Annexure A**, are valued in excess of R 60,224 million for 13 Tenders & Formal Written Price Quotations awarded.

4.2. We also report in terms of all contracts awarded as follows:

4.2.1. B-BBEE compliant enterprises

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4.2.2. Enterprises within the Bitou Municipality Area

4.2.3. B-BBEE Enterprises within the Bitou Municipality Area

4.3. The schedule compares the results with the comparative quarter of the previous financial year as well as the year, as follows:

| # | Description | 4 th Quarter 2016/17 | 3 rd Quarter 2016/17 | 2015/16 |
|-----|--|--|------------------------------------|--------------------------|
| 1. | Tenders Awarded | 13 | 20 | 85 |
| 2. | Contracts concluded resulting from the tenders. (Individual suppliers or service providers appointed as a result of the tenders awarded) | 20 | 52 | 132 |
| 3. | Estimated Value of Tenders Awarded | R 60 224 634 | R 27 658 687 | R 256,192 million |
| 4. | Number of Appeals Received | 0 | 1 | 0 |
| 5. | Number of Appeals in Progress | 2 (2 of Q2- 2014/15 still in progress) | | |
| 6. | Number of successful appeals | 0 | 0 | 0 |
| 7. | Number of Contracts Awarded to B-BBEE Enterprises | 19 | 49 | 114 |
| 8. | Value of Contracts Awarded to B-BBEE Enterprises | R 57 341 766 | R 27 277 264 | R 226,181 |
| 9. | % of Contracts Awarded to B-BBEE Enterprises | 95% | 99% | 88% |
| 10. | Number of Contracts Awarded to Enterprises based in the Bitou Municipality Area | 14 | 32 | 48 |
| 11. | Value of Contracts Awarded to Enterprises based in the Bitou Municipality Area | R 50 041 925 | R 8 718 485 | R 72,790 million |
| 12. | % of Contracts Awarded to Enterprises based in the Bitou Municipality Area vs All Contracts | 83% | 32% | 28.41% |
| 13. | Number of Contracts Awarded to B-BBEE Enterprises based in the Bitou Municipality Area | 14 | 30 | 42 |
| 14. | Value of Contracts Awarded to B-BBEE Enterprises | R 50 041 925 | R 8 416 715 | R 69,573 million |
| 15. | % of Contracts Awarded to B-BBEE Enterprises based in the Bitou Municipality Area vs All Contracts | 83% | 30% | 27% |

4.4. The awards above include one contract awarded to Syntell (Pty) Ltd, for SCM/2017/136/FIN: Prepayment Electricity Vending system. The award was made in compliance with Section 32 of Council's SCM Policy, which allows the procurement of

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goods or services, procured by another municipality. The award was made after ensuring due diligence in all respects.

- 4.5. All tenders are opened in public and the results of the opening are recorded in a Bid Opening Register and placed on the Municipal Website. A schedule attached as **Annexure B**, details the tenders opened and awarded versus the unsuccessful competitive bids as per additional Council oversight request.

5. Procurement Process Timeline

Council also requires statistical information regarding the time taken to process a tender in terms of the SCM Policy. A schedule is attached as **Annexure D** indicating the timelines for a full procurement cycle underlying each tender award, in terms of the following criteria:

| # | Description of Measurement Criteria per Tender | Average Calendar Days- 2016/17- Q4 | Average Calendar Days- 2016/17- Q3 | Average Calendar Days- 2015/16 |
|----|--|------------------------------------|------------------------------------|--------------------------------|
| 1. | Average Calendar Days from Bid Specification Committee (BSC) to Bid Adjudication Committee (BAC)- Full Procurement Cycle | 102 | 138 | 109 |
| 2. | Average Calendar Days from Tender Advertisement Date to BAC | 85 | 95 | 90 |
| 3. | Average Calendar Days from Tender Closing Date to BAC | 69 | 75 | 72 |
| 4. | Average Calendar Days from Tender Closing Date to BEC- Tender Evaluation | 67 | 68 | 67 |
| 5. | Tender with Fastest Procurement Process: BSC to BAC | 17 | 37 | 27 |
| 6. | Tender with Longest Procurement Process: BSC to BAC | 240 | 244 | 181 |

- 5.1. The time required for the processing of tenders have decreased compared with the 3rd quarter, and has remained shorter than the turnaround times achieved during the previous financial year. The main reasons for any perceived delays in the processing of tenders might be ascribed to the high number of tender documents received, additional time allowed to bidders to clarify matters of uncertainty in order to minimise risk, long lists of requirements for long-term tenders as well as the complexity of tender evaluations experienced by project managers.

6. Deviations from the SCM Policy

- 6.1. Section 36(1) of Council's Supply Chain Management Policy allows the Accounting Officer to dispense with the official procurement processes under certain circumstances.

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During the 4th Quarter of the 2016/17 financial year, **37** deviations were considered and approved to the value of **R 3 941 241.23** represented by applications as per **Annexure C**.

6.2. Deviations were approved in the following categories provided for in terms of Section 36(1) of the SCM Policy with comparative figures for the year to date:

| Section from SCM Policy | Categories | Value (R) of Deviations Approved | |
|-------------------------|---|----------------------------------|----------------------|
| | | Q4: 2016/17 | 2016/17 Year to Date |
| 36(1)(a)(i) | In an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address | R 990 848 | R 1 217 620 |
| 36(1)(a)(ii) | Where it can be demonstrated that goods or services are produced or available from a single provider only | R 23 758 | R 1 981 459 |
| 36(1)(a)(iii) | For the acquisition of special works of art or historical objects where specifications are difficult to compile | R0 | R0 |
| 36(1)(a)(v) | Exceptional case and it is impractical or impossible to follow the official procurement processes | R 2 926 635 | R 4 213 638 |
| | Total | R 3 941 241 | R 7 412 717 |

6.3. The applications for deviations are monitored continuously in an attempt to reduce the incidents and competitive bidding processes are instituted immediately upon identification of recurring deviations, wherever possible.

7. Financial Implication

7.1. Financial implications are inherent in this financial report.

8. Executive Summary

8.1. Section 6(3) of the Bitou Supply Chain Management Policy Incorporating Preferential Procurement (SCM Policy) requires that the Accounting Officer submits a quarterly report on the implementation of the Policy to the Executive Mayor.

8.2. This report contains schedules of Tenders and Formal Written Quotations Awarded, as well as Deviations from the SCM Policy, considered and approved by the delegated officials, for the 4th Quarter, **01 April to 30 June 2017**, of the 2016/17 financial year.

9. Relevant Legislation

9.1. Local Government: Municipal Finance Management Act 2003, (Act 56 of 2003)

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- 9.2. Local Government: Municipal Finance Management Act 2003, (Act 56 of 2003):
Municipal Supply Chain Management Regulations
- 9.3. Bitou Municipality Supply Chain Management Policy Incorporating Preferential Procurement

Comments: Head Corporate Services

The recommendations of the Municipal Manager are supported.

Comments: Head Community Services

The recommendations of the Municipal Manager are supported.

Comments: Head Engineering Services

The recommendations of the Municipal Manager are supported.

Comments: Head Strategic Services

The recommendations of the Municipal Manager are supported.

Comments: Manager: Legal Services

The recommendations of the Municipal Manager are supported.

Recommendation by the Municipal Manager

1. That Council notes the Supply Chain Management Implementation Report for the 4th Quarter, April to June 2017, of the 2016/17 financial year in terms of Section 6(3) of the SCM Policy.
2. That Council notes the Deviations approved by the Municipal Manager for the 4th Quarter, April to June 2017, of the 2016/17 financial year, in compliance with Section 36(2) of the SCM Policy.