



GAUTENG PROVINCE
ROADS AND TRANSPORT
REPUBLIC OF SOUTH AFRICA

**g-Fleet MANAGEMENT 2015 /16 FINANCIAL YEAR THIRD QUARTERLY PERFORMANCE REPORT
(01 OCTOBER 2015 - 31 DECEMBER 2015)**

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1. TRADING ENTITY PERFORMANCE

1.1 OVERVIEW BY CHIEF EXECUTIVE OFFICER

a. Background

g-Fleet was formally known as the Government Garage and also as Gauteng Government Motor Transport (GGMT), following the devolution of the Fleet Management function previously carried out at the National Sphere of Government to the Provincial Administrations in terms of the Cabinet decision taken on 25 May 1988.

The entity has been operating as a trading Entity of the former Gauteng Department of Public Transport, Roads and Works (GDPTRW), since 2001. The Department is now the Gauteng Department of Roads and Transport (GDRT) following the re-configuration of Government Departments within the Gauteng Province, which resulted in the GDPTRW being split into the GDRT and the Gauteng Department of Infrastructure Development (GDID).

b. Vision

We keep Government Service Delivery on the move.

c. Mission

We will achieve our vision by:

- Providing effective, competitive and efficient fleet services to government.
- Focusing on providing reliable fleet to meet client needs.
- Building and maintaining sustainable stakeholder relations.

d. Values

The values that guide the work of the staff and contractors working on behalf of the Entity are the following:

(i) Good Governance

We pledge to uphold sound principles of institutional management, efficient systems and processes in service delivery and implement necessary governance structures.

(ii) Responsiveness

Our staff and contractors shall be approachable, receptive, open and will be quick to respond to needs of clients and Gauteng citizens as well as carrying out their responsibilities.

(iii) Innovative

We commit to be original, inventive and novel in the execution of our mandate and activities.

(iv) Accountability

We pledge to be answerable to clients and citizens of Gauteng about our service delivery responsibilities.

(v) Passion

We undertake to deliver services with passion, excitement and enthusiasm.

(vi) Professionalism

We commit to show competence and an attitude of excellence at all times.

(vii) Ethical

We commit to be principled, fair and just in our conduct and in service to the people of Gauteng.

(viii) Commitment

We commit to be devoted, faithful and loyal to the citizens and clients.

1.2 REVISIONS TO LEGISLATIVE, POLICY AND OTHER MANDATES

1.2.1 Legislative Mandates

The entity is operating in line with the following legislative mandates during the 2014/15 financial year:

- a. Public Finance Management Act (PFMA)
- b. Treasury Regulations
- c. Treasury practice notes
- d. Public Service Act
- e. Public Service Regulations
- f. Cabinet Memo of 1988
- g. Transport Circular 4 of 2000
- h. National Road Traffic Act of 1996
- i. Administrative Adjudication of Road Traffic Offences (AARTO)

The implementation of AARTO is creating a huge challenge for g-Fleet in that some client department's drivers do not pay their traffic fines which results in g-Fleet not being able to renew the vehicles licence disks. This has led to the Entity deciding to pay these fines and bill the affected client departments' respectively.

1.2.2 Policy & Other Mandates

The Entity's operations are largely regulated by the National Transport Circular No. 4 of 2000, which governs all matters relating to the utilization of government-owned transport and related transport functions. The effect of the above-mentioned circular has resulted in the withdrawal of Transport Circular No. 1 of 1975.

In response to Government that the implementation of the Gauteng Highway Improvement Project (GFIP), which was rolled-out by South African National Roads Agency Ltd (SANRAL) is almost finalised. The implementation of the new e-tolling system on identified Gauteng Provincial roads has led to slight changes to the Entity's operations. These changes included adapting systems to facilitate the management and billing of the new tolls incurred as a result of the utilization of g-Fleet's vehicles by clients'.

1.3 UPDATED SITUATIONAL ANALYSIS

1.3.1 Improvement of Performance in 2015/16 Financial Year

All efforts will be directed in ensuring that an Unqualified Audit Opinion is issued by the Auditor General (SA). Interventions will also be aimed at addressing operational challenges thereby demonstrating significant and systematic improvement of operations and customer satisfaction. Ongoing surveys and engagements with all key stakeholders throughout the current financial year will further provide an opportunity to determine whether planned and implemented initiatives have the desired effect on fleet management operations which will result in high levels of client satisfaction thereby meeting stakeholder expectations. The planned strategic interventions have been outlined below in the latter section reported under on the service delivery environment.

1.3.2 Service Delivery Environment

g-Fleet Management's core purpose is to respond to client departments' requirements for fleet management and vehicle related services. The service delivery environment overview for the year under review will focus on three key areas, i.e. client demand, supplier/strategic partnership involvement and competitor analysis.

The Entity planned to order 450 vehicles for the quarter under review. The Entity ordered a total of 614 vehicles. This was due to a concerted effort made to clear all FML quotation backlogs.

VIP had 229 active fleet available to be rented out. The plan was to rent out 97% (222 vehicles) of the fleet and only 95% (217) was rented out. The reason for underachievement is that clients received their permanently allocated vehicles and returned VIP vehicles that they had been utilizing.

Pool had 837 active vehicles. The target was to rent out 96% (803 vehicles) however the Unit exceeded the target and rented out 98% (820 vehicles). This is as a result of high demand from clients to implement some of their projects.

Also key changes to the service delivery environment during the year will be the review of existing systems and processes to address the current challenges (project already initiated) and the subsequent introduction of new suitable systems in the short to medium term. The issues of governance and compliance are one of the **nine (9) Turnaround Focal areas**, which cover the following:

- a. **Strategic Direction & Focus:** the review and alignment of the strategy to consolidate and improve services provided to current clients via the Turnaround Strategy.
- b. **Customer Relationship Management:** the establishment of suitable strategies and interventions to develop, improve and strengthen the relationship with client Departments.

- c. **Stakeholder Management & Strategic Partnerships:** the establishment and enhancement of relations with key stakeholders (e.g. Staff, Organised Labour, Legislature Committees, Provincial Treasury, Office of the AG, Media, etc.) during the financial year.
- d. **Revenue Enhancement & Debt Management:** the development of relevant strategies to improve Revenue (billing & collection) and Debt Management measures to improve the prevailing situation and legislative compliance.
- e. **Cost Containment:** Ongoing management and monitoring of budget vs. expenditure will improve the Entity's sustainability.
- f. **Asset Management & Maximised Utilisation:** adequate systems and measures to improve asset management, both movable and immovable will be implemented to ensure that the utilization of all assets is maximized to provide favourable return on investment.
- g. **Corporate Governance:** the establishment of suitable governance structures and systems, to support compliance with legislation and good governance principles.
- h. **Internal Controls, Systems & Processes:** ongoing review and improvements to existing internal controls, systems and processes will ensure that the entity can operate at world-class standards by 31 March 2015.
- i. **Robust Risk Management:** the establishment of suitable policies, systems and measures to pro-actively manage all key risks, which may have a negative impact on the organization achieving its set objectives and targets

1.4 OVERVIEW OF ORGANISATIONAL ENVIRONMENT

1.4.1 Overview of Functions & Services

g-Fleet Management is the Trading Entity of the Department of Roads and Transport (DRT) and has been in existence for more than 7 years. The main aim of the Entity is to provide motor transportation services to all government departments both at provincial and national levels.

The trading activities of g-Fleet focus primarily on the provision of state vehicles to enable client departments to carry out their day-to-day service delivery activities efficiently and effectively. Vehicles are procured by g-Fleet in line with client requests and through Service Level Agreements entered into or to replace previously allocated vehicles that have become obsolete and must be withdrawn. The National Treasury RT57 contract guides the procurement of vehicles.

The fleet of vehicles is allocated to client departments either for a period equal to the economic life cycle of each class or type of vehicle or for a period stipulated by the client (on Full Maintenance Lease contracts).

In return g-Fleet charges a daily, monthly and/or a kilometer tariff (user tariff charges) on the vehicles to cover the capital, running and overhead costs of the entity.

The Fleet Maintenance functions focus mainly on the maintenance and repair of vehicles using Wesbank merchants, in line with the National Treasury RT46 Contract. The RT46 contract has since been awarded to Transit Solutions with effect from 01 April 2014. Fleet Management support services are also provided to clients via the management and/or administration of fuel cards, traffic fines. Any obsolete vehicles and those that cannot be repaired are written-off and sold through a public auction.

1.4.2 Overview of Service Network

The Entity also operates four (4) Regional offices namely in Kwa-Zulu Natal, Eastern Cape, Western Cape and the Free State. These mainly service regional and district offices of Gauteng-based National Departments, who are key clients of g-Fleet. As part of the Turnaround Strategy, more emphasis will be directed at ensuring that the Regional Offices have adequate capacity and fleet, to meet all client needs at the various regions/districts.

Decisions regarding the possible expansion of regional offices will be considered, based on the success of the Turnaround Strategy and its implementation.

These Regional Offices were previously not included in the organisational structure of the Entity which has now been addressed in the approved structure.

1.4.3 Overview Staff Complement

Analysis of the current profile of employees indicates that 71% (or 190) of g-Fleet employees are permanent employees, whilst 29% (or 77) are employed on a contract basis. The recruitment process is in progress.

1.4.4 Summary of Posts and Vacancies

Staff Categories	Number	Percentage
	Q3	Q3
Total posts on approved structure	332	100%
Total staff complement	267	80%
Number of professional and managerial posts	9	3%
Number of professional and managerial posts filled	8	2%
Number of excess staff	0	0%
Number of positions filled by permanent staff	190	71%
Number of positions filled by contract staff	77	29%
Number of vacant positions excluding contract workers	66	14%
Number of vacant positions including contract workers	144	43%

1.4.5 Summary of Disciplinary Procedures

Status	Discipline	Appeals	Conciliation	Arbitration	Grievances	Disputes
Number Lodged	nil	nil	nil	1	5	6
Number Concluded	nil	nil	nil	nil	4	4
Number Outstanding	nil	nil	nil	nil	1	2

2. FINANCIAL PERFORMANCE

2.1 ANNUAL BUDGET: FUNDING

3 RD QUARTER PERFORMANCE REPORT FOR THE 2015-16FY	TOTAL BUDGET YEAR TO DATE REPORT					QUARTER 3 APP REPORT				
	ANNUAL BUDGET	ACTUAL SPEND	TOTAL VARIANCE	% DIFF	BUDGET	ACTUAL SPEND	TOTAL VARIANCE	% SPENT		
ANNUAL APPROVED BUDGET	R 919,378,501	491 999 371	427 379 130	46%	228 333 326	214 195 857	14 137 469	94%		
RESPONSIBLE MEC	MEC Roads and Transport – Dr. Ismail Vadi									
ADMINISTERING DEPARTMENT	Provincial Department of Roads and Transport									
ACCOUNTING OFFICER	HOD Roads and Transport – Mr. Ronald Swartz									

2.2 REVENUE INVOICING: BILLING

APP REPORT 2015-16FY	TOTAL BUDGET YEAR TO DATE REPORT				QUARTER 3 APP REPORT			
LEASING OF VEHICLES	ANNUAL BUDGET	ACTUAL BILLING	TOTAL VARIANCE	% DIFF	BUDGET BILLING	ACTUAL BILLIED	TOTAL VARIANCE	% DIFF
REVENUE - EXCHANGE	R 793 206 176	533 476 560	259 729 616	33%	R 194 080 268	184 303 937	9 776 331	95%
GRAND TOTAL	R 793 206 176	533 476 560	259 729 616	33%	R 194 080 268	184 303 937	9 776 331	95%

2.3 REVENUE COLLECTIONS: RECEIPTS

APP REPORT 2015-16FY	TOTAL BUDGET YEAR TO DATE REPORT				QUARTER 3 APP REPORT			
	ANNUAL BUDGET	ACTUAL COLLECTIONS	TOTAL VARIANCE	% DIFF	BUDGETED COLLECTIONS	ACTUAL COLLECTIONS	TOTAL VARIANCE	% DIFF
REVENUE - EXCHANGE	R 793 206 176	569 707 894	223 498 283	28%	R 194 080 268	167 852 379	26 227 889	86%
REVENUE – NON EXCHANGE	R 192 305 121	12 786 453	179 518 668	93%	R 62 653 031	4 682 975	57 970 056	7%
TRANSPORT FEES	0	1 343 267	-1 343 267	0%	0	392 081	-392 081	0%
AUCTION FEES	R 17 500 000	26 803 426	-9 303 426	-53%	R 5 331 843	54 539	5 277 304	1%
GRAND TOTAL	R 1 003 011 297	R 610 641 040	R 392 370 257	39%	R 262 065 142	172 981 974	89 083 168	66%

2.4 EXPENDITURE: PER PROGRAMME

The table below classifies the third quarter's expenditure incurred for each Sub-Programme which also includes the following costs:-

- Payments for Capital Assets.
- Payments for Current Goods and Services which includes:
 - o Compensation for Employees.
 - o Current Year Goods and Services.

**APP REPORT
2015-16FY**

YEAR TO DATE RESULTS

QUARTER 3 RESULTS

PER PROGRAMME	ANNUAL BUDGET	ACTUAL SPEND	TOTAL VARIANCE	% UNSPENT	QUARTERLY BUDGET	ACTUAL SPEND	TOTAL VARIANCE	% SPENT
OFFICE OF THE CEO	3 449 504	1 936 627	1 512 877	44%	845 523	739 994	105 529	88%
OFFICE OF THE CFO	22 781 186	22 136 213	644 974	3%	4 150 096	6 463 838	-2 434 584	159%
OPERATIONS AND CORPORATE SERVICES	893 147 811	467 926 531	425 221 280	48%	223 337 707	206 871 183	16 466 524	93%
GRAND TOTAL	919 378 501	491 999 371	427 379 130	46%	228 333 326	214 075 015	14 137 469	94%

2.5 EXPENDITURE: PER BUSINESS UNIT

APP REPORT 2015-16 FY		YEAR TO DATE RESULTS				QUARTER 3 RESULTS			
PER BUSINESS UNIT	ANNUAL BUDGET	ACTUAL SPEND	TOTAL VARIANCE	% UNSPENT	QUARTERLY BUDGET	ACTUAL SPEND	TOTAL VARIANCE	% SPENT	
OFFICE OF THE CEO	3 449 504	1 922 965	1 526 539	44%	845 523	739 994	105 529	88%	
OFFICE OF THE COO	1 948 536	1 028 645	919 892	47%	510 484	359 947	150 537	71%	
OFFICE OF THE CFO	22 781 186	21 568 940	1 212 247	5%	4 150 096	6 463 838	-2 434 584	159%	
CORPORATE SERVICES	142 942 205	21 148 738	121 793 467	85%	35 785 044	7190819	28 594 225	20%	
MARKETING & COMMUNICATION	10 920 255	7 683 100	3 237 155	30%	3 760 553	2335555	1 424 998	62%	
MAINTENANCE SERVICES	107 726 659	73 881 896	33 844 763	31%	26 944 389	27447153	-502 764	102%	
TRANSPORT SUPPORT SERVICES	214 378 878	140 379 442	73 999 436	35%	53 594 721	57 678 210	-4 083 489	108%	
PERMANENT SERVICES	398 773 423	186 975 777	211 797 646	53%	99 693 355	107 789 894	-8 096 539	108%	
VIP & POOL SERVICES	16 457 854	12 349 696	4 108 158	25%	3 049 161	4 069 605	-1 020 444	133%	
PRIOR PERIOD COST	0	25 060 173	-25 060 173	-100%	0		0	0%	
GRAND TOTAL	919 378 501	491 999 371	427 379 130	46%	228 333 326	214 075 015	14 137 469	94%	

3. NON-FINANCIAL PERFORMANCE

3.1 OVERVIEW OF PROGRAMME STRUCTURE

The performance activities of g-Fleet are reported under the following programmes:

SERVICE DELIVERY PROGRAMME	NO.	PROGRAMME STRUCTURE
1. OPERATIONAL MANAGEMENT SERVICES	1.1	PERMANENT FLEET SERVICES
	1.2	VIP / POOL
2. FINANCIAL MANAGEMENT SERVICES	2.1	FINANCIAL MANAGEMENT SERVICES

3.2 SERVICE DELIVERY PERFORMANCE

3.2.1 OPERATIONAL MANAGEMENT SERVICES - PERMANENT FLEET SERVICES

STRATEGIC OBJECTIVE – TO RENEW THE FLEET IN ORDER TO KEEP THE AVERAGE AGE AT 3 YEARS.

STRATEGIC OUTCOME: TO PROVIDE AN IMPROVED, EFFICIENT, RELIABLE, SAFE, ACCESSIBLE AND COST EFFECTIVE AND MARKET RESPONSIVE FLEET SERVICES SUITED TO CLIENT NEEDS.

Measurable Objective	Performance Measure	Audited Baseline	2015/16 Annual Target	Quarter 3		Deviation from Target		Reason for Deviation	Proposed Intervention
				Planned Q3	Actual Q3	Unit	%		
To Renew the fleet in order to keep the fleet average age at 3 years	The no. of vehicles ordered by 31 March 2016	1196 vehicles acquired.	1500 Vehicles to be ordered	450	614	164	136%	Intense engagements with internal stakeholders as well as extensive follow-ups with client departments to submit requisitions and signed FML quotations.	Intensify engagements with clients to fast track the return of signed FML quotations.

Signed Off: Director: Permanent Fleet:



3.2.2 OPERATIONAL MANAGEMENT SERVICES – VIP / POOL FLEET SERVICES

STRATEGIC OBJECTIVE: TO PROVIDE AN IMPROVED, EFFICIENT, RELIABLE, SAFE, ACCESSIBLE AND COST EFFECTIVE AND MARKET RESPONSIVE FLEET SERVICES SUITED TO CLIENT NEEDS.

STRATEGIC OUTCOME: IMPROVED UTILISATION AND REVENUE GENERATION OF VIP AND POOL FLEET

Measurable Objective	Performance Measure	Audited Baseline	2015/16 Annual Target	Quarter 3		Deviation from Target		Reason for Deviation	Proposed Intervention
				Planned Q3	Actual Q3	Unit	%		
To efficiently rent out VIP vehicles to clients	Total % of active VIP fleet rented out to clients by 31 March 2016	97.8% of active VIP vehicles rented to clients	97% of active VIP vehicles rented to clients. (359 vehicles) (229 Actual Vehicle Base as at end December 2015)	97 % of active VIP fleet vehicles rented to clients (222 VIP vehicles)	95% of active VIP vehicles rented to clients (217 VIP vehicles)	-5	-2%	Clients received permanently allocated vehicles therefore demand declined	
To efficiently rent out POOL vehicles to clients.	Total % of active POOL fleet rented out to clients by 31 March 2016	99% of active POOL vehicles rented to clients.	96% of active POOL vehicles rented to clients. (989 vehicles) (837 Actual Vehicle Base at end December 2015)	96% of active Pool fleet vehicles rented to clients (803 Pool vehicles)	98% of active Pool vehicles rented to clients (820 Pool vehicles)	+17	+2%	Clients' needs while waiting for their permanent vehicles and in some cases to implement their projects.	

Signed Off: Director: VIP and Pool Services:



3.2.3 FINANCIAL MANAGEMENT SERVICES

STRATEGIC OBJECTIVE: TO ENSURE SOUND FINANCIAL MANAGEMENT AND CORPORATE GOVERNANCE

STRATEGIC OUTCOME: TO DEMONSTRATE GOOD STEWARDSHIP AND EFFECTIVE UTILIZATION OF THE FINANCIAL RESOURCES ENTRUSTED TO THE ENTITY.
TO PROMOTE ECONOMIC TRANSFORMATION THROUGH INCREASED OPPORTUNITIES FOR BBBEE AND SMME DEVELOPMENT WITHIN THE ECONOMY.

Measurable Objective	Performance Measure	Audited Baseline	2015/16 Annual Target	Quarter 3		Deviation from Target		Reason for Deviation	Proposed Intervention
				Planned Q3	Actual Q3	Unit	%		
To monitor and effectively manage the cash flow including all liabilities of the entity.	No. of supplier invoice payment days by 31 March 2016	2 474 payments made within 30 days (2 596) – 13/14 audited)	30 payment of invoice from the date of receipt	Payments made within 30 days	507 payments within 30 days (baseline: 507 payments)	-	-	-	-
To empower BBBEE service providers and achieve the BBBEE expenditure targets	% of BBBEE expenditure awarded to: Historically Disadvantaged Individuals Women Owned Youth Owned	% of BBBEE expenditure awarded to: HDI 24% (13/14 audited) HDI – 57% (R8 435 689.28) Women 14% (13/14 audited) Women – 20% (R2 976 245.42) Youth 11% (13/14 audited) Youth – 17% (R2 462 634.61) PWD 4% (13/14 audited) PWD – 3% (R366 871.40)	HDI - 80% Women – 30% Youth – 10% PWD – 2%	Total expenditure: R1,989,587.28 80% 30% 10%	67% (1,030,680.78) 37% (552,698.06) 26% (406,208.43) 0% (R0)	(R199,982.84) R104,564.45 R65,359.03	-13% +7% +16%	Limited HDIs Owned Companies for specialised services Limited People With Disability Companies	Invite more companies with HDI, Women, Youth and PWD

Measurable Objective	Performance Measure	Audited Baseline	2015/16 Annual Target	Quarter 3		Deviation from Target		Reason for Deviation	Proposed Intervention
				Planned Q3	Actual Q3	Unit	%		
To achieve a clean audit annually	X1 Clean Audit Report Annually	Adverse Opinion (13/14 audited)	X1 Clean Audit Report	-	-	-	-	-	-

Signed Off: Director: Finance and SCM:

